CASTLE SILVER RESOURCES INC.

(formerly Takara Resources Inc.)

MANAGEMENT'S DISCUSSION AND ANALYSIS

OF THE COMPANY'S FINANCIAL CONDITION

AND RESULTS OF OPERATIONS

YEAR ENDED

DECEMBER 31, 2016

Report Date

The information in this report is presented as of April 27, 2017.

Note to readers

This management discussion and analysis ("MD&A") should be read in conjunction with the December 31, 2016 audited consolidated financial statements and notes thereto of Castle Silver Resources Inc. ("Castle" or the "Company"), which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as published by the International Accounting Standards Board (IASB). All figures are in Canadian dollars unless stated otherwise. This discussion contains forward-looking statements that are not historical in nature and involves risks and uncertainties. Forward-looking statements are not guarantees as to the Company's future results as there are inherent difficulties in predicting future results. Accordingly, actual results could differ materially from those expressed or implied in the forward looking statements. Additional information, including the above mentioned financial statements, which contain extensive disclosure of the history and properties of the Company are available on SEDAR and may be accessed at www.sedar.com.

Cautionary Note Regarding Forward-Looking Statements

This MD&A includes "forward-looking statements", within the meaning of applicable securities legislation, which are based on the opinions and estimates of management and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "budget", "plan", "continue", "estimate", "expect", "forecast", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar words suggesting future outcomes or statements regarding an outlook. Such risks and uncertainties include, but are not limited to, risks associated with the mining industry (including operational risks in exploration development and production; delays or changes in plans with respect to exploration or development projects or capital expenditures; the uncertainty of reserve estimates; the uncertainty of estimates and projections in relation to production, costs and expenses; the uncertainty surrounding the ability of Castle to obtain all permits, consents or authorizations required for its operations and activities; and health safety and environmental risks), the risk of commodity price and foreign exchange rate fluctuations, the ability of Castle to fund the capital and operating expenses necessary to achieve the business objectives of Castle, the uncertainty associated with commercial negotiations and negotiating with foreign governments and risks associated with international business activities, as well as those risks described in public disclosure documents filed by Castle. Due to the risks, uncertainties and assumptions inherent in forward-looking statements, prospective investors in securities of Castle should not place undue reliance on these forward-looking statements.

Readers are cautioned that the foregoing lists of risks, uncertainties and other factors are not exhaustive. The forward-looking statements contained in this MD&A are made as of the date hereof and the Company undertakes no obligation to update publicly or revise any forward-looking statements or in any other documents filed with Canadian securities regulatory authorities, whether as a result of new information, future events or otherwise, except in accordance with applicable securities laws. The forward-looking statements are expressly qualified by this cautionary statement.

Description of business

Castle Silver Resources Inc. ("Castle" or the "Company") was incorporated on April 29, 2005 pursuant to the Canada Business Corporations Act under the name Naples Capital Corp. On November 19, 2007, the Company amended its articles to change its name to Takara Resources Inc. and on November 28, 2016 the Company amended its name to Castle Silver Resources Inc. The address of the Company's head office is 3028 Quadra Court, Coquitlam, BC V6B 5X6. Castle's principal business activities are the acquisition, evaluation, exploration and development of mineral properties. To date, the Company has not realized any revenues from its properties.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and evaluation activities, and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements, government licensing requirements or regulations, social licensing requirements, non-compliance with regulatory and environmental requirements or aboriginal land claims.

Going concern

As at December 31, 2016, the Company had not yet achieved profitable operations, had a working capital deficiency of $742,777 (2015 – $347,036), had accumulated losses of $21,882,658 (2015 - $21,325,199) and expected to incur future losses in the development of its business. These items represent material uncertainties which cast significant doubt about the ability of the Company to continue as a going concern. The Company is in the process of exploring its properties and had not yet determined whether these properties contain economically recoverable reserves. The continued operations of the Company are dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the financing to complete the necessary exploration and development of such property and upon attaining future profitable production or proceeds from disposition of the properties. Management is actively pursuing additional sources of financing, and while it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future.

