



CONDENSED INTERIM FINANCIAL STATEMENTS

For the Three Months Ended January 31, 2023

(Expressed in Canadian Dollars - Unaudited)

TOWER RESOURCES LTD.
INDEX TO CONDENSED INTERIM FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)

	PAGE(S)
CONTENTS	
NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS	3
CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION	4
CONDENSED INTERIM STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)	5
CONDENSED INTERIM STATEMENTS OF CASH FLOWS	6
CONDENSED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY	7
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS	8 - 19

**NOTICE OF NO AUDITOR REVIEW OF
CONDENSED INTERIM FINANCIAL STATEMENTS**

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

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

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

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

	January 31, 2023	October 31, 2022
	\$	\$
ASSETS		
Current		
Cash	1,542,223	1,369,904
Receivables (Note 4)	16,930	24,470
Marketable securities (Note 5)	39,157	5,938
Prepaid expenses and deposits	12,669	19,340
	<u>1,610,979</u>	<u>1,419,652</u>
Equipment (Note 6)	1,148	1,208
Exploration and evaluation assets (Note 7)	6,694,137	6,614,323
Reclamation bonds (Note 8)	<u>80,000</u>	<u>80,000</u>
	8,386,264	8,115,183
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Notes 9 and 11)	92,274	434,625
Flow-through share premium (Note 10)	233,118	-
	<u>325,392</u>	<u>434,625</u>
SHAREHOLDERS' EQUITY		
Share capital (Note 10)	21,781,087	21,339,369
Reserves (Note 10)	997,033	926,166
Deficit	<u>(14,717,248)</u>	<u>(14,584,977)</u>
	<u>8,060,872</u>	<u>7,680,558</u>
	8,386,264	8,115,183

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

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 condensed interim financial statements

TOWER RESOURCES LTD.**CONDENSED INTERIM STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)**

(Expressed in Canadian Dollars - Unaudited)

	For the three months ended January 31,	
	2023	2022
	\$	\$
Expenses		
Accounting and audit fees (Note 11)	7,500	7,100
Depreciation (Note 6)	60	76
Investor relations	13,000	-
Management fees (Note 11)	27,500	22,500
Office and miscellaneous	24,003	21,880
Share-based compensation (Notes 10 and 11)	90,368	22,257
Transfer agent and filing fees	3,889	3,716
	<u>(166,320)</u>	<u>(77,529)</u>
Interest income	615	62
Recognition of flow-through premium (Note 10)	215	100,771
Recovery on exploration and evaluation assets previously written off (Note 7)	35,000	-
Unrealized loss on marketable securities (Note 5)	<u>(1,781)</u>	<u>(10,500)</u>
Income (loss) and comprehensive income (loss) for the period	(132,271)	12,804
Basic and diluted income (loss) per share	(0.00)	0.00
Weighted average number of common shares outstanding – basic and diluted	139,892,850	130,062,733

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

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

	For the three months ended	
	January 31,	
	2023	2022
	\$	\$
Cash flows used in operating activities		
Income (loss) for the period	(132,271)	12,804
Items not affecting cash		
Depreciation	60	76
Share-based compensation	90,368	22,257
Recognition of flow-through premium	(215)	(100,771)
Recovery on exploration and evaluation assets previously written off	(35,000)	-
Unrealized loss on marketable securities	1,781	10,500
Changes in non-cash working capital items		
Receivables	7,540	(3,084)
Prepaid expenses and deposits	6,671	2,314
Accounts payable and accrued liabilities	(15,151)	(13,566)
	<u>(76,217)</u>	<u>(69,470)</u>
Cash flows used in investing activity		
Acquisition of exploration and evaluation assets	(407,014)	(328,173)
	<u>(407,014)</u>	<u>(328,173)</u>
Cash flows provided by financing activities		
Proceeds from shares issued	700,000	-
Proceeds from warrants exercised	-	100,000
Proceeds from options exercised	2,500	-
Share issuance costs	(46,950)	-
	<u>655,550</u>	<u>100,000</u>
Net change in cash	172,319	(297,643)
Cash, beginning of period	<u>1,369,904</u>	<u>1,714,714</u>
Cash, end of period	<u>1,542,223</u>	<u>1,417,071</u>

SUPPLEMENTAL CASH FLOW INFORMATION (Note 13)

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

TOWER RESOURCES LTD.

