TOWER RESOURCES LTD.

FINANCIAL STATEMENTS

For the Year Ended October 31, 2019

(Expressed in Canadian Dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Tower Resources Ltd.

Opinion

We have audited the accompanying financial statements of Tower Resources Ltd. (the "Company"), which comprise the statements of financial position as at October 31, 2019 and 2018 and the statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at October 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the financial statements, which indicates that 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. As stated in Note 1, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

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

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor’s report is Guy Thomas.

“DAVIDSON & COMPANY LLP”

Vancouver, Canada

Chartered Professional Accountants

February 20, 2020

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

	October 31, 2019	October 31, 2018
	$	$
ASSETS		
Current		
Cash	121,725	615,376
Receivables (Note 4)	650,174	48,088
Prepaid expenses and deposits	8,100	28,954
	779,999	692,418
Equipment (Note 5)	2,360	22,530
Exploration and evaluation assets (Note 6)	3,967,665	4,118,067
Exploration and evaluation assets - oil and gas (Note 7)	-	1
Reclamation bonds (Note 8)	80,000	80,000
	4,830,024	**4,913,016**
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Notes 9 and 11)	66,061	56,812
Rehabilitation obligations (Note 7)	-	1,237
	66,061	58,049
SHAREHOLDERS' EQUITY		
Share capital (Note 10)	18,103,436	17,584,000
Reserves (Note 10)	538,046	618,831
Deficit	(13,877,519)	(13,347,864)
	4,763,963	4,854,967
	4,830,024	**4,913,016**

NATURE OF OPERATIONS AND GOING CONCERN (Note 1)

Approved and authorized on behalf of the Board:

/s/ "*Joe Dhami*"
Joe Dhami, Director

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

The accompanying notes are an integral part of these financial statements

TOWER RESOURCES LTD.
STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)

	For the year ended October 31, 2019	2018
	$	$
Expenses		
Accounting and audit fees (Note 11)	57,090	56,390
Consulting fees	4,600	77,187
Depreciation (Note 5)	17,635	21,921
Investor relations	-	17,233
Legal fees	10,096	31,275
Management fees (Note 11)	52,500	50,000
Office and miscellaneous (Note 11)	118,587	160,022
Share-based compensation (Notes 10 and 11)	66,927	323,956
Transfer agent and filing fees	28,631	31,858
Travel and promotion	7,963	58,918
Wages and benefits (Note 11)	72,979	162,933
	(437,008)	(991,693)
Disposition of exploration and evaluation assets - oil and gas (Note 7)	(1)	-
Gain on exploration and evaluation assets previously written off (Note 6)	-	14,665
Interest income	17,966	6,048
Loss on disposal of equipment (Note 5)	(2,535)	-
Rehabilitation obligations (Note 7)	(1,511)	(1,650)
Write-off of exploration and evaluation asset (Note 6)	(262,918)	-
Loss and comprehensive loss for the year	**(686,007)**	**(972,630)**
Basic and diluted loss per share	**(0.01)**	**(0.01)**
Weighted average number of common shares outstanding	**98,356,682**	**90,736,339**

The accompanying notes are an integral part of these financial statements

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

	For the year ended October 31, 2019	2018
	$	**$**
Cash flows used in operating activities		
Loss for the year	(686,007)	(972,630)
Items not affecting cash		
Depreciation	17,635	21,921
Share-based compensation	66,927	323,956
Disposition of exploration and evaluation assets - oil and gas	1	-
Write-off of exploration and evaluation asset	262,918	-
Loss on disposal of equipment	2,535	-
Gain on exploration and evaluation assets previously written off	-	(14,665)
Rehabilitation obligations	1,511	-
Changes in non-cash working capital items		
Receivables	19,768	(30,350)
Prepaid expenses and deposits	20,854	(6,529)
Accounts payable and accrued liabilities	8,799	6,103
	(285,059)	(672,194)
Cash flows used in investing activities		
Acquisition of exploration and evaluation assets	(696,530)	(1,270,985)
Acquisition of equipment	-	(31,418)
Payment of rehabilitation obligations	(2,748)	-
BC mining exploration tax credit received	-	95,473
Reclamation bonds	-	(35,000)
	(699,278)	(1,241,930)
Cash flows from financing activities		
Proceeds from shares issued	500,000	-
Share issuance costs	(9,314)	-
Stock options exercised	-	67,000
	490,686	67,000
Net change in cash	(493,651)	(1,847,124)
Cash, beginning of year	615,376	2,462,500
Cash, end of year	**121,725**	**615,376**