These consolidated financial statements have been prepared on a going concern basis and do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

Financings

On April 13, 2015, the Company announced a non-brokered private placement of up to 6,000,000 units at a price of $0.05 per unit for aggregate gross proceeds of up to $300,000. Each unit consists of one common share of the Company and one common share purchase warrant. Each warrant is exercisable to acquire a common share at a price of $0.10 for a period of two years from the date of issuance. A finders' fee equal to 7% of the gross proceeds raised and the issuance of a number of finder warrants equal to 7% of the units were available to eligible finders. Each finder warrant entitles the holder to acquire one common share at a price of $0.10 for a period of 24 months from closing. On May 20, 2015, the Company closed the first tranche of the private placement consisting of 1,500,000 units for gross proceeds of $75,000. Finder fees payable for the first tranche totaled $1,750 and 35,000 finder warrants. On June 23, 2015, the Company closed the second tranche of the private placement consisting of 1,900,000 units for gross proceeds of $95,000. Finder fees payable for the second tranche totaled $5,600 and 112,000 finder warrants. On July 31, 2015, the Company closed the final tranche of the private placement consisting of 600,000 units for gross proceeds of $30,000. The investors' and finders' warrants were assigned a value of $77,623 using the Black Scholes option pricing model. The assumptions used were: expected dividend yield of 0%, expected volatility of 118% - 212%, a risk free interest rate of 0.46% - 0.63% and expected life of 24 months.

A director and a family member of a director and officer subscribed for a total of 2,200,000 units for a total proceed of $110,000.

On March 16, 2017, the Company closed a private placement offering, raising gross proceeds of $952,685. The Company issued 6,351,233 units at a price of $0.15 per unit. Each unit comprises one common share and one share purchase warrant. Each warrant will entitle the holder thereof to purchase one additional common share of the Company at an exercise price of $0.20 per share for a period of two years from closing, subject to TSX Venture Exchange ("Exchange") approval. The expiry of the warrants may be accelerated if the closing price of the Company's shares on the TSX Venture Exchange is at least $0.30 per share for a period of 10 consecutive trading days during the term of the warrant. The Company may accelerate the expiry of the warrants to 20 calendar days from the date express written notice is given by the Company to the holder.

Exploration and Evaluation Projects.

Castle Silver Mine Property

The Castle Silver Mine Property, encompassing a 100% interest in 34 Mining Leases and 2 Mining Licenses of Occupation located in the Haultain and Nicol Townships of Ontario covering a total of 564.41 hectares, along with an additional 17 staked claims consisting of 169 16-ha claim units, was acquired in September 2015 by the Company.

Pursuant to the terms of the share purchase agreement dated April 13, 2015 (amended May 4, 2015) (the "Share Purchase Agreement"), the Company has now acquired all of the issued and outstanding common shares of Castle Silver Mines Inc. ("CSM") from Granada Gold Mine Inc. ("Granada") (formerly Gold Bullion Development Corp.)

In June 2016, Granada entered into a Letter of Intent with the Company whereby Granada obtained a 50% interest in certain claims on the property in lieu of property payments owed to Granada pursuant to the terms of an Assignment Agreement dated October 8, 2015.

Late in 2014, a small trenching program was initiated to follow up on significant results based on a boulder train of rusty, highly-altered, angular boulders with 3-5% sulphides and substantial quartz veining originally identified in late 2012 while prospecting. Assay results included grab samples in one trench of up to 0.37 g/t Au and another of 0.26 g/t Au with 1.032% Cu.

Further results from the late 2014 trenching include channel sample assays in trench D3 grading 2.24 g/t Au over 2.20 metres including one sample of 3.77 g/t Au over 1.27 metres. In trench D1, channel sampling grading 0.77 g/t Au over 3.98 metres including a sample of 1.25 g/t over 0.83 metres.