CONDENSED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Expressed in Canadian Dollars - Unaudited)

	Number of Shares Issued	Capital Stock	Reserves	Deficit	Total Shareholders' Equity
		\$	\$	\$	\$
Balance at October 31, 2021	129,867,081	20,154,705	715,755	(14,254,815)	6,615,645
Shares issued for warrants exercised	1,000,000	100,000	-	-	100,000
Share-based compensation	-	-	22,257	-	22,257
Net income for the period	-	-	-	12,804	12,804
Balance at January 31, 2022	130,867,081	20,254,705	738,012	(14,242,011)	6,750,706
Shares issued for options exercised	441,667	85,822	(41,197)	-	44,625
Shares issued for warrants exercised	6,657,502	810,336	(39,805)	-	770,531
Shares issued for exploration and evaluation assets	200,000	29,000	-	-	29,000
Share-based compensation	-	-	451,233	-	451,233
Stock options expired	-	-	(22,571)	22,571	-
Warrants expired	-	159,506	(159,506)	-	-
Loss for the period	-	-	-	(365,537)	(365,537)
Balance at October 31, 2022	138,166,250	21,339,369	926,166	(14,584,977)	7,680,558
Shares issued for cash	3,888,889	700,000	-	-	700,000
Shares issued for options exercised	41,666	4,591	(2,091)	-	2,500
Share issuance costs	-	(62,263)	15,313	-	(46,950)
Flow-through premium	-	(233,333)	-	-	(233,333)
Share-based compensation	-	-	90,368	-	90,368
Warrants expired	-	32,723	(32,723)	-	-
Loss for the period	-	-	-	(132,271)	(132,271)
Balance at January 31, 2023	142,096,805	21,781,087	997,033	(14,717,248)	8,060,872

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

TOWER RESOURCES LTD.

Notes to the condensed interim financial statements

For the three months ended January 31, 2023

(Expressed in Canadian Dollars - Unaudited)

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 40440 Thunderbird Ridge B1831, Garibaldi Highlands, BC, V0N 1T0.

Going concern

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

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

The continuation of the Company's operations is dependent on obtaining sufficient additional financing in order to realize the recoverability of the Company's investments in exploration and evaluation assets, which in turn is dependent upon the existence of economically recoverable reserves and market prices for the underlying minerals. 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. The Company raised capital in the current, prior, and subsequent (Note 16) periods through private placements of its common shares and exercise of options and warrants, with the result that the current working capital balance is an amount that management estimates is sufficient to further operations for the upcoming twelve months.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. In addition, in February 2022, Russia invaded Ukraine. This has created additional global supply chain issues, market instability and volatility, and increased inflation. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak nor the Russian invasion and their effects on the Company's business or results of operations or its ability to raise funds.

2. BASIS OF PRESENTATION

Statement of compliance

These condensed interim financial statements, including comparatives, have been prepared in accordance with IAS 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB") and the interpretations of the International Financial Reporting Interpretations Committee. They do not include all disclosures required by International Financial Reporting Standards ("IFRS") for annual financial statements, and, therefore, should be read in conjunction with the Company's audited financial statements for the year ended October 31, 2022, prepared in accordance with IFRS as issued by the IASB.

TOWER RESOURCES LTD.

Notes to the condensed interim financial statements

For the three months ended January 31, 2023

(Expressed in Canadian Dollars - Unaudited)

2. BASIS OF PRESENTATION (continued)

Statement of compliance (continued)

These condensed interim financial statements were approved by the Audit Committee and Board of Directors of the Company on April 3, 2023.

