



MANAGEMENT DISCUSSION AND ANALYSIS

For the three months ended January 31, 2018

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TOWER RESOURCES LTD.
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Description of Management Discussion and Analysis

The purpose of this Management Discussion and Analysis ("MD&A") is to explain management's point of view regarding the past performance and future outlook of Tower Resources Ltd. (the "Company" or "Tower"). The following Management's Discussion & Analysis ("MD&A") provides a review of activities, results of operations and the financial condition of the Company for the three months ended January 31, 2018. This MD&A should be read in conjunction with the Company's condensed interim financial statements and related notes for the three months ended January 31, 2018 ("Financial Statements") and the audited financial statements and related notes thereto for the year ended October 31, 2017. The following discussion is dated and current as of March 27, 2018. This MD&A contains forward-looking information and statements which are based on the conclusions of management. The forward-looking information and statements are only made as of the date of this MD&A.

All financial information in this MD&A has been prepared in accordance with International Financial Reporting Standards ("IFRS") and all dollar amounts are expressed in Canadian dollars unless otherwise indicated.

The Company's certifying officers, based on their knowledge, having exercised reasonable diligence, are responsible to ensure that these filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by these filings, and these financial statements together with the other financial information included in these filings. The Board of Directors approves the Financial Statements and MD&A and ensures that management has discharged its financial responsibilities. The Board's review is accomplished principally through the Audit Committee, which meets periodically to review all financial reports, prior to filing.

Additional information on the Company is available on SEDAR and at the Company's website, <http://www.towerresources.ca/>.

Forward Looking Statements

Certain disclosures contained in this MD&A may constitute forward-looking information. This is information regarding possible events, conditions or results of operations of the Company that is based upon assumptions about future economic conditions and courses of action which is inherently uncertain. All information other than statements of historical fact may be forward-looking information.

Forward-looking information is subject to a variety of risks and uncertainties which could cause actual events or results to differ from those reflected in the forward-looking statements, including, without limitation, risks and uncertainties relating to the interpretation of drill results and the estimation of mineral resources, the geology, grade and continuity of mineral deposits and the possibility that future exploration and development results will not be consistent with the Company's expectations. Some other risks and factors which could cause results to differ materially from those expressed in the forward-looking information contained in this MD&A are described under the heading "Risks and Uncertainties".

Readers are cautioned that any such listings of risks are not, and in fact cannot be, complete. Although the Company has attempted to identify important factors that could cause actual events and results to differ materially from those described in the forward-looking information, there may be other factors that cause events or results to differ from those intended, anticipated or estimated. The Company believes the expectations reflected in the forward-looking information are reasonable, but no assurance can be given that these expectations will prove to be correct and readers are cautioned not to place undue reliance on forward-looking information contained in this MD&A.

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Forward Looking Statements (continued)

The forward-looking information contained in this MD&A is provided as of the date hereof and the Company undertakes no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as otherwise required by law. All of the forward-looking information contained in this MD&A is expressly qualified by this cautionary statement.

Description of Business and Discussion of Operations

The Company is incorporated under the Business Corporations Act (BC) and is listed on the TSX Venture Exchange ("TSX-V"). The principal business of the Company is the acquisition and exploration of mineral exploration and evaluation assets in the Province of British Columbia, Canada.

The Company currently holds five mineral exploration projects located in British Columbia. The Company is currently focused on the multidisciplinary program at the Rabbit North copper-gold property and exploration of the Nechako Gold and More Creek Gold properties. During the three months ended January 31, 2018, the Company entered into an option agreement to acquire the Voigtberg gold-copper property.

Overall performance

Operating expenses for the three months ended January 31, 2018 were \$209,698 versus \$132,921 in the comparative period ended January 31, 2017. The increase in expenses in the current period was primarily attributable to consulting fees that were not incurred in the prior period, higher legal, office and miscellaneous, and share-based compensation (further discussed in the "Results of Operations" section). The current period loss and comprehensive loss includes rehabilitation obligations costs of \$1,650 (2017 - \$nil).

