Castle Resources

MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE THREE AND SIX MONTHS ENDED MARCH 31, 2016 AND 2015

(Prepared by Management on May 24, 2016)

INTRODUCTION

The following discussion and analysis is a review of the operations, current financial position and outlook for Castle Resources Inc. (the "Company" or "Castle") and should be read in conjunction with the Company's condensed interim consolidated financial statements for the six months ended March 31, 2016 and related notes thereto. The discussion covers the period end up to the date of filing of this MD&A. These condensed interim consolidated financial statements are prepared using International Financial Reporting Standards ("IFRS") as issued by International Accounting Standards Board ("IASB"). All amounts in this MD&A are in Canadian dollars unless otherwise specified. This MD&A was reviewed and approved by the Company's Audit Committee and Board of Directors on May 24, 2016.

FORWARD-LOOKING INFORMATION

This MD&A contains certain forward-looking statements and information relating to the Company that are based on the beliefs of its management as well as assumptions made by and information currently available to the Company. When used in this document, the words "anticipate", "believe", "estimate", "expect" and similar expressions, as they relate to the Company or its management, are intended to identify forward-looking statements. Such forward-looking statements relate to, among other things, regulatory compliance, the sufficiency of current working capital, the estimated cost and availability of funding for the continued exploration of the Company's exploration properties. Such statements reflect the current views of the Company with respect to future events and are subject to certain risks, uncertainties and assumptions. Many factors could cause the actual results, performance or achievement of the Company to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statements were made.

DESCRIPTION OF THE BUSINESS

Overview

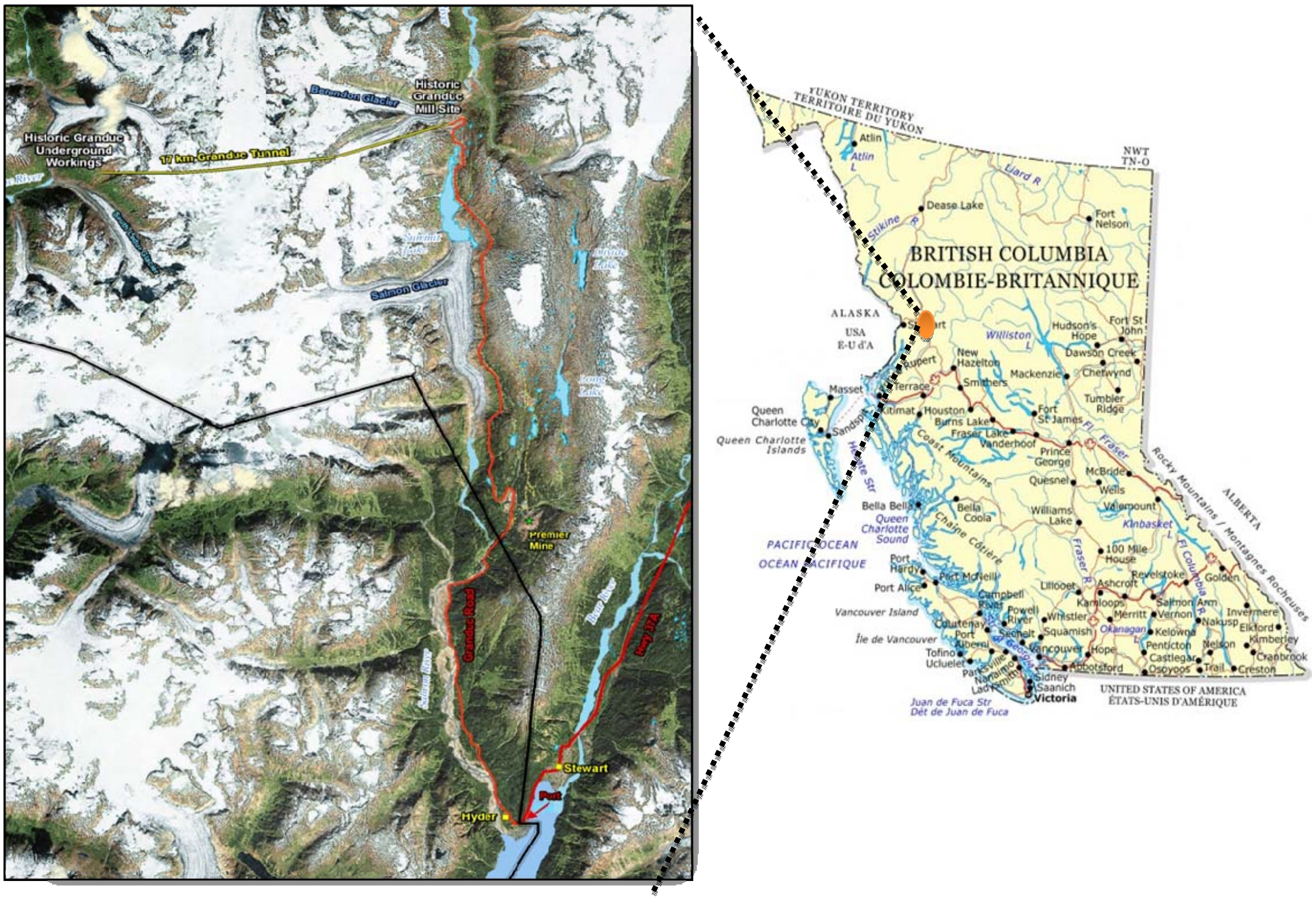
Castle Resources Inc. is a Toronto based junior resource company focused on high-quality advanced exploration or development project. The Company's focus is on the Granduc Project in British Columbia. Management's goal is to seek additional opportunities to continue to add value for shareholders.