Basis of presentation

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

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.

Significant estimates

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

Significant judgments

Going concern

The Company has exercised judgment in determining that its available funds are sufficient to continue operations for the ensuing twelve months.

TOWER RESOURCES LTD.

Notes to the condensed interim financial statements

For the three months ended January 31, 2023

(Expressed in Canadian Dollars - Unaudited)

3. SIGNIFICANT ACCOUNTING POLICIES

These condensed interim financial statements were prepared using the same accounting policies and methods of computation as in the Company's financial statements for the year ended October 31, 2022.

New standards, interpretations and amendments to existing standards not yet effective

A number of new standards and amendments to standards and interpretations have been issued by the IASB and are effective for annual periods beginning after November 1, 2022. These have not been applied in preparing these condensed interim financial statements. There are no IFRSs or IFRS Interpretations Committee interpretations that are not yet effective that would be expected to have a material impact on these condensed interim financial statements.

4. RECEIVABLES

	January 31, 2023	October 31, 2022
	\$	\$
GST receivable	15,754	23,909
Interest receivable	1,176	561
	16,930	24,470

5. MARKETABLE SECURITIES

As at January 31, 2023, the Company held 1,118,750 (October 31, 2022 - 118,750) common shares of Volatus Capital Corp. ("Volatus"), with a fair value of \$39,157 (October 31, 2022 - \$5,938). During the three months ended January 31, 2023, the Company received 1,000,000 (January 31, 2022 - nil) common shares of Volatus, with a fair value of \$35,000 (January 31, 2022 - \$nil), pursuant to option agreements on the Belle and More Creek properties (Note 7). The change in market value of the shares resulted in the recording of an unrealized loss on marketable securities for the three months ended January 31, 2023 of \$1,781 (January 31, 2022 - \$10,500).

TOWER RESOURCES LTD.

Notes to the condensed interim financial statements

For the three months ended January 31, 2023

(Expressed in Canadian Dollars - Unaudited)

6. EQUIPMENT

	Computer software	Equipment and furniture	Total
	\$	\$	\$
Cost			
October 31, 2021 and 2022 and January 31, 2023	76,929	11,451	88,380
Depreciation			
October 31, 2021	76,929	9,941	86,870
Charge for the year	-	302	302
October 31, 2022	76,929	10,243	87,172
Charge for the period	-	60	60
January 31, 2023	76,929	10,303	87,232
Net book value			
October 31, 2022	-	1,208	1,208
January 31, 2023	-	1,148	1,148

TOWER RESOURCES LTD.

Notes to the condensed interim financial statements

For the three months ended January 31, 2023

(Expressed in Canadian Dollars - Unaudited)

7. EXPLORATION AND EVALUATION ASSETS

	Belle	Rabbit North	Nechako Gold	More Creek	Total
	\$	\$	\$	\$	\$
Balance, October 31, 2021	1	2,760,354	2,484,315	-	5,244,670
Acquisition costs	-	79,000	-	-	79,000
Deferred costs					
Drilling	-	761,031	-	-	761,031
Equipment rental	-	1,953	-	-	1,953
Field travel, meals and accommodation	-	80,929	-	-	80,929
Geology	-	312,764	6,370	-	319,134
Laboratory and analytical	-	110,664	691	-	111,355
Project supplies and fuel	-	23,688	-	-	23,688
Additions for the year	-	1,370,029	7,061	-	1,377,090
B.C. mineral exploration tax credit recovery	-	-	(7,437)	-	(7,437)
Balance, October 31, 2022	1	4,130,383	2,483,939	-	6,614,323
Acquisition costs	-	-	-	-	-
Deferred costs					
Consulting	-	4,500	-	-	4,500
Equipment rental	-	360	-	-	360
Field travel, meals, and accommodations	-	6,006	-	-	6,006
Geology	-	17,836	-	-	17,836
Laboratory and analytical	-	45,436	49	-	45,485
Project supplies and fuel	-	5,627	-	-	5,627
Additions for the period	-	79,765	49	-	79,814
Balance, January 31, 2023	1	4,210,148	2,483,988	-	6,694,137

TOWER RESOURCES LTD.