The Company had a net decrease in cash during the three months ended January 31, 2018 of \$332,184 versus a net decrease of \$709,077 in the comparative period. The decrease in the current period is primarily attributable to exploration and evaluation assets expenditures of \$201,904 compared to \$607,689 in the comparative period. Refer to the "Summary of Exploration Activities" for further discussion of the expenditures and properties.

Corporate activities

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

In December 2017, the Company entered into an investor rights agreement with Goldcorp (the "Investor Rights Agreement"), whereby Goldcorp will have a right to participate in future equity financings of the Company, to maintain its then current interest, and to increase its shareholdings up to 9.9% of the Company's outstanding shares. The Company will also provide Goldcorp with periodic exploration updates on all the Company's properties.

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Corporate activities (continued)

In December 2017, the Company entered into an agreement with Fort Capital Partners for a \$54,000 cash fee and an additional 6% finder's fee for its role as financial adviser in connection with the Option Agreement and the Investor Rights Agreement transactions and other capital markets advice.

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

In January 2018, Richard Wyman was appointed as non-executive chairman of the Board of Directors of the Company.

In March 2018, Garrett Macdonald was appointed to the Board of Directors and Lesia Burianyk was appointed as CFO of the Company.

Summary of Exploration Activities

During the three months ended January 31, 2018, the Company incurred \$403,820 in exploration and evaluation asset expenditures.

The following is a breakdown of the components of the Company's exploration and evaluation assets, on a property by property basis, for the three months ended January 31, 2018:

	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	-	-	-	-	156,723	156,723
Deferred costs						
Assays	-	600	3,384	310	-	4,294
Drilling	-	-	118,888	-	-	118,888
Equipment rental	-	-	1,769	-	-	1,769
Field supplies	-	-	783	-	-	783
Geologist	-	32,513	85,714	-	-	118,227
Site development	-	-	1,824	-	-	1,824
Travel	-	187	610	-	-	797
Vehicle	-	218	297	-	-	515
Total costs incurred during the period	-	33,518	213,269	310	156,723	403,820
Balance, January 31, 2018	1	2,469,188	419,334	111,643	156,723	3,156,889

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Rabbit North property

The Rabbit North property, acquired in 2013, is comprised of 34 mineral tenures covering 16,400 hectares of which 2,850 hectares are claims under option from private individuals and the remainder were staked by the Company. The Company can earn a 100% interest in the optioned portion by making cash payments of \$170,000 and issuing 1,100,000 common shares over a 4-year period and funding aggregate exploration expenditures of \$2,150,000 over a 5-year period. The vendors also hold a 3% NSR, of which 2% can be purchased by the Company for \$3,500,000. Sandstorm Gold Ltd. holds another 2% NSR, of which 1% can be purchased by the Company for \$500,000. Sandstorm also has the right to exercise 1% of the Company's 2% buyback option on the vendors' NSR.

The property is located in the Kamloops mining district in south-central B.C., between the New Afton underground Cu-Au mine and the Highland Valley open pit Cu mine. It is centered on the alkalic Durand Stock which measures 2 x 3 km and is compositionally similar to and of the same age as (Late Triassic to early Jurassic) the intrusion that hosts the New Afton deposit. Previous exploration within the stock identified several zones of Cu-Au mineralization that appear to be of limited size and grade but drilling by the Company in 2017 on a magnetic anomaly – the Western Magnetite Zone – encountered stronger and more continuous mineralization in the volcanic rocks along the western margin of the stock, including 247 metres of 0.51% Cu and 0.34 g/t Au in hole RN17-01.

Q1 Activities

Work on Rabbit North during Q1 was limited to planning for the 2018 field season. Plans for Q2 include further re-logging of drill core from the Western Magnetite Zone, remapping of other key areas on the property and expanding ground geophysical coverage, followed by diamond drilling of selected targets in H2.