Of significance is that this boulder train of altered, mineralized boulders extends to the north beyond the trenches indicating the potential for other similarly altered zones north of the current trenching.

In 2016, Granada and the Company jointly completed a program of line cutting in preparation for a ground IP geophysical survey covering the joint Golden Corridor property and extending onto the Company's property. The IP survey was completed at the end of January 2017 and results and reporting are pending. The survey covered approximately 15 line kilometres aimed at identifying IP anomalies typical of gold and silver mineralization. The IP survey will test for chargeability (highs caused by pyrite, coincident with resistivity lows (caused by alteration) which are commonly associated with gold ore. Such mineralization and alteration with gold and copper mineralization were encountered in surface trenching and sampling. The IP will test also for high chargeability-low resistivity anomalies associated with silver-cobalt vein deposits Follow up and fill-in MMI (Mobile Metal Ion) sampling will be used to prioritize IP targets for subsequent exploration diamond drilling.

The 3-D model of the property is evolving as there are a large number of historic records that are being scanned, recorded and digitized. Information being taken from these scans include underground vein mapping, drill hole traces and vein intersections with interval grades along with geological contacts. To date, the first level is complete and surfaces of the diabase intrusive body have been created – important as the silver is, historically, spatially associated with the upper half of the diabase. The new IP data will be incorporated into the model to guide future exploration.

Beaver and Violet Properties, Ontario, Canada

The Company held a seven-year option to acquire a 100% interest to an area of approximately 20 acres in Coleman Township, Ontario. The property is subject to a 3% net smelter return royalty, and the Company may purchase each 1% of the NSR royalty for $1.5 million. The Company has met all the obligations of the Option.

In October 2015, Granada completed an assignment agreement with the Company granting the Company the right to acquire a 100% interest in the Beaver and Violet cobalt and silver properties located in the township of Coleman, in northeastern Ontario. Pursuant to the Assignment Agreement, the Company agreed to pay to Granada an aggregate of $75,000, consisting of $15,000 payable within ten days upon execution of the Assignment Agreement plus four equal instalments of $15,000 on the first, second, third and fourth anniversary dates of the date of the Assignment Agreement.

In June 2016, Granada signed a Letter of Intent with the Company whereby Granada obtained a 50% interest in certain claims on the Castle Silver Mine property in lieu of the four instalment payments of $15,000 owed to Granada.

The Company has released results of a high definition mineralogy study and some scoping level flotation and gravity separation tests done by SGS Lakefield on samples from its Beaver Silver Property, located 15 kilometres east of the historic silver camp in Cobalt, Ontario.

The test work above was based on a 20-kilogram sample from 400 kilograms of cobalt-nickel sulfide material hand-cobbed from the historic waste pile at the Beaver Silver Mine. The sample used in this test program, has an average calculated assay of 7.98 percent Cobalt, 3.98 percent Nickel and 1246 grams per tonne silver. Combined gravity-flotation recoveries from the limited test program yielded 64.2 percent for cobalt, 61.2 percent for nickel and 92.0 percent for silver.

Results of Operations

A summary of the Exploration Expenses for the year ended December 31, 2016 and 2015 are as follows:

	2016	2015
Acquisition	**$ 75,000**	$ 370,659
Equipment	**610**	-
Facilities expense	**30,457**	2,978
Geology, geophysics and surveys	**54,000**	-
Project management and engineering	**144,216**	30,522
Reports	**770**	15,031
Royalties	**15,000**	15,000
Taxes, permits and licensing	**4,655**	227
Travel	**1,095**	-
	$ 325,803	$ 434,417

All exploration expenses other than the $75,000 acquisition cost in 2016, which was for the Beaver and Violet properties, were spent on the Castle Silver Mines property. The acquisition expenses in 2015 were for Castle Silver Mines Inc. The increase in other expenses is due to increased activity.

