TOWER RESOURCES LTD.

CONDENSED INTERIM FINANCIAL STATEMENTS

For the three and six months ended April 30, 2017

(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 the financial statements have not been reviewed by an auditor.

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

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

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

	April 30, 2017	October 31, 2016
	$	$
ASSETS		
Current		
Cash	3,850,820	1,113,121
Receivables (Note 3)	29,424	54,060
Prepaid expenses and deposits	9,640	8,773
	3,889,884	1,175,954
Property and equipment (Note 4)	10,191	8,275
Exploration and evaluation assets (Note 5)	1,629,233	1,528,189
Exploration and evaluation assets - oil and gas (Note 6)	1	1
Reclamation bonds (Note 7)	55,000	55,000
	5,584,309	**2,767,419**
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 8)	129,977	424,163
Rehabilitation obligation (Note 6)	13,000	13,000
	142,977	437,163
Shareholders' equity		
Share capital (Note 9)	17,218,842	14,154,022
Share subscriptions	-	12,000
Reserves (Note 9)	663,152	427,985
Deficit	(12,440,662)	(12,263,751)
	5,441,332	2,330,256
	5,584,309	**2,767,419**

NATURE OF OPERATIONS AND GOING CONCERN (Note 1)
SUBSEQUENT EVENTS (Note 14)

Approved and authorized on behalf of the Board:

"Mark Vanry"	"Steve Vanry"
Mark Vanry, Director	*Steve Vanry, 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 April 30,		For the six months ended April 30,	
	2017	**2016**	**2017**	**2016**
	$	**$**	**$**	**$**
Expenses				
Accounting and audit	6,565	3,580	13,915	5,080
Benefits	3,881	3,522	7,880	6,762
Consulting fees (Note 10)	-	-	-	15,000
Depreciation	711	1,029	1,421	2,023
Investor relations	13,000	-	35,260	-
Legal fees	12,846	589	13,184	1,659
Management fees (Note 10)	27,500	22,500	50,000	45,000
Office and miscellaneous (Note 10)	34,801	28,229	50,452	49,492
Property investigation costs	1,888	-	1,888	-
Share-based compensation (Note 10)	93,451	437	132,222	1,452
Transfer agent and filing fees	15,077	5,383	26,425	10,192
Travel and promotion	3,865	3,718	13,859	3,718
	(213,585)	(68,987)	(346,506)	(140,378)
Loss on debt settlement (Note 9)	(16,159)	-	(16,159)	-
Gain from sale of royalty (Note 5)	100,777	-	100,777	-
Write off of exploration and evaluation assets (Note 5)	-	(12,213)	-	(2,513,275)
	84,618	(12,213)	84,618	(2,513,275)
Loss and comprehensive loss for the period	**(128,967)**	**(81,200)**	**(261,888)**	**(2,653,653)**
Basic and diluted loss per share	**(0.00)**	**(0.00)**	**(0.00)**	**(0.05)**
Weighted average number of common shares outstanding	**72,217,510**	**49,643,864**	**68,877,803**	**49,638,528**

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 six months ended April 30,	
	2017	**2016**
	$	**$**
Cash flows used in operating activities		
Loss for the period	(261,888)	(2,653,653)
Items not affecting cash		
Depreciation	1,421	2,023
Share-based compensation	132,222	1,452
Loss on debt settlement	16,159	-
Gain from sale of royalty	(100,777)	-
Write off of exploration and evaluation assets	-	2,513,275
Changes in non-cash working capital items		
Receivables	24,636	(274)
Prepaid expenses	(867)	4,718
Accounts payable and accrued liabilities	(19,998)	(1,571)
	(209,092)	(134,030)
Cash flows used in investing activities		
Acquisition of equipment	(3,337)	(694)
Exploration and evaluation assets expenditures	(702,820)	(35,880)
Reclamation bonds refund	-	5,000
	(706,157)	(31,574)
Cash flows from financing activities		
Proceeds for share issued	3,338,224	-
Share issuance costs	(174,706)	-
Net proceeds from sale of royalty	488,180	-
Stock options exercised	1,250	-
	3,652,948	-
Net change in cash	2,737,699	(165,604)
Cash, beginning of period	1,113,121	378,669
Cash, end of period	**3,850,820**	**213,065**
Non-cash transactions		
Shares issued for exploration and evaluation assets acquisition	33,000	-
Agents' warrants issued	174,672	-
Units issued for debt settlement	46,159	-
Referral fees for sale of royalty in accounts payable	25,000	-
Share issuance costs in accounts payable	29,995	-
Exploration and evaluation assets included in accounts payable	3,169	-
Stock options expired	53,117	-
Stock options cancelled	31,860	-