More Creek property

The More Creek property is located in the Golden Triangle mineral district in northwestern B.C. It was acquired by staking in 2016, covers 6,430 hectares and is centered on a mountain known as Lawrence Peak. Sandstorm holds a 2% NSR on the property, of which the company can buy back 1% for \$500,000.

Previous work on the property focused on the Sinter Zone, an area of epithermal alteration that is exposed on a high ridge and hosted by Triassic volcanic rocks. Limited heavy mineral stream sediment sampling by the Company in 2016 identified anomalous concentrations of gold grains in a creek draining a previously unexplored area upstream from the Sinter Zone. Mapping, prospecting and silt, soil and rock sampling were performed along the creek valley in the 2017 field season but no additional heavy mineral sampling was conducted.

Q1 Activities

No significant work was completed on the More Creek property in Q1.

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Nechako Gold property

The Nechako Gold property is located on the Nechako Plateau in central B.C., 30 km northeast of the 8 million ounce Blackwater Au deposit. It consists of two claim blocks – Chutanli and Porphyry – that were acquired by the Company in 2016 under separate option agreements and together cover 2975 hectares. The Company is acquiring a 100% interest in each property over a 2-year period by making a series of cash payments, issuing tranches of shares and fulfilling exploration expenditures of \$225,000 on the Chutanli block and \$250,000 on the Porphyry block. The vendors hold a 1.5% NSR on their respective properties, each of which the Company can buy back in full for \$1,000,000. Sandstorm also holds a 2% NSR on the combined property, of which the Company can buy back 1% for \$500,000.

The Nechako Gold property lies mainly in a valley that is infilled by thick glacial sediments comprised of till eroded from the underlying bedrock and sand and gravel transported by meltwater from more distal sources. The bedrock geology is essentially unknown as no rock outcrops are present in the valley and only a few holes have previously been drilled within it. In 2016, Overburden Drilling Management Limited (ODM) sampled the till at 31 sites where it is not covered by sand or gravel, and in the heavy mineral fraction of the till identified a gold grain anomaly that covers an area of 3 x 5 km and is four times larger than and similar in strength to the known gold grain dispersal train that extends glacially down-ice from the large Blackwater Au deposit.

Q1 Activities

To aid in locating the bedrock source of the gold grain anomaly, the company performed an Induced Polarization (IP) geophysical survey over part of the anomaly in June, 2017, and acquired a 5-year drilling permit. In Q1, ODM conducted a 38-hole drilling program using a specialized reverse circulation drill (RC) that was capable of: (a) sampling the till continuously from top to bottom, even in areas where it is covered by thick sand or gravel, to determine the full extent of the gold grain dispersal train both laterally and at depth; and (b) sampling the top few metres of the underlying bedrock to determine the rock formations that are present, map their distribution and assess their gold fertility.

Thirty-eight holes were drilled, revealing that the thickness of the glacial sediments beneath the gold grain dispersal train averages 25 m and ranges up to 60 m. Final analytical results for the heavy mineral concentrates of the till samples are still being received and compiled, with interpretation and reporting planned for Q2 and follow-up diamond drilling for Q2-Q3.

Belle Claims (formerly part of JD property)

In March 2017, the Company was served with a legal claim disputing the title of the Company's Belle claims in the Toodoggone gold district of north-central B.C. The Company responded to the notice of claim and believes that the legal action has no merit. The Company has commenced arbitration, serving the claimants with a Statement of Defence on September 15, 2017.

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Voigtberg property

The Voigtberg property is located near the heart of the Golden Triangle region of northwestern B.C. The property is comprised of six mineral tenures totaling 3144 hectares. It was optioned in December 2017, from Goldcorp Inc. for a three-year term in exchange for Company shares and warrants and a \$1,925,000 work commitment, with Goldcorp retaining a 1% NSR.