A summary of the Corporate Expenses for the year ended December 31, 2016 and 2015 are as follows:

	2016	2015
Administrative and general expenses	**$ 4,246**	$ 7,878
Management fees	**67,847**	16,250
Professional fees	**76,212**	82,489
Filing costs and shareholders' information	**28,813**	28,793
Travel	**3,798**	6,426
	180,916	141,836

Liquidity and Capital Resources

Cash totaled $3,170 as at December 31, 2016, compared to $139 as at December 31, 2015. Net working capital deficiency as at December 31, 2016 totaled $742,777 compared to $347,036 as at December 31, 2015.

There can be no assurance that the Company will be successful in its efforts to arrange additional financing on terms satisfactory to the Company. If additional financing is raised by the issuance of shares from the treasury of the Company, existing shareholders ownership may be diluted.

As an exploration stage Company without a revenue stream, the Company budgets and plans exploration and administrative expenses, and closely monitors its monthly expenditures, investments and cash position.

Selected Annual Information

The following table provides a brief summary of the Company's financial operations for the last three fiscal years.

	Year Ended December 31, 2016	**Year Ended December 31, 2015**	**Year Ended December 31, 2014**
Total Net Loss	($557,459)	$(516,326)	($305,065)
Net Loss per share	($0.02)	($0.02)	($0.02)
Total Assets	$55,394	$54,915	$12,526

Summary of Quarterly Results

	Dec 31, 2016	Sep 30, 2016	Jun 30, 2016	Mar 31, 2016	Dec 31, 2015	Sep 30, 2015	Jun 30, 2015	Mar 31, 2015
	$	$	$	$	$	$	$	$
Revenue	-	-	-	-	-	-	-	-
Net Loss	297,543	111,917	67,492	80,507	121,341	327,996	58,507	8,482
Loss per share	0.01	0.00	0.00	0.00	0.00	0.02	0.00	0.00

The Company's level of activity and expenditures during a specific quarter are influenced by the availability of working capital, the availability of additional external financing, the time required to gather, analyze and report on geological data related to mineral properties, the results of the Company's prior exploration activities on its properties and the amount of expenditure required to advance its projects.

Outstanding share Data

The Company's authorized capital is an unlimited number of common shares without par value. As at the date of this report there were 36,854,877 shares issued and outstanding. The Company had 12,998,233 share purchase warrants outstanding. Each warrant entitles the holder to purchase one common share at a price of $0.10 - $0.20 per share until March 16, 2019. Stock options outstanding total 3,150,000 are exercisable for common shares at $0.05 - $0.24 per share until March 18, 2022.

Related Party Transactions

The Company has entered into agreements with officers of the Company and private companies controlled by officers and directors of the Company for management consulting, geological consulting and other services required by the Company.

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 any directors (executive and non-executive) of the Company.

The remuneration of officers and directors of the Company for the year ended December 31, 2016 was $210,945 (2015 - $71,363) of short-term benefits and share based payments valued at $67,500.

There were no Directors' fees paid to members of the Board of Directors for the years ended December 31, 2016 and 2015.

Included in accounts payable and accrued liabilities was $510,094 (2015 - $188,634) payable to officers and directors of the Company or companies controlled by them. These amounts are unsecured and non-interest bearing with no fixed terms of repayment.

During the year ended December 31, 2015, the Company paid $1,500 for rent to a related party, with which the Company has one director in common.

Off-Balance Sheet Arrangements

There are no off-balance sheet arrangements as at December 31, 2016.

Financial Instruments and Risk Factors

The Company's financial instruments consist of cash, other receivables, trade payables and other payables.