SUPPLEMENTAL CASH FLOW INFORMATION (Note 13)

The accompanying notes are an integral part of these financial statements

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

	Number of Shares Issued	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**
Stock options exercised	1,275,000	116,818	(49,818)	-	67,000
Units issued for exploration and evaluation assets acquisition	500,000	70,000	32,723	-	102,723
Shares issued for exploration and evaluation assets acquisition	350,000	42,750	-	-	42,750
Share-based compensation	-	-	323,956	-	323,956
Stock options expired	-	-	(21,927)	21,927	-
Stock options terminated	-	-	(239,407)	239,407	-
Warrants expired	-	20,639	(20,639)	-	-
Loss for the year	-	-	-	(972,630)	(972,630)
Balance at October 31, 2018	**91,742,435**	**17,584,000**	**618,831**	**(13,347,864)**	**4,854,967**
Shares issued for cash	12,500,000	500,000	-	-	500,000
Share issuance costs	-	(9,314)	-	-	(9,314)
Units issued for exploration and evaluation assets acquisition	625,000	18,750	8,640	-	27,390
Shares issued for exploration and evaluation assets acquisition	200,000	10,000	-	-	10,000
Share-based compensation	-	-	66,927	-	66,927
Stock options expired	-	-	(5,741)	5,741	-
Stock options terminated	-	-	(150,611)	150,611	-
Loss for the year	-	-	-	(686,007)	(686,007)
Balance at October 31, 2019	**105,067,435**	**18,103,436**	**538,046**	**(13,877,519)**	**4,763,963**

The accompanying notes are an integral part of these financial statements

1. NATURE OF OPERATIONS AND GOING CONCERN

Nature of operations

Tower Resources Ltd. ("the Company") is incorporated under the laws of British Columbia, Canada. The Company's common shares are listed for trading on the TSX Venture Exchange ("TSX-V") under the symbol TWR. The Company's head office and principal address and registered and records office is located at 2974 Strangway Place, Squamish, BC, V8B 0P8.

Going concern

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

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

The continuation of the Company's operations is dependent on obtaining sufficient additional financing in order to realize the recoverability of the Company's investments in exploration and evaluation assets, which in turn is dependent upon the existence of economically recoverable reserves and market prices for the underlying minerals. 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

Statement of compliance

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

These financial statements were approved by the Audit Committee and Board of Directors of the Company on February 20, 2020.

Basis of presentation

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

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 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:

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.

3. SIGNIFICANT ACCOUNTING POLICIES

Financial instruments

Financial assets

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

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

Impairment of financial assets

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

Financial liabilities

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

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

Equipment

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Equipment (continued)

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

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

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

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

Exploration and evaluation assets

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Mining and exploration tax recoveries

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

Restoration and environmental obligations

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

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

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

For the years presented, the Company recorded a rehabilitation obligation of $nil (2018 - $1,237) in relation to its oil and gas exploration and evaluation assets. The Company estimates that it has no significant restoration and environmental obligations related to its exploration and evaluation assets.

Impairment of non-financial assets

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share capital

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

Warrants issued in equity financing transactions

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

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

Basic and diluted loss per share

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

Share-based compensation

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes

Current income tax

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

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

Deferred income tax

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

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

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

Flow-through shares

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

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

Related party transactions

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

New accounting policies adopted

The following standards and amendments to existing standards have been adopted by the Company effective November 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 financial statements as a result of adopting this standard.