The property is considered by the Company to be prospective for Au-Cu mineralization associated with monzonitic dykes of inferred late Triassic to early Jurassic age. A historical drill hole at a showing known as the Gold Zone intersected 51.2 m of 1.03 g/t Au including 18.2m of 1.87 g/t Au. Of particular interest is the untested Gossan zone, a 600 x 1000 m area of phyllic and advanced argillic alteration south of the Gold Zone.

Q1 Activities

Work on the new Voigtberg property in Q1 was limited to reviewing historical exploration data. In the 2018 field season, the Company plans to perform geological mapping, prospecting and rock, soil and silt sampling to identify potential diamond drill targets.

Other Properties

The Company is continually reviewing data from and conducting technical due diligence investigations on other exploration projects with a view to acquiring additional properties.

The scientific and technical content and interpretations contained in this MD&A have been reviewed, verified and approved by Stuart A. Averill, B.Sc. (Hons.), P.Geo. (APGO-0641, APEGNL-05465), a Director of the Company and Qualified Person as defined by NI 43-101, *Standards of Disclosure for Mineral Projects*.

Exploration and Evaluation Assets - Oil & Gas

Poplar Winstar Strachan

On December 4, 2006, the Company entered into an agreement with Poplar Point Energy Ltd. ("Poplar"), to participate in a Participation Agreement between Poplar and Winstar Resources Ltd. ("Winstar"), dated October 20, 2006, wherein Poplar agreed to participate in the Winstar Strachan 8-10-38-10 W5M well in the West Central area of Alberta. The Company paid \$300,000 of the drilling, completion and tie in costs of the well to earn an equalization interest of 1.2366423%. Winstar sold its interest in the well to Crossbow Energy Partners Ltd, which sold its interest to Vermilion Energy Trust.

During the year ended October 31, 2009, the Company wrote down the value of the property to the estimated recoverable amount of \$1.

Costs Summary for the Oil and Gas Property

	January 31, 2018 and October 31, 2017
	Acquisition Costs
Poplar Winstar Strachan	\$ 1

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Results of Operations

The following discussion should be read in conjunction with the accompanying Financial Statements and related notes. The operating and administrative expenses for the three months ended January 31, 2018 totaled \$209,698 (January 31, 2017 - \$132,921).

The table below explains the changes in major expenditures for the three months ended January 31, 2018 as compared to the corresponding three months ended January 31, 2017.

Expenses	Increase / Decrease in Expenses	Explanation for Change
Consulting fees	Increase of \$12,000	Increased as the current period had fees for capital market advisory.
Legal fees	Increase of \$20,378	Increase due to fees incurred for arbitration on the Belle property and work performed acquiring the Voigtberg property.
Management fees	Increase of \$7,500	Increase due to an increase in monthly fee.
Office and miscellaneous	Increase of \$26,975	Increase due to increase in corporate activities, including fees paid for corporate administration.
Share-based compensation	Increase of \$27,699	Increase due to timing of options vesting.

Selected Annual Information

The following financial data are derived from the Company's financial statements for the years ended October 31, 2017, 2016 and 2015:

	2017 \$	2016 \$	2015 \$
Revenue (interest income)	-	-	1,810
General and administrative expenses	(766,902)	(357,368)	(326,856)
Loss and comprehensive loss	(662,441)	(2,900,243)	(328,966)
Basic and diluted loss per common share	(0.01)	(0.06)	(0.01)
Working capital	2,411,302	751,791	369,025
Exploration and evaluation assets	2,753,069	1,528,189	3,576,413
Total assets	5,383,766	2,767,419	4,056,024
Total liabilities	92,598	437,163	51,959

The Company's projects are at the exploration stage and have not generated any revenue. Revenue earned in 2015 and was generated through interest on cash deposits. At January 31, 2018, the Company had not yet achieved profitable operations and has a deficit of \$12,847,916 (October 31, 2017 - \$12,636,568). These losses resulted in a net loss per share for the three months ended January 31, 2018 of \$(0.00) (January 31, 2017 - \$(0.00)).