Notes to the condensed interim financial statements

For the three months ended January 31, 2023

(Expressed in Canadian Dollars - Unaudited)

7. EXPLORATION AND EVALUATION ASSETS (continued)

BELLE 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.

On August 5, 2020, the Company entered into an option agreement with Volatus, pursuant to which the Company granted to Volatus the option to acquire its 100% interests in and to the Belle property (the “Belle Option”). To exercise the Belle Option and earn a 100% interest, Volatus is required to make a total of \$100,000 in cash payments (\$75,000 received as at January 31, 2023) and issue 125,000 common shares over a 36 month period (93,750 received as at January 31, 2023, valued at \$63,125).

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. As at January 31, 2023, the Company had paid a total of \$150,000 in advance annual royalty payments.

The Company acquired additional claims contiguous to the Rabbit North property by staking, known collectively 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 has the option to buy back 1% of the NSR from Sandstorm for cash consideration of \$500,000.

In fiscal 2022, the Company entered into a property purchase agreement and acquired a 100% interest in the West Afton Property, comprised of certain mineral claims contiguous to the Rabbit North property, by making cash payments totaling \$20,000 and issuing 200,000 common shares, valued at \$29,000.

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. The Company fully exercised the options and now owns a 100% interest in these property properties. Details are as follows:

Porphyry Property Option Agreement

In fiscal 2018, the Company fulfilled its obligations under the Porphyry Property option agreement and earned the right to acquire a 100% interest in the Porphyry Property by making cash payments totaling \$40,000 and issuing 400,000 common shares, in addition to funding aggregate exploration expenditures of \$250,000.

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

TOWER RESOURCES LTD.

Notes to the condensed interim financial statements

For the three months ended January 31, 2023

(Expressed in Canadian Dollars - Unaudited)

7. EXPLORATION AND EVALUATION ASSETS (continued)

NECHAKO GOLD PROPERTY (continued)

Chutanli Property Option Agreement

In fiscal 2019, the Company fulfilled its obligations under the Chutanli Property option agreement and earned the right to acquire a 100% interest in the Chutanli Property by making cash payments totaling \$60,000 and issuing 600,000 common shares, in addition to funding aggregate exploration expenditures of \$225,000.

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 has the option to buy back 1% of the NSR from Sandstorm for cash consideration of \$500,000.

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.

On August 21, 2020, the Company entered into an option agreement with Volatus, pursuant to which the Company granted to Volatus the right to acquire its 100% interest in and to the More Creek property (the "More Option"). To exercise the More Option and earn a 100% interest, Volatus is required to make a total of \$150,000 in payments (of which Volatus must pay \$50,000 in cash and, at its option, pay up to \$100,000 in cash or shares of Volatus) (\$50,000 cash received and 1,000,000 shares received in lieu of \$50,000 cash as at January 31, 2023), issue 25,000 common shares (received, valued at \$39,000), and complete \$600,000 in exploration expenditures over a 40-month period. The Company will retain a 1% NSR of which 0.5% can be repurchased by Volatus for \$500,000. During the three months ended January 31, 2023, the Company recorded an amount for the More Option of \$35,000 (2022 - \$nil), in recovery on exploration and evaluation assets previously written off.

8. RECLAMATION BONDS

In relation to the Rabbit North and Nechako properties, the Company has posted reclamation bonds totaling \$45,000 and \$35,000 as at January 31, 2023 (October 31, 2022 - \$45,000 and \$35,000), respectively.

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	January 31, 2023	October 31, 2022
	\$	\$
Accounts payable	64,274	406,625
Accrued liabilities	28,000	28,000
	92,274	434,625

TOWER RESOURCES LTD.