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	Share Capital	Reserves	Share Subscriptions	Deficit	Total Shareholders' Equity
		$	$	$	$	$
Balance at October 31, 2015	**49,633,308**	**12,989,917**	**657,650**	**-**	**(9,643,502)**	**4,004,065**
Shares issued for exploration and evaluation assets acquisition	50,000	1,750	-	-	-	1,750
Share-based compensation	-	-	1,452	-	-	1,452
Loss for the period	-	-	-	-	(2,653,653)	(2,653,653)
Balance at April 30, 2016	**49,683,308**	**12,991,667**	**659,102**	**-**	**(12,297,155)**	**1,353,614**
Shares issued for cash	15,000,000	1,200,000	-	-	-	1,200,000
Shares issuance costs	350,000	(75,645)	20,639	-	-	(55,006)
Share subscriptions	-	-	-	12,000	-	12,000
Shares issued for exploration and evaluation assets acquisition	500,000	38,000	-	-	-	38,000
Share-based compensation	-	-	28,238	-	-	28,238
Stock options expired	-	-	(279,994)	-	279,994	-
Loss for the period	-	-	-	-	(246,590)	(246,590)
Balance at October 31, 2016	**65,533,308**	**14,154,022**	**427,985**	**12,000**	**(12,263,751)**	**2,330,256**
Shares issued for cash	23,022,231	3,338,224	-	-	-	3,338,224
Shares issuance costs	-	(352,563)	147,862	-	-	(204,701)
Shares issued for exploration and evaluation assets acquisition	200,000	33,000	-	-	-	33,000
Warrants issued for sale of royalty	-	-	26,810	-	-	26,810
Debt settlement	206,896	32,069	14,090	-	-	46,159
Warrants exercised	80,000	12,000	-	(12,000)	-	-
Stock options exercised	25,000	2,090	(840)	-	-	1,250
Stock options expired	-	-	(53,117)	-	53,117	-
Stock options cancelled	-	-	(31,860)	-	31,860	-
Share-based compensation	-	-	132,222	-	-	132,222
Loss for the period	-	-	-	-	(261,888)	(261,888)
Balance at April 30, 2017	**89,067,435**	**17,218,842**	**663,152**	**-**	**(12,440,662)**	**5,441,332**

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Nature of operations

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

Going concern

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Statement of compliance

These condensed interim financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS") and International Accounting Standards ("IAS") 34 "Interim Financial Reporting" as issued by the International Accounting Standards Board ("IASB").

This condensed interim financial report does not include all of the information required of a full annual financial report and is intended to provide users with an update in relation to events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the end of the last annual reporting period. It is therefore recommended that this financial report be read in conjunction with the annual audited financial statements of the Company for the year ended October 31, 2016. The accounting policies applied in preparation of these condensed interim financial statements are consistent with those applied and disclosed in the Company's financial statements for the year ended October 31, 2016.

These condensed interim financial statements were authorized by the Board of Directors on June 28, 2017.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of presentation

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

Use of estimates

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

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

Critical judgment exercised relates primarily to the going concern issue identified in Note 1.

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

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

<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.