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Summary of Quarterly Results

Quarter ended	Revenue (interest income)	Loss and comprehensive loss	Basic and diluted loss per share	Exploration and evaluation assets expenditures	General and administrative expenses
	\$	\$	\$	\$	\$
January 31, 2018	-	(211,348)	(0.00)	403,820	209,698
October 31, 2017	-	(183,245)	(0.00)	228,829	203,088
July 31, 2017	-	(217,308)	(0.00)	886,927	217,308
April 30, 2017	-	(128,967)	(0.00)	70,328	213,585
January 31, 2017	-	(132,921)	(0.00)	336,309	132,921
October 31, 2016	-	(161,767)	(0.00)	376,125	132,167
July 31, 2016	-	(84,823)	(0.00)	97,035	84,823
April 30, 2016	-	(81,200)	(0.00)	32,214	68,987

Variances quarter over quarter can be explained as follows:

- Given the general weather conditions and exploration season in British Columbia, the Company's exploration and evaluation assets expenditures tend to be greater from May to November than in the rest of the year.

Liquidity, Financial Position and Capital Resources

The Company has no known mineral resources and is not in commercial production on any of its properties, and accordingly the Company does not generate cash from operations. The Company finances exploration activities by raising capital from equity markets from time to time.

The Company's liquidity and capital resources are as follows:

	January 31, 2018	October 31, 2017	January 31, 2018
	\$	\$	\$
Cash	2,130,316	2,462,500	404,044
Receivables	33,144	17,738	40,889
Prepaid expenses	14,131	22,425	6,807
Total current assets	2,177,591	2,502,663	451,740
Accounts payables and accrued liabilities	140,711	91,361	133,035
Working capital	2,036,880	2,411,302	318,705

As at January 31, 2018, the Company had a cash position of \$2,130,316, consisting mainly of proceeds from the recent financing.

The primary use of cash during the three months ended January 31, 2018 was the funding of operating activities of \$130,280 (January 31, 2017 - \$98,051) and investing activities of \$201,904 (January 31, 2017 - \$611,026), mainly due to exploration and evaluation assets expenditures.

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Liquidity, Financial Position and Capital Resources (continued)

The Company currently has no source of operating cash flow, limited financial resources, and has no assurance that additional funding will be available to it for further exploration and development of its properties or to enable it to fulfill its obligations under any applicable agreements. Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration and development of the Company's properties and the possible loss of title to such properties. The ability of the Company to continue as a going concern and realize the carrying value of its resource properties is dependent upon the continued financial support from related parties, the ability of the Company to raise equity financing to continue exploration and development activities or contract out further work with joint venture partners, the discovery of economically recoverable reserves, and upon future profitable operations or proceeds from disposition of resource properties. Management estimates it has sufficient funds to operate for the current fiscal year.

Related Party Transactions

During the three months ended January 31, 2018, the Company engaged in the following transactions with related parties (key management), not disclosed elsewhere in this MD&A:

- a) Management fees of \$30,000 (2017 - \$22,500) were paid to a company controlled by Mark Vanry, the President, CEO and director of the Company.
- b) Administrative fees included in office and miscellaneous of \$7,500 (2017 - \$7,500) were paid to a company controlled by Steve Vanry, the CFO and director of the Company.
- c) Office and miscellaneous includes rent recovery of \$1,500 (2017 - \$2,250) from Pacific Rim Cobalt Corp. (formerly Rhys Resources Ltd.), a company related by a common director. As at January 31, 2018, \$nil (October 31, 2017- \$788) was included in receivables for rent recovery owed from this company.
- d) Office and miscellaneous includes rent recovery of \$2,250 (2017 - \$2,250) from InZinc Mining Ltd., a company related by a common officer. As at January 31, 2018, \$nil (October 31, 2017- \$788) was included in receivables for rent recovery owed from this company.