IFRS 9 – Financial Instruments

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 financial statements as a result of transitioning to IFRS 9. IFRS 9 introduced a revised model for classification and measurement, and while this has resulted in financial instrument classification changes, there were no quantitative impacts from adoption. 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. There are no transitional impacts regarding financial liabilities in regards to classification and measurement.

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 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.

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 expects the potential impact of the application of this standard to be increased disclosure.

(Expressed in Canadian Dollars)

4. RECEIVABLES

	October 31, 2019	October 31, 2018
	$	$
GST receivable	12,359	10,596
BCMETC receivable	621,854	-
Interest receivable	15,567	4,159
Other receivable	394	-
Legal fees recoverable	-	33,333
	650,174	**48,088**

5. 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	-	-	-	-
Disposals	(24,356)	-	(4,601)	(28,957)
At October 31, 2019	-	76,929	11,451	88,380
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 year	1,043	15,709	883	17,635
Adjustment for the year	(23,123)	-	(3,299)	(26,422)
At October 31, 2019	-	76,929	9,091	86,020
Net book value				
At October 31, 2018	2,276	15,709	4,545	22,530
At October 31, 2019	**-**	**-**	**2,360**	**2,360**

During the year ended July 21, 2019, the Company disposed of its computer hardware and certain equipment for proceeds of $nil (2018 - $nil), resulting in a loss in disposition of equipment of $2,535 (2018 - $nil).

(Expressed in Canadian Dollars)

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	-	30,000	35,000	-	27,390	92,390
Deferred costs						
Assays	-	-	16,708	-	-	16,708
Claim fees	-	-	-	-	31,694	31,694
Consulting	-	1,796	2,348	-	-	4,144
Drilling	-	-	360,295	-	-	360,295
Equipment rental	-	-	2,505	-	-	2,505
Field supplies	-	187	994	-	-	1,181
Food	-	-	8,284	-	-	8,284
Geologist	-	23,238	185,109	-	-	208,347
Travel	-	2,400	3,702	-	-	6,102
Vehicle	-	-	2,720	-	-	2,720
Total costs incurred during the year	-	57,621	617,665	-	59,084	734,370
B.C. mineral exploration tax credit recoverable	-	(392,378)	(207,803)	(21,673)	-	(621,854)
Write-off of exploration and evaluation asset	-	-	-	-	(262,918)	(262,918)
Balance, October 31, 2019	**1**	**2,502,425**	**1,382,795**	**82,444**	**-**	**3,967,665**

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.

During the year ended October 31, 2019, the Company received $nil (2018 - $14,665) for the BC mining exploration tax credit, recorded as a gain on exploration and evaluation assets previously written off.

RABBIT NORTH PROPERTY

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

The property is subject to a 3% NSR in favour of the optionors, of which 1% of the 3% may be purchased by the Company for $2,000,000 and the second 1% of the 3% may be purchased by the Company for $1,500,000. In March 2017, the Company entered into a royalty buyback assignment agreement with Sandstorm Gold Ltd. ("Sandstorm") pursuant to which it assigned to Sandstorm the Company's right to purchase the second 1% of the Company's 2% buyback rights with respect to the optionors' NSR. If the Company makes a decision to develop the Rabbit North property and put it into production, the Company has agreed to exercise its right to buy back 1% of the NSR, contingent upon Sandstorm exercising its right to buy back the second 1% (as assigned to it), whereupon the Company will grant directly to Sandstorm a 1% NSR. During the year ended October 31, 2019, the Company paid $30,000 (2018 - $30,000), in advanced annual royalty payments; as at October 31, 2019, the Company had paid a total of $60,000 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 an agreement with Sandstorm and granted 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.

(Expressed in Canadian Dollars)

6. EXPLORATION AND EVALUATION ASSETS (continued)

NECHAKO GOLD PROPERTY

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

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 *(paid)*	25,000	-	-
July 21, 2019 *(issued*)	-	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 and granted 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.

During the year ended October 31, 2019, the Company fulfilled its obligations under the option agreement and has earned the right to acquire a 100% interest in the Chutanli property.