1. **Risk management and hedging activities**
   In the normal course of operations, the Company is exposed to various financial risks. Management's close involvement in the operations allows for the identification of risks and variances from expectations. The Company does not meaningfully participate in the use of financial instruments to control these risks. The Company has no designated hedging transactions. The financial risks and management's risk management objectives and policies are as follows:

   a. Currency risk – As the Company transacts business in Canadian dollars, there is minimal foreign currency risk at December 31, 2016 and 2015.

   b. Price risk - The Company is exposed to price risk with respect to commodity prices. As the Company is not a producing entity, this risk does not currently affect earnings, however, the risk could affect the completion of future equity transactions. The Company monitors commodity prices of precious metals and the stock market to determine the timing, nature and extent of equity transactions.

   c. Credit risk - Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. The Company is exposed to credit risk on its cash. The Company has deposited its cash with reputable financial institutions, from which management believes the risk of loss is minimized. As at December 31, 2016, cash was held with major Canadian financial institutions.

d. Liquidity risk - Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. Management monitors the Company's liquidity by assessing forecast and actual cash flows and by maintaining adequate cash on hand. As at December 31, 2016, the Company had a working capital deficiency in the amount of $742,777.

   The contractual maturities of financial liabilities of $798,171 at December 31, 2016, based on the earliest date on which payment can be required, were within six months.

e. Interest rate risk - The Company is not exposed to any meaningful interest rate risk due to the short term nature and immateriality of its interest generating asset.

f. Sensitivity analysis - The Company has cash and cash equivalents subject to interest rate risk of approximately $3,170. A 1% change in the primary interest rate would not affect the reported net income by a material amount.

g. Fair values, carrying amounts and changes in fair value. The fair values of the Company's financial instruments approximate their carrying value due to their short-term nature. Fair value amounts represent point-in-time estimates and may not reflect fair value in the future. The measurements are subjective in nature, involve uncertainties and are a matter of judgment. The methods and assumptions used to develop fair value measurements, for those financial instruments where fair value is recognized in the balance sheet, have been prioritized into three levels as per the fair value hierarchy in Canadian generally accepted accounting principles.

   Level 1 includes quoted prices (unadjusted) in active markets for identical assets or liabilities.
   Level 2 includes inputs that are observable other than quoted prices included in level 1.
   Level 3 includes inputs that are not based on observable market data.

h. Collateral - The carrying value of financial assets the Company has pledged as collateral as at December 31, 2016 is $Nil (2015 - $Nil).

2. Risks and Uncertainties

The exploration and development of mineral deposits involves significant risks over an extended period of time which requires a combination of careful evaluation, experience and knowledge. The Company may not be able to mitigate these significant risks. Few properties that are explored are ultimately developed into producing mines. The long-term profitability of the Company's operations will be primarily related to its ability to finance its working capital and operations which will be in part related to the cost and success of its exploration programs. Additionally, there are a number of factors beyond the control the Company including but not limited to the availability of skilled personnel, qualified vendors, construction and production targets, timetables, anticipated timing of grant of permits and governmental incentives, favourable commodities markets, contractual commitments, litigation matters, the inability to mitigate financial and operational risks, inability to have access to the capital markets and the availability of critical equipment.

Substantial expenditures are required to establish reserves through drilling to determine the technical and economic feasibility of mining and extracting resources from them and, if warranted, to develop the mining, processing facilities and infrastructure at any chosen site. Although substantial benefits may be derived from the discovery of a mineralized deposit, it is impossible to ensure that the current mineral properties in which the Company has an interest will result in profitable mining operations. Furthermore, there can be no assurance that the Company's estimates of future exploration expenditures will prove accurate and actual expenditures may be significantly higher than currently anticipated. Determining if a deposit will be commercially viable depends on a number of factors, some of which are the particular attributes of the deposit including the size and grade, costs and efficiency of the recovery methods that can be employed, proximity to infrastructure, land use and environmental protection. As the effect of these factors cannot be accurately predicted, any combination of them may result in the Company not receiving an adequate return on its invested capital, if any.

The exploration and development of mineral projects always involves significant risks over an extended period of time. Even where a combination of careful evaluation, experience and knowledge are evident, there is no assurance that an exploration project can be profitable or successful. The long-term viability of the Company's operations will be in part correlated to the cost and success of its exploration programs, which may be affected by a number of factors beyond the control of the Company including but not limited to commodity prices, the availability of skilled personnel, qualified vendors and critical equipment.