Summary of key management personnel compensation (including officers and directors) for the three months ended January 31, 2018 and 2017:

	2018	2017
	\$	\$
Management fees	30,000	22,500
Office and miscellaneous	7,500	7,500
Share-based compensation	43,536	20,928
	81,036	50,928

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

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including directors (executive and non-executive) of the Company.

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Off-Balance Sheet Transactions

The Company does not have any off-balance sheet arrangements as at January 31, 2018 or as of the date of this report.

Risks and Uncertainties

The main risks that can affect the Company include operational risks, changes in commodity and equity prices, and government regulation.

Operational

The Company is focused on mineral exploration of its Rabbit North, More Creek and Nechako Gold properties located in British Columbia. The mineral exploration business is speculative and involves a high degree of risk.

There can be no assurance that the Company's exploration activities will be successful as few properties that are explored are ultimately developed into producing mines. It is impossible to ensure that the current exploration programs being carried out or planned by the Company will result in a profitable commercial mining operation. At present, none of the Company's properties has a known body of commercial ore and any proposed exploration programs are an exploratory search for ore.

In addition to the risk that no economic body of ore exists on its properties, the Company is subject to an extensive array of other economic, political and technical risks in exploring and developing its exploration and evaluation assets, including, without limitation, volatile stock and currency markets, fluctuations in metals prices, competition, changing government regulations, title issues, undercapitalization, the potential for delays in exploration, the potential for unexpected costs and expenses, accidents, the availability of key personnel and political instability. Since the Company has no revenues, the acquisition and development of its properties depends upon its ability to obtain financing through private placement financings, public financings, the joint venturing of projects or other means. There can be no assurance that the Company will be successful in obtaining the required financings.

Management of industry risk

The Company is engaged primarily in mineral exploration and manages related industry risk issues directly. The Company's mineral exploration activities expose it to potential environmental liability risk. It is management's policy to review environmental compliance and exposure on an ongoing basis. The Company follows industry standards and specific project environmental requirements. The Company is currently in the exploration stage on its property interests and has not determined whether significant site recovery costs will be required. Management is not aware of and does not anticipate any significant environmental remediation costs or liabilities in respect of its current operations.

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Risks and Uncertainties (continued)

Commodity and equity prices

The Company is exposed 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. The Company closely monitors commodity prices of gold and other precious and base metals, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company. Fluctuations in pricing may be significant.

Government regulation

The Company's operations may be adversely affected by changes in governmental policies or other economic developments which are not within the control of the Company including a change in taxation policies, economic sanctions, and currency control. The Company is subject to various laws governing exploration, development, production, taxes, labour standards and occupational health, toxic substances, land use, water use, land claims of local people and other matters. No assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could increase the cost of operations.

Critical Accounting 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 amount, events or actions to form the basis for judgments and estimates, actual results may differ from these estimates.

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

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

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

Economic recoverability and probability of future economic benefits of exploration and evaluation assets

Management has determined that exploration, evaluation, and related costs incurred which were capitalized may have future economic benefits and may be economically recoverable. Management uses several criteria in its assessment of economic recoverability and probability of future economic benefits, including geologic and other technical information, a history of conversion of mineral deposits with similar characteristics to its own properties to proven and probable mineral reserves, the quality and capacity of existing infrastructure facilities, evaluation of permitting and environmental issues and local support for the project.

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Critical Accounting Estimates (continued)

Valuation of share-based compensation

The Company uses the Black-Scholes Option Pricing Model for valuation of share-based compensation. Option pricing models require the input of subjective assumptions including expected price volatility, interest rate, and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's earnings and equity reserves.