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

New or revised accounting standards not yet adopted

The following new standards, amendments to standards and interpretations applicable to the Company are not yet effective for the six months ended April 30, 2017 and have not been applied in preparing these condensed interim financial statements.

(Expressed in Canadian Dollars – Unaudited)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New or revised accounting standards not yet adopted (continued)

The Company does not expect there to be any changes as a result of the new or revised standards, which will be effective in relation to the Company's financial statements for the year ending October 31, 2018 or later:

a. IFRS 9 – Financial Instruments: Classification and Measurement applies to classification and measurement of financial assets and liabilities as defined in IAS 39. It is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted.
b. IAS 12 – Income Taxes: amendments to IAS 12 to clarify the recognition of a deferred tax asset for unrealized losses.

3. RECEIVABLES

	April 30, 2017	October 31, 2016
	$	$
Sales tax recoverable	27,615	23,593
Interest receivable	233	99
Other receivable	1,576	30,368
	29,424	**54,060**

4. PROPERTY AND EQUIPMENT

	Computer hardware	Computer software	Equipment and furniture	Total
	$	$	$	$
Cost:				
At October 31, 2015	19,069	39,911	15,358	74,338
Additions	-	-	694	694
At October 31, 2016	19,069	39,911	16,052	75,032
Additions	3,337	-	-	3,337
At April 30, 2017	22,406	39,911	16,052	78,369
Depreciation:				
At October 31, 2015	16,721	38,729	7,262	62,712
Charge for the year	1,174	1,182	1,689	4,045
At October 31, 2016	17,895	39,911	8,951	66,757
Charge for the period	710	-	711	1,421
At April 30, 2017	18,605	39,911	9,662	68,178
Net book value:				
At October 31, 2016	1,174	-	7,101	8,275
At April 30, 2017	**3,801**	**-**	**6,390**	**10,191**

(Expressed in Canadian Dollars – Unaudited)

5. EXPLORATION AND EVALUATION ASSETS

	JD	Baez	Waterloo	Rabbit North	Nechako Gold	More Creek	Total
	$	$	$	$	$	$	$
Balance, October 31, 2015	**2,487,646**	**1**	**1**	**1,088,765**	**-**	**-**	**3,576,413**
Acquisition costs	3,050	-	-	74,000	39,193	11,256	127,499
Deferred costs							
Assays	-	-	-	482	496	304	1,282
Consulting services	22,500	-	-	32,500	-	11,923	66,923
Drilling	-	-	-	189,978	-	-	189,978
Equipment rental	-	-	-	1,756	289	-	2,045
Field supplies	172	-	-	3,195	958	338	4,663
Food	-	-	-	3,846	513	342	4,701
Geologist	80	-	-	20,205	1,787	1,787	23,859
Helicopter	29,089	-	-	-	-	5,279	34,368
Site development	7,150	-	-	-	-	-	7,150
Surveys	-	-	-	-	28,319	8,854	37,173
Travel	1,498	-	-	8,189	2,404	1,313	13,404
Vehicle	-	-	-	5,502	1,839	904	8,245
Total costs incurred during the year	63,539	-	-	339,653	47,479	70,619	521,290
B.C. mineral exploration tax credit recoverable	(8,311)	-	-	(18,328)	-	-	(26,639)
Write-off of exploration and evaluation asset	(2,542,873)	(1)	(1)	-	-	-	(2,542,875)
Balance, October 31, 2016	**1**	**-**	**-**	**1,410,090**	**75,798**	**42,300**	**1,528,189**
Acquisition costs	-	-	-	34,303	-	-	34,303
Deferred costs							
Accommodation	-	-	-	4,760	-	-	4,760
Assays	-	-	-	45,242	2,398	-	47,640
Drilling	-	-	-	184,106	23,989	-	208,095
Equipment rental	-	-	-	670	-	-	670
Field supplies	-	-	-	4,366	-	-	4,366
Food	-	-	-	2,900	-	-	2,900
Geologist	-	-	-	91,054	223	223	91,500
Travel	-	-	-	4,949	-	-	4,949
Vehicle	-	-	-	7,454	-	-	7,454
Total costs incurred during the period	-	-	-	379,804	26,610	223	406,637
Recovery from sale of royalty	-	-	-	(162,548)	(102,408)	(40,637)	(305,593)
Balance, April 30, 2017	**1**	**-**	**-**	**1,627,346**	**-**	**1,886**	**1,629,233**