(Expressed in Canadian Dollars)

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 and granted Sandstorm a 2% NSR on the Company's More Creek property. The Company has the option to buy back 1% of the NSR from Sandstorm for cash consideration of $500,000.

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

During the year ended October 31, 2019, the Company wrote off the property and, accordingly, recorded a write-off of exploration and evaluation asset of $262,918 (2018 - $nil).

7. EXPLORATION AND EVALUATION ASSETS - OIL AND GAS

		Poplar Winstar Strachan
Balance, October 31, 2017 and 2018	$	1
Disposition		(1)
Balance, October 31, 2019	$	-

POPLAR WINSTAR STRACHAN

During the year ended October 31, 2019, the Company entered into an agreement to return their 1.2367% interest in the Winstar Strachan 8-10-38-10 W5M well in the West Central area of Alberta to the operators for a final rehabilitation obligation payment of $2,748. Rehabilitation obligations of $nil (2018 - $1,237) have been recorded based on the Company's proportionate share of obligations estimated by the operators of the properties. During the year ended October 31, 2019, the Company recorded $1,511 (2018 - $1,650) for their proportionate share of a final reclamation certificate.

8. RECLAMATION BONDS

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

(Expressed in Canadian Dollars)

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	October 31, 2019	October 31, 2018
	$	$
Accounts payable	39,328	29,712
Accrued liabilities	26,733	25,000
Due to related parties (Note 11)	-	2,100
	66,061	**56,812**

10. SHARE CAPITAL AND RESERVES

Authorized share capital

Unlimited number of common shares without par value.

Issued share capital

<u>During the year ended October 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 compensatory warrants were valued at $8,640.

In May 2019, the Company completed a private placement for 12,500,000 units at a price of $0.04 per unit for gross proceeds of $500,000. Each unit is comprised of one common share and one-half of one share purchase, with each full warrant entitling the holder to acquire one additional common share of the Company at the exercise price of $0.10 per share for a period of 12 months. Finder’s fees and expenses of $9,314 were paid in connection with this financing.

In July 2019, the Company issued 200,000 common shares, valued at $10,000, pursuant to the Chutanli property agreement (Note 6).

<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)

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 year ended October 31, 2019, the Company granted 3,450,000 (2018 - 3,500,000) incentive stock options with a fair value of $175,775 (2018 - $414,115) using the Black-Scholes option pricing model. During the year ended October 31, 2019, the Company expensed $66,927 (2018 - $323,956) as share-based compensation for stock options.

During the year ended October 31, 2019, 100,000 (2018 - 175,000) incentive stock options expired unexercised and 2,725,000 (2018 - 2,950,000) incentive stock options were terminated in accordance with their terms; accordingly, $5,741 (2018 - $21,927) and $150,611 (2018 - $239,407), respectively, were reversed from reserves to deficit. Furthermore, nil (2018 - 1,275,000) stock options were exercised for proceeds of $nil (2018 - $67,000). As a result, $nil (2018 - $49,818) was transferred from reserves to share capital.

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

	For the year ended October 31, 2019	2018
Risk-free interest rate	1.41%	2.17%
Expected option life in years	5 years	5 years
Expected stock price volatility	159%	171%
Expected forfeiture rate	0%	0%

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
Granted	3,450,000	0.06
Terminated	(2,725,000)	0.13
Expired	(100,000)	0.06
Outstanding at October 31, 2019	5,600,000	0.08

(Expressed in Canadian Dollars)

10. SHARE CAPITAL AND RESERVES (continued)

Stock options (continued)

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

Number outstanding	Number exercisable	Exercise price	Weighted average remaining life (years)	Expiry date
		$		
50,000	50,000	0.05	0.01	November 4, 2019*
200,000	200,000	0.09	1.81	August 23, 2021
575,000	575,000	0.13	1.88	September 16, 2021
100,000	100,000	0.16	2.27	February 6, 2022
175,000	175,000	0.16	2.91	September 28, 2022
1,050,000	700,000	0.125	3.50	May 2, 2023
3,450,000	1,150,000	0.055	4.75	July 29, 2024
5,600,000	2,950,000			

* expired unexercised subsequent to year end

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

Warrants

In December 2018, the Company, issued 312,500 compensatory 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%.