Income taxes

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

New or Revised Accounting Standards Not Yet Adopted

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

- a. IFRS 2 – Share Based Payments: The amendments eliminate the diversity in practice in the classification and measurement of particular share-based payment transactions which are narrow in scope and address specific areas of classification and measurement. It is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted provided it is disclosed.
- b. IFRS 9 – Financial Instruments: Classification and Measurement applies to classification and measurement of financial assets and liabilities as defined in IAS 39. It is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted.
- c. IFRS 15 – Revenue from Contracts with Customers: The amendments do not change the underlying principles of the standard, just clarify and offer some additional transition relief. The standard is effective for annual periods beginning on or after January 1, 2018.
- d. IFRS 16 – Leases: This standard establishes principles for the recognition, measurement, presentation and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions. The standard is effective for annual periods beginning on or after January 1, 2019.

Financial Instruments and Management of Financial Risk

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.

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Financial Instruments and Management of Financial Risk (continued)

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

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

Credit risk

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

Liquidity risk

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

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As of January 31, 2018, the Company held demand deposits with a face value of \$10,000 (October 31, 2017 - \$10,000). A change in interest rates of 1% would change income by \$100 per annum.

Foreign currency risk

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

Price risk

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

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Financial Instruments and Management of Financial Risk (continued)

Other risks

The Company will need additional funding to complete its short and long term objectives. The ability of the Company to raise such financing in the future will depend on the prevailing market conditions, as well as the business performance of the Company. Current global financial conditions have been subject to increased volatility as a result of which access to public financing has been negatively impacted. There can be no assurances that the Company will be successful in its efforts to raise additional financing on terms satisfactory to the Company. The market price of the Company's shares at any given point in time may not accurately reflect value. If adequate funds are not available or not available on acceptable terms, the Company may not be able to take advantage of opportunities, to develop new projects or to otherwise respond to competitive pressures.

The Company is dependent upon the services of key executives, including the Chief Executive Officer. Certain directors and officers of the Company also serve as directors and/or officers of other companies involved in mineral exploration and development and, consequently, there exists the possibility for such directors and officers to be in a position of conflict.

Disclosure of Data for Outstanding Common Shares, Options and Warrants

Authorized and issued capital stock as at the date of this report:

Authorized – Unlimited common shares without par value

Issued and Outstanding: 90,117,435 common shares

(i) Warrants

The following warrants were outstanding and exercisable as at the date of this report:

Exercise Price	Number Outstanding	Expiry Date
\$		
0.15	15,000,000	September 16, 2018
0.22	12,700,183	April 6, 2022
0.22	172,413	May 1, 2022
0.22	250,000	January 16, 2023
	<u>28,122,596</u>	

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Disclosure of Data for Outstanding Common Shares, Options and Warrants (continued)

(ii) Options

The following options were outstanding and exercisable as at the date of this report:

Exercise Price	Number Outstanding	Number Exercisable	Expiry Date
\$			
0.13	175,000	175,000	April 9, 2018
0.05	350,000	350,000	December 17, 2018
0.05	50,000	50,000	January 28, 2019
0.06	525,000	525,000	July 7, 2019
0.05	900,000	900,000	November 4, 2019
0.16	200,000	150,000	May 9, 2020
0.09	200,000	125,000	August 23, 2021
0.13	1,475,000	921,875	September 16, 2021
0.16	850,000	318,750	February 6, 2022
0.16	150,000	56,250	May 9, 2022
0.16	100,000	37,500	May 25, 2022
0.16	900,000	225,000	September 28, 2022
	<u>5,875,000</u>	<u>3,834,375</u>	

Other MD&A Requirements

Additional information relating to the Company may be found on or in:

- SEDAR at www.sedar.com;
- the Company's website at www.towerresources.ca;
- the Company's audited financial statements for the year ended October 31, 2017, and
- the Company's condensed interim financial statements for the three months ended January 31, 2018.

Approval

The Board of Directors of the Company has approved the disclosure contained in this Management Discussion and Analysis.

On Behalf of the Board of Directors,

"Mark Vanry"

Mark Vanry
President, CEO and Director
March 27, 2018