Notes to the condensed interim financial statements

For the three months ended January 31, 2023

(Expressed in Canadian Dollars - Unaudited)

10. SHARE CAPITAL AND RESERVES

Authorized share capital

Unlimited number of common shares without par value.

Issued share capital

During the three months ended January 31, 2023, the Company issued:

- a. 3,888,889 units at a price of \$0.18 per unit for gross proceeds of \$700,000. Each unit was comprised of one flow-through common share and one share purchase warrant, with each warrant entitling the holder to acquire one additional common share of the Company at an exercise price of \$0.36 per share for a period of 24 months. The Company paid a total of \$46,950 in cash for fees and issued 233,333 finder's warrants. Each finder's warrant entitles the to acquire one additional common share of the Company at an exercise price of \$0.18 per share for a period of 24 months. The finder's warrants were valued at \$15,313, calculated using the Black-Scholes option pricing model assuming a life expectancy of two years, a risk-free interest rate of 3.93%, a dividend rate of nil%, a forfeiture rate of nil% and volatility of 122%. The flow-through shares were issued at a premium of \$233,333; and
- b. 41,666 common shares for proceeds of \$2,500 pursuant to the exercise of options.

During the year ended October 31, 2022, the Company issued:

- a. 200,000 common shares, valued at \$29,000, pursuant to the acquisition of the West Afton Property (Note 7);
- b. 441,667 common shares for proceeds of \$44,625 pursuant to the exercise of options; and
- c. 7,657,502 common shares for proceeds of \$870,531 pursuant to the exercise of warrants.

Flow-through share premium

	Total
	\$
October 31, 2021	394,106
Recognition of flow-through premium	(394,106)
October 31, 2022	-
Flow-through premium additions	233,333
Recognition of flow-through premium	(215)
January 31, 2023	233,118

As at January 31, 2023, the Company was obligated to incur \$699,355 in eligible exploration expenditures by December 31, 2023.

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 10 years. The exercise price of options granted under the Plan shall be set by the Board of Directors on the effective date of the options and will not be less than the Discounted Market Price as defined under the policies of the TSX-V. Vesting of the options shall be at the discretion of the Board of Directors.

During the three months ended January 31, 2023, the Company expensed \$90,368 (2022 - \$22,257) as share-based compensation as share-based compensation for the fair value of vesting stock options.

TOWER RESOURCES LTD.

Notes to the condensed interim financial statements

For the three months ended January 31, 2023

(Expressed in Canadian Dollars - Unaudited)

10. SHARE CAPITAL AND RESERVES (continued)**Stock options (continued)**

During the year ended October 31, 2022, the Company granted 2,818,000 incentive stock options with a fair value of \$681,445 using the Black-Scholes option pricing model. During the year ended October 31, 2022, the Company expensed \$473,490 as share-based compensation for the fair value of vesting stock options.

During the three months ended January 31, 2023, 41,666 (2022 - nil) incentive stock options were exercised; accordingly, fair value associated with the options of \$2,091 (2022 - \$nil) was reclassified from reserves to share capital.

During the year ended October 31, 2022, 150,000 incentive stock options expired unexercised; accordingly, fair value associated with the options of \$22,571 was reversed from reserves to deficit.

The following is a summary of stock options activities:

	<u>Number of options</u>	<u>Weighted average exercise price</u>
		\$
Outstanding at October 31, 2021	7,750,000	0.08
Granted	2,818,000	0.28
Exercised	(441,667)	0.10
Expired	(150,000)	0.16
Outstanding at October 31, 2022	<u>9,976,333</u>	0.13
Exercised	<u>(41,666)</u>	0.06
Outstanding at January 31, 2023	<u><u>9,934,667</u></u>	0.13

The Company has outstanding options entitling the holders to purchase common shares at January 31, 2023 as follows:

<u>Number outstanding</u>	<u>Number exercisable</u>	<u>Exercise price</u>	<u>Weighted average remaining life (years)</u>	<u>Expiry date</u>
		\$		
500,000	500,000	0.125	0.25	May 2, 2023
2,700,000	2,700,000	0.055	1.49	July 29, 2024
1,850,000	1,850,000	0.115	2.47	July 22, 2025
2,066,667	1,350,000	0.060	3.74	October 26, 2026
<u>2,818,000</u>	<u>939,333</u>	0.280	4.26	May 4, 2027
<u><u>9,934,667</u></u>	<u><u>7,339,333</u></u>			

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

TOWER RESOURCES LTD.