(Expressed in Canadian Dollars – Unaudited)

5. EXPLORATION AND EVALUATION ASSETS (continued)

JD PROPERTY

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

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

In March 2016, the Company terminated the JD property option agreement, and wrote down the property by $2,542,873 to a value of $1, as the Company retains ownership of the adjoining Belle property.

The legal ownership of the Belle claims is currently being contested.

BAEZ PROPERTY

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

WATERLOO PROPERTY

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

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

RABBIT NORTH PROPERTY

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

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

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

In February 2017, the Company entered into an amendment agreement to extend the completion date of the $2-million in cumulative exploration expenditures to July 23, 2019, in consideration for which the company issued 200,000 common shares.

(Expressed in Canadian Dollars – Unaudited)

5. EXPLORATION AND EVALUATION ASSETS (continued)

RABBIT NORTH PROPERTY (continued)

In March 2017, the Company entered into certain net smelter returns ("NSR") royalty agreements with Sandstorm Gold Ltd. ("Sandstorm"). Under the terms of the agreements, the Company received $200,000 in return for granting Sandstorm a two percent (2%) NSR on the Company's Rabbit North property. The Company will have the option to buyback one percent (1%) of the NSR from Sandstorm for cash consideration of $500,000. In addition, the Company will assign Sandstorm the right to purchase one percent (1%) of Tower's two percent buyback right underlying the Rabbit North property. In relation to the transaction, the Company incurred total expenses of $37,452. As a result, the Company recorded a recovery of exploration and evaluation expenditures from the sale of NSR of $162,548 on the Rabbit North property.

NECHAKO GOLD PROPERTY

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

Porphyry Property Option Agreement

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

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

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

Chutanli Property Option Agreement

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

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

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

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

(Expressed in Canadian Dollars – Unaudited)

5. EXPLORATION AND EVALUATION ASSETS (continued)

NECHAKO GOLD PROPERTY (continued)

In March 2017, the Company entered into certain net smelter returns royalty agreements with Sandstorm. Under the terms of the agreements, the Company received $250,000 in return for granting Sandstorm a two percent (2%) NSR on the Company's Nechako Gold property. The Company will have the option to buyback one percent (1%) of the NSR from Sandstorm for cash consideration of $500,000. In relation to the transaction, the Company incurred total expenses of $46,815. As a result, the Company recorded a recovery of exploration and evaluation expenditures from the sale of NSR of $102,408 on the Nechako Gold property and a gain from the sale of royalty of $100,777.

MORE CREEK PROPERTY

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

In March 2017, the Company entered into a net smelter returns royalty agreement with Sandstorm. Under the terms of the agreements, the Company will receive $50,000 in return for granting Sandstorm a two percent (2%) NSR on the Company's More Creek property. The Company will have the option to buyback one percent (1%) of the NSR from Sandstorm for cash consideration of $500,000. In relation to the transaction, the Company incurred total expenses of $8,597. As a result, the Company recorded a recovery of exploration and evaluation expenditures from the sale of NSR of $40,637 to the More Creek property.

6. EXPLORATION AND EVALUATION ASSETS - OIL AND GAS

	April 30, 2017 and October 31, 2016 Acquisition Costs
Poplar Winstar Strachan	$ 1

POPLAR WINSTAR STRACHAN

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

Rehabilitation obligations of $13,000 (October 31, 2016 - $13,000) have been recorded based on the Company's proportionate share of obligations estimated by the operators of the properties. The estimated values of the obligations have not been discounted as they are immaterial and an estimate of the timing of the future cash flows is not determinable.