The operations of the Company are speculative due to the nature of the Company's business. An investment in securities entails a number of risks factors, which should be considered carefully; the following risk factors pertain to the business operations of Castle include, but are not limited to the following:

Nature of Mineral Exploration and Mining
The exploration and development of mineral deposits involves significant risks over an extended period of time which even a combination of careful evaluation, experience, and knowledge may not eliminate, and few properties which are explored are ultimately developed into producing mines. The long-term profitability of the Company's operations will be in part related to the cost and success of its exploration programs, which may be affected by a number of factors out of the Company's control, such as the availability of skilled personnel, qualified vendors, construction and production targets, timetables, anticipated timing of grant of permits and governmental incentives, expected continuity of a favourable nickel and other commodities markets, contractual commitments, litigation matters and measures of mitigating financial and operational risks, continuous access to the capital markets, and the availability of critical equipment.

Substantial expenditures are required to establish reserves through drilling, to determine the technical and economic feasibility of mining and extracting them, and, if warranted, to develop the mining and processing facilities and infrastructure at any site chosen for mining. Although substantial benefits may be derived from the discovery of a major mineralized deposit, it is impossible to ensure that the current proposed exploration programs on the properties in which the Company has an interest will result in profitable mining operations. Furthermore, there can be no assurance that the Company's estimates of future exploration expenditures will prove accurate, and actual expenditures may be significantly higher than currently anticipated. Whether a deposit will be commercially viable depends on a number of factors, some of which are the particular attributes of the deposit, such as its size and grade, costs and efficiency of the recovery methods that can be employed, proximity to infrastructure, land use, and environmental protection. The effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company not receiving an adequate return on its invested capital.

Mineral Deposits and Production Costs; Commodity Prices
The economics of developing mineral deposits are affected by many factors including variations in the grade of ore mined, the cost of operations, and fluctuations in the sales price of products. The value of the Company's mineral properties is heavily influenced by commodity prices. Commodity prices can and do change by substantial amounts over short periods of time, and are affected by numerous factors beyond the control of the Company, including changes in the level of supply and demand, international economic and political trends, expectations of inflation, currency exchange fluctuations, interest rates and global or regional consumption patterns, speculative activities and increased production arising from improved mining and production methods and new discoveries. There can be no assurance that the prices of mineral products will be sufficient to ensure that the Company's properties can be mined profitably. Depending on the price received for minerals produced, the Company may determine that it is impractical to commence or continue commercial production.

Exploration, Development and Resource and Reserve Estimates
The exploration and development of natural resources involve a high degree of risk and few properties, which are explored, are ultimately developed into producing properties. Although the mineral resources set out herein have been carefully prepared and reviewed or verified by independent mining experts, these amounts are estimates only and no assurance can be given that an identified mineral resource will ever qualify as a commercially mineable (or viable) ore body which can be legally and economically exploited. In addition, the grade of mineralization ultimately mined may differ from that indicated by drilling results and such differences could be material. Production can be affected by such factors as permitting regulations and requirements, weather, environmental factors, technical difficulties, unusual or unexpected geological formations and work interruptions.

Short-term factors, such as the need for orderly development of deposits or the processing of new or different grades, may have an adverse effect on mining operations and on the results of operations. There can be no assurance that minerals recovered in small-scale laboratory tests will be duplicated in large-scale tests under on-site conditions or in production scale operations.