Notes to the condensed interim financial statements

For the three months ended January 31, 2023

(Expressed in Canadian Dollars - Unaudited)

10. SHARE CAPITAL AND RESERVES (continued)**Warrants**

During the year ended October 31, 2022, 25,985,440 (2021 - 5,387,500) share purchase warrants expired unexercised accordingly, \$159,506 (2021 - \$nil) was reversed from reserves to share capital.

The following is a summary of share purchase warrant activities:

	<u>Number of warrants</u>	<u>Weighted average exercise price</u>
		\$
Outstanding at October 31, 2021	34,205,442	0.19
Expired	(25,985,440)	0.22
Exercised	(7,657,502)	0.11
Outstanding at October 31, 2022	562,500	0.12
Issued	4,122,222	0.35
Expired	(250,000)	0.22
Outstanding at January 31, 2023	<u>4,434,722</u>	0.33

The Company has outstanding warrants entitling the holders to purchase common shares at January 31, 2023 as follows:

<u>Number outstanding</u>	<u>Exercise price</u>	<u>Expiry date</u>
	\$	
312,500	0.0375	December 31, 2023
3,888,889	0.36	December 23, 2024
<u>233,333</u>	0.18	December 23, 2024
<u>4,434,722</u>		

11. RELATED PARTY TRANSACTIONS

The Company entered into transactions with related parties during the three months ended January 31, 2023 and 2022.

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

	<u>For the three months ended January 31,</u>	
	<u>2023</u>	<u>2022</u>
	\$	\$
Accounting fees	7,500	6,000
Management fees	27,500	22,500
Share-based compensation	65,674	19,260
	<u>100,674</u>	<u>47,760</u>

Amounts owing to related parties (including key management personnel) included in accounts payable and accrued liabilities total \$13,388 as at January 31, 2023 (October 31, 2022 - \$9,975).

TOWER RESOURCES LTD.

Notes to the condensed interim financial statements

For the three months ended January 31, 2023

(Expressed in Canadian Dollars - Unaudited)

12. SEGMENTED INFORMATION

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

13. SUPPLEMENTAL CASH FLOW INFORMATION

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

	For the three months ended January 31,	
	2023	2022
	\$	\$
Non-cash transactions not included in investing or financing activities:		
Exploration and evaluation assets in accounts payable	35,226	38,419
Shares received for exploration and evaluation assets	35,000	-
Options exercised	2,091	-
Fair value of agent's warrants	15,313	-
Warrants expired	32,723	-
Flow-through share premium	233,333	-

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, marketable securities, reclamation bonds, and accounts payable and accrued liabilities. The fair value of these financial instruments approximates their carrying values, except for marketable securities, which are 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 are primarily due from a government agency. Management believes that credit risk related to these amounts is nominal.

TOWER RESOURCES LTD.

Notes to the condensed interim financial statements

For the three months ended January 31, 2023

(Expressed in Canadian Dollars - Unaudited)

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 has sufficient cash as at January 31, 2023 to settle its current liabilities as they come due and management estimates funds are sufficient to further operations for the upcoming twelve months (Note 1).

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As of January 31, 2023, the Company held deposits with a face value of \$68,000. A 1% increase or decrease in the interest rates would have a nominal impact in interest income for the three months January 31, 2023.

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 for the three months ended January 31, 2023.

16. SUBSEQUENT EVENT

Subsequent to January 31, 2023, the Company issued 50,000 common shares pursuant to the exercise of options, for proceeds of \$14,000.