7. RECLAMATION BONDS

In relation to the JD and Rabbit North properties, the Company has posted reclamation bonds totaling $55,000 (October 31, 2016 - $55,000).

(Expressed in Canadian Dollars – Unaudited)

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	April 30, 2017	October 31, 2016
	$	$
Accounts payable	97,291	350,738
Accrued liabilities	8,600	31,820
Due to related parties (Note 10)	24,086	41,605
	129,977	**424,163**

9. SHARE CAPITAL AND RESERVES

Authorized share capital

Unlimited number of common shares without par value.

Issued share capital

During the year ended October 31, 2016:

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

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

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

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

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

In February 2017, the Company issued 200,000 common shares valued at $33,000 pursuant to the Rabbit North property amendment agreement (Note 5).

In April 2017, the Company completed a private placement for 23,022,231 units at a price of $0.145 per unit for gross proceeds of $3,338,224. Each unit consisted of one common share and one-half share purchase warrant which will entitle the holder of each full warrant to acquire an additional common share of the Company at a price of $0.22 per share for a period of 60 months. Finder's fees and expenses of $352,563 were paid in connection with this financing of which $204,701 was paid in cash and $147,862 was paid through the issuance of 1,085,620 warrants.

In connection to the NSR agreement, the Company issued 206,896 units to settle an advisory fee of $30,000. These units have the same terms as the units issued in the private placement. The shares were valued at $32,069 and the warrants were valued at $14,090. Hence, the Company recorded a loss of $16,159.

(Expressed in Canadian Dollars – Unaudited)

9. 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, 2016, the Company granted 1,900,000 incentive stock options with a fair value of $146,777 using the Black-Scholes option pricing model. The Company expensed $29,690 as share-based compensation.

During the year ended October 31, 2016, 900,000 incentive stock options expired unexercised, and accordingly $279,994 was reversed from reserves to deficit.

During the six months ended April 30, 2017, the Company granted 1,200,000 incentive stock options with a fair value of $182,948 using the Black-Scholes option pricing model. The Company expensed $132,222 as share-based compensation for stock options vested. In addition, 150,000 incentive stock options expired unexercised and 250,000 incentive stock options were cancelled. Accordingly $53,117 and $31,860, respectively, was reversed from reserves to deficit. Furthermore, 25,000 stock options were exercised for proceed of $1,250. As a result, $840 was transferred from reserves to share capital.

The following is a summary of stock options activities:

	Number of options	Weighted average exercise price
		$
Outstanding at October 31, 2015	4,000,000	0.18
Granted	1,900,000	0.12
Expired	(900,000)	0.35
Outstanding at October 31, 2016	5,000,000	0.13
Granted	1,200,000	0.16
Expired	(150,000)	0.38
Cancelled	(250,000)	0.17
Exercised	(25,000)	0.05
Outstanding at April 30, 2017	5,775,000	0.13

(Expressed in Canadian Dollars – Unaudited)

9. SHARE CAPITAL AND RESERVES (continued)

Stock options (continued)

The Company has outstanding options entitling the holder to purchase an aggregate of common shares at April 30, 2017 as follows:

Exercise Price	Number Outstanding	Number Exercisable	Expiry Date
$			
0.30	250,000	250,000	May 24, 2017
0.30	325,000	325,000	October 25, 2017
0.13	325,000	325,000	April 9, 2018
0.05	350,000	350,000	December 17, 2018
0.05	50,000	50,000	January 28, 2019
0.06	525,000	525,000	July 7, 2019
0.05	900,000	900,000	November 4, 2019
0.16	200,000	50,000	April 24, 2020
0.09	200,000	50,000	August 23, 2021
0.09	150,000	37,500	September 1, 2021
0.13	1,500,000	375,000	September 16, 2021
0.16	850,000	106,250	February 6, 2022
0.16	150,000	18,750	April 24, 2022
	5,775,000	3,362,500	