Exploration and Development Risks
Mineral exploration and mining involve considerable financial and technical risk. Substantial expenditures are usually required to establish ore reserves, to evaluate metallurgical processes and to construct mining and processing facilities at a particular site. It is impossible to assure that the current exploration programs planned by the Company will result in profitable commercial mining operations, as few properties that are explored are ultimately developed into producing mines. Unusual or unexpected geological formations, unstable ground conditions that could result in cave-ins or landslides, floods, power outages or fuel shortages, labour disruptions, fires, explosions, and the inability to obtain suitable or adequate machinery, equipment or labour are risks associated with the conduct of exploration programs and the operation of mines. The Company has no experience in the development and operation of mines or in the construction of facilities required to bring mines into production. The Company has relied, and may continue to rely, upon consultants for expertise with respect to the construction and operation of a mining facility.

Financing Risks
The Company will need additional funding to remain a going concern and operate with its current assets. The Company currently has limited financial resources, no source of operating cash flow and no assurance that additional funding, equity or debt based, will be available for further exploration and development of its projects. There can be no assurance that it will obtain adequate financing in the future or that the terms of such financing will be favourable. Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration and development of the Company's projects, and the possibility of loss of such properties is currently substantial.

Liquidity Concerns and Future Financing
The further development and exploration of the various mineral properties in which the Company may acquire interests depend upon the Company's ability to obtain financing through joint ventures, equity financing or other means. An additional equity financing could cause substantial dilution to the Company's shareholders. There is no assurance that the Company will be successful in obtaining required financing as and when needed. Volatile markets for precious and base metals may make it difficult or impossible for the Company to obtain debt financing or equity financing on favourable terms or at all. Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration and development any property interests the Company may acquire with the possible dilution or loss of such interests.

As of the date hereof, the Company does not have the financial resources required to advance projects. The Company will need to obtain further debt or equity financing from external sources in order to fund future projects as a going concern, to conduct exploration activities and fund other expenses. There is no assurance that the Company will be able to obtain debt or equity financing on favourable terms, or at all. Failure to obtain such financing could result in delay or indefinite postponement of further exploration and development of future projects.

Environmental and other Regulatory Requirements
The activities of the Company are subject to environmental regulations promulgated by government agencies from time to time. Environmental legislation generally provides for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining industry operations. A breach of such legislation may result in imposition of fines and penalties and other liabilities against the Company.

Permits and Licenses
The operations of the Company will require licenses and permits from various governmental and non-governmental authorities. The Company has obtained, or will obtain all necessary licenses and permits required to carry on with activities, which it is currently conducting or which it proposes to conduct under applicable laws and regulations. However, such licenses and permits are subject to change in regulations and in various operating circumstances, including in circumstances of a changing Government. There can be no assurance that the Company will be able to maintain or obtain all necessary licenses and permits required to carry out exploration, development and mining operations at its proposed projects. The Company has made applications for extensions to licences and has made application to change certain licences and there is no assurance that the applications will be successful, thereby putting the Company at risk of losing various mineral property rights.

Competition
The mineral exploration and mining business is competitive in all of its phases. The Company competes with numerous other companies and individuals, including competitors with greater financial, technical and other resources than the Company, in the search for and the acquisition of attractive mineral properties. The ability of the Company to maintain its current projects, as well as acquire new properties in the future will depend not only on its ability to develop and finance its present properties, but also on its ability to select and acquire suitable properties or prospects for mineral exploration. There is no assurance that the Company will continue to be able to compete successfully, if at all, with its competition in acquiring such properties or prospects, or even maintaining rights to its current projects.

Title to Some of the Company's Mineral Properties May be Challenged or Defective
The acquisition of title to mineral properties is a very detailed and time-consuming process. Title to mineral concessions may be disputed. Although the Company believes it has taken reasonable measures to ensure proper title to its properties, there is no guarantee that title to any of such properties will not be challenged or impaired. Third parties have made claims underlying portions of the Company's interests, including prior unregistered liens, agreements and transfers or claims, including aboriginal land claims. Title may also be affected by, among other things, undetected defects. As a result, the Company may be constrained in its ability to operate its properties or unable to enforce its rights with respect to its properties. An impairment to or defect in the Company's title to its properties could have a material adverse effect on the Company's business, financial condition or results of operations.