In conjunction with the May 2019 financing, the Company issued 6,250,000 warrants, each exercisable into one common share of the Company at a price of $0.10 for a period of 12 months.

During the year ended October 31, 2018, the Company, issued 250,000 compensatory 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%.

(Expressed in Canadian Dollars)

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, 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	6,562,500	0.10
Outstanding and exercisable at October 31, 2019	19,685,096	0.18

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

Number outstanding	Exercise price	Expiry date
	$	
6,250,000	0.10	May 8, 2020
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
19,685,096		

The weighted average exercise price of warrants is $0.18.

11. RELATED PARTY TRANSACTIONS

The Company entered into transactions with related parties during the year ended October 31, 2019:

Office and miscellaneous includes rent recovery of $nil (2018 - $4,669) from companies related by a former director.

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

	For the year ended October 31, 2019	2018
	$	$
Accounting fees	24,000	15,548
Management fees	52,500	50,000
Office and miscellaneous	-	10,000
Share-based compensation	63,541	219,494
Wages and benefits	62,692	134,615
	202,733	**429,657**

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

(Expressed in Canadian Dollars)

12. SEGMENTED INFORMATION

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

13. SUPPLEMENTAL CASH FLOW INFORMATION

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

	For the year ended October 31, 2019	2018
	$	$
Non-cash transactions not included in investing or financing activities:		
Exploration and evaluation assets in receivables	621,854	-
Exploration and evaluation assets in accounts payable	450	-
Termination of options	150,611	239,407
Units issued for exploration and evaluation assets	27,390	102,723
Shares issued for exploration and evaluation assets	10,000	42,750
Expiration of stock options	5,741	21,927
Exploration advance reallocated to exploration and valuation assets	-	70,000
Fair value of stock options exercised	-	49,818
Expiration of warrants	-	20,639

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 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 tax credits due from the Provincial Government of British Columbia. Management believes that credit risk related to these amounts is nominal.

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient funds to meet its financial obligations when they are due. To manage liquidity risk, the Company reviews additional sources of capital and financing to continue its operations and discharge its commitments. The Company 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 October 31, 2019, the Company held demand deposits with a face value of $68,000 (2018 - $668,000). A change in interest rates of 1% would change income by $680 (2018 - $6,680) 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. There have been no significant changes in the Company's objectives, policies, and processes for managing its capital during the year ended October 31, 2019.

(Expressed in Canadian Dollars)

16. INCOME TAXES

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

	October 31, 2019	October 31, 2018
	$	$
Loss before income taxes	(686,007)	(972,630)
Expected income tax recovery at statutory tax rates	(185,000)	(261,000)
Change in statutory rate and other items	1,000	(21,000)
Share issuance costs	(3,000)	-
Permanent difference	18,000	87,000
Adjustment to prior year provision versus statutory tax returns	24,000	25,000
Change in unrecognized deductible temporary differences	145,000	170,000
Total deferred taxes	-	-

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

	October 31, 2019	October 31, 2018
	$	$
Equipment	24,000	26,000
Non-capital losses	1,368,000	1,253,000
Allowable capital losses	33,000	33,000
Exploration and evaluation assets	1,276,000	1,231,000
Share issuance costs	29,000	42,000
Total unrecognized deferred tax assets	2,730,000	2,585,000

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

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

	October 31, 2019	Expiry dates	October 31, 2018	Expiry dates
	$		$	
Share issuance costs	106,000	2020 to 2023	156,000	2019 to 2020
Allowable capital losses	121,000	No expiry	121,000	No expiry
Equipment	91,000	No expiry	95,000	No expiry
Exploration and evaluation assets	4,726,000	No expiry	4,558,000	No expiry
Non-capital losses	5,066,000	2026 to 2039	4,640,000	2026 to 2038
Rehabilitation obligation	-	No expiry	1,000	No expiry
	10,110,000		9,571,000	