Warrants

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

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

In conjunction with the April 2017 financing, the Company issued 11,511,116 warrants, each exercisable into one common share of the Company at a price of $0.22 for a period of 60 months. The Company also issued 1,085,620 warrants, each such warrant exercisable into one common share at $0.22 for a period of 60 months. The agent's warrants were valued at $147,861 calculated using the Black-Scholes option pricing model assuming a life expectancy of five years, a risk free rate of 1.03%, a forfeiture rate of nil, and volatility of 175%. The 103,448 warrants issued with the units to settle the advisory fees were valued at $14,090 calculated using the Black-Scholes option pricing model assuming a life expectancy of five years, a risk free rate of 1.03%, a forfeiture rate of nil, and volatility of 175%.

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

During the six months ended April 30, 2017, 80,000 warrants were exercised for proceeds of $12,000.

(Expressed in Canadian Dollars – Unaudited)

9. 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, 2015	15,000,000	0.25
Issued	15,350,000	0.15
Expired	(15,000,000)	0.25
Outstanding and exercisable at October 31, 2016	15,350,000	0.15
Issued	12,872,597	0.22
Exercised	(80,000)	0.15
Outstanding and exercisable at April 30, 2017	28,142,597	0.18

The Company has outstanding warrants entitling the holders to purchase an aggregate of common shares at April 30, 2017 as follows:

Exercise Price	Number Outstanding	Expiry Date
$		
0.15	15,270,000	March 16, 2018
0.22	12,700,184	April 6, 2022
0.22	172,413	April 30, 2022
	28,142,597	

10. RELATED PARTY TRANSACTIONS

The Company entered into the following transactions with related parties during the six months ended April 30, 2017:

a) "Office and miscellaneous" includes rent recovery of $9,000 (April 30, 2016 - $6,000) from companies related by a common director and a common officer. As at April 30, 2017, $1,575 (October 31, 2016 - $2,120) was included in receivables for rent recovery owed from this company.

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

	For the six months ended April 30, 2017	2016
	$	$
Management fees	50,000	45,000
Office and miscellaneous	15,000	15,000
Consulting fees	-	15,000
Exploration and evaluation assets expenditures	-	45,000
Share-based compensation	82,763	1,383
	147,763	**121,383**

Amounts owing to related parties (including key management personnel) included in accounts payable and accrued liabilities total $24,086 (October 31, 2016 - $41,605).

11. SEGMENTED INFORMATION

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

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

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

The Company's financial instruments consist of cash, receivables, reclamation bonds, and accounts payable and accrued liabilities. The fair value of these financial instruments, other than cash, approximates their carrying values. Cash is measured at fair value using level 1 inputs.

The Company is exposed to a variety of financial risks by virtue of its activities including credit, liquidity, interest rate, foreign currency and price risk.

Credit risk

The Company is exposed to industry credit risks arising from its cash holdings and receivables. The Company manages credit risk by placing cash with major Canadian financial institutions. The Company's receivables primarily consist of sales tax recoverable due from the Federal Government of Canada and share subscription receivable that was subsequently received. Management believes that credit risk related to these amounts is nominal.

Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient funds to meet its financial obligations when they are due. To manage liquidity risk, the Company reviews additional sources of capital and financing to continue its operations and discharge its commitments. The Company expects it will require additional financing within the next 12 months.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As of April 30, 2017, the Company held demand deposits with a face value of $30,000 (October 31, 2016 - $30,000). A change in interest rates of 1% would change income by $300 (October 31, 2016 - $300) per annum.

Foreign currency risk

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

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Price risk

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

13. CAPITAL MANAGEMENT

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

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

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

14. SUBSEQUENT EVENTS

Subsequent to April 30, 2017, the Company:

a) Granted 100,000 stock options with an exercise price of $0.16 exercisable for 5 years to a director of the Company. In addition, 250,000 stock options expired unexercised and 325,000 stock options were cancelled.