No Assurance of Title to Property
While the Company has conducted title searches on all of its mineral properties and, to the best of its knowledge, title to all of its properties and properties in which it has the right to acquire or earn an interest are in good standing, this should not be construed as a guarantee of title. The Company's claims may be subject to prior unregistered agreements or transfers or third party land claims and title may be affected by undetected defects. Furthermore, there is no assurance that the interests of the Company in any of its properties may not be challenged or impugned.

Conflicts of Interest
The directors and officers of the Company will not be devoting all of their time to the affairs of the Company. The directors and officers of the Company are directors and officers of other companies, some of which are in the same business as the Company. The directors and officers of the Company are required by law to act in the best interests of the Company. They have the same obligations to the other companies in respect of which they act as directors and officers. Discharge by the directors and officers of their obligations to the Company may result in a breach of their obligations to the other companies, and in certain circumstances this could expose the Company to liability to those companies. Similarly, discharge by the directors and officers of their obligations to the other companies could result in a breach of their obligation to act in the best interests of the Company. Such conflicting legal obligations may expose the Company to liability to others and impair its ability to achieve its business objectives.

Insurance
The Company's insurance policies in place form time to time may not be adequate for the Company to protect itself against certain risks associated with mineral exploration and its corporate activities. Currently the Company has no policies in place and the Company will remain at risk and will be potentially subject to liability for hazards.

Fluctuation in Market Value of Castle's Shares
The market price of a publicly-traded stock is affected by many variables not directly related to the corporate performance of the Company, including the market in which it is traded, the strength of the economy generally, the availability and attractiveness of alternative investments, and the breadth of the public market for the stock. The effect of these and other factors on the market price of the Common Shares of the Company on The TSX Venture Exchange in the future cannot be predicted.

Critical Accounting Policies and Estimates
In preparing the consolidated financial statements, management has to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. Based on historical experience, current conditions, expert advice and application of accounting policies, management makes assumptions that are believed to be adequate and reasonable under the circumstances.

Internal Controls Over Financial Reporting and Disclosures
The Chief Executive Officer and the Chief Financial Officer of the Company are responsible for establishing and maintaining controls and procedures regarding the communication of information about the Company, as well as internal controls over its financial reporting. The Chief Financial Officer has conducted an evaluation of the controls and procedures regarding communication of information and has concluded these controls and procedures were effective for the year ended December 31, 2016. The Chief Executive Officer together with the Chief Financial Officer is responsible for designing internal controls over financial reporting or for causing it to be designed under their supervision. During the year ended December 31, 2016, all existing systems have been documented and inadequacies have been corrected, as necessary. The Chief Executive Officer together with the Chief Financial Officer, have evaluated whether there were changes to internal control over financial reporting during the year ended December 31, 2016, that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting. No such changes were identified through their evaluation.

New accounting standards adopted during the year

The Company has adopted the following new standard effective January 1, 2016, and there was no material impact on the Company's consolidated financial statements.

IAS 1 Presentation of Financial Statements ("IAS 1")
IAS 1 was amended in December 2014 in order to clarify, among other things, that information should not be obscured by aggregating or by providing immaterial information, that materiality consideration apply to all parts of the financial statements and that even when a standard requires a specific disclosure, materiality considerations do apply. The amendments are effective for annual periods beginning on or after January 1, 2016.

Future changes in accounting standards not yet adopted

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods on or after January 1, 2017 or later periods. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

IFRS 9 Financial Instruments ("IFRS 9")
IFRS 9 was issued by the IASB in November 2009 with additions in October 2010 and May 2013 and will replace IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity's own credit risk in other comprehensive income, rather than within profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Earlier adoption is permitted.

The Company is in the process of reviewing the standard to determine the impact on the consolidated financial statements.

Additional Information

Additional information about Castle Silver Resources Inc., including the annual information form, may be obtained from the Company's website at www.castlesilverresources.com or on SEDAR at www.sedar.com.