MINERAL EXPLORATION ACTIVITIES

Granduc Copper Mine ("Granduc Project"), British Columbia, Canada

On October 15, 2010, the Company acquired a 100% interest in the Granduc Claims ("The Granduc property"). The Granduc Copper Project is a low risk, high grade, long life past producer restart in an excellent mining jurisdiction with significant exploration potential.

Granduc Location



MINERAL EXPLORATION ACTIVITIES (continued)

On August 16, 2011, the Company completed an acquisition of a mining claim located in the Skeena mining division in British Columbia. The claim is related to the Granduc Project. In connection with this acquisition, the Company paid cash consideration in the amount of $20,000, issued an aggregate of 94,118 common shares of the Company (valued at $80,000 based on the quoted market price of the Company's shares), and granted a 2% NSR over the acquired claim.

The Granduc Project is subject to a 2% Net Smelter Royalty ("NSR") in respect of certain mineral claims. The NSR can be purchased for $500,000 for the first one percent (1%) and $1 million for the remaining one percent (1%).

The Granduc Project is also subject to a 1.5% NSR in respect of certain mineral claims (the "Silver Leduc claim block"). The Company is committed to make annual payments of $25,000 and issue $25,000 worth of common shares (based on the average price of the shares over the previous 10 trading days prior to issuance) until the related mineral claims lapse or are put into commercial production. As of September 30, 2015, the Company has paid $100,000 cash and issued 24,002 common shares for a total value of $197,500. In 2015, the Company terminated the Silver Leduc claim block, deeming them to be not material to the Company's primary focus of redeveloping the past producing Granduc Copper Project.

Drilling Results

In 2010, the Company successfully completed over 8,000 metres of diamond drilling on the Granduc.

On February 28, 2011, the company released results of the resource estimate prepared by SRK Consulting from Vancouver, B.C. on the 2010 drilling as well as the historic drilling.

- Indicated resources are 3.75 million tonnes grading 1.59% Cu containing 131.4 million pounds of copper based on an 0.8% Cu cut-off grade
- Inferred resources are 15.8 million tonnes grading 1.36% containing 471.5 million pounds of copper based on an 0.8% Cu cut-off grade
- Exploration potential estimated to contain an additional 17 to 23 million tonnes grading between 1.3 to 1.6% Cu

MINERAL EXPLORATION ACTIVITIES (continued)

The Company completed over 30,000 metres of drilling in 54 holes by early October 2011.

Highlights of the 2011 drilling results:

Hole	Start (m)	End (m)	Width (m)	% Cu	Au (g/t)	Ag (g/t)	%Fe
GD11-16	682.00	690.00	**8.00**	**3.17**	0.37	7.50	**11.98**
inc	686.00	690.00	**4.00**	**5.40**	0.65	13.00	**16.40**
GD11-21	351.00	373.00	**22.00**	**1.38**	0.17	9.78	**18.28**
inc	363.00	373.00	**10.00**	**2.07**	0.23	14.2	**16.53**
GD11-25	412.00	430.00	**18.00**	**1.90**	0.26	19.28	**11.74**
GD11-33	345.00	360.00	**15.00**	**1.91**	0.23	21.15	**11.58**
inc	355.00	360.00	**5.00**	**2.42**	0.22	24.66	**10.32**
GD11-31	359.95	371.92	**11.97**	**1.82**	0.18	13.44	**20.93**
inc.	365.00	370.90	**5.90**	**2.85**	0.15	13.29	**16.85**
GD11-39	416.00	434.00	**18.00**	**1.58**	0.2	12.97	**25.97**
GD11-36	142.00	148.00	**6.00**	**0.64**	0.08	2.70	**11.91**
and	152.00	162.00	**10.00**	**0.76**	0.10	3.89	**14.00**
and	180.00	189.00	**9.00**	**0.85**	0.10	3.70	**7.92**
and	241.68	261.00	**19.32**	**2.73**	0.19	8.53	**15.71**
inc.	241.68	246.00	**4.32**	**3.38**	0.26	12.35	**14.99**
inc.	248.00	253.00	**5.00**	**3.47**	0.23	10.84	**18.47**
and	323.00	341.00	**18.00**	**1.40**	0.15	12.05	**29.61**
inc.	324.00	332.00	**8.00**	**1.83**	0.19	18.88	**28.00**
and	352.00	366.00	**14.00**	**0.84**	0.13	8.60	**33.29**
inc.	357.00	362.00	**5.00**	**1.15**	0.16	10.34	**39.24**
and	371.00	386.28	**15.28**	**1.61**	0.19	17.57	**9.45**

On February 21, 2012, the company released results of an updated resource estimate prepared by SRK Consulting from Vancouver, B.C. including the 2011 drilling

- Indicated resources are 10.4 million tonnes grading 1.25% Cu containing 286 million pounds of copper, 47,000 ounces of gold and 3.5 million ounces of silver (C$40 NSR cut-off)
- Inferred resources are 36.6 million tonnes grading 1.26% containing 1.013 billion pounds of copper 155,000 ounces of gold and 11.4 million ounces of silver (C$40 NSR cut-off)
- Exploration potential estimated to contain an additional 15 to 25 million tonnes grading between 1.2 and 1.5% Copper (C$40 NSR cut-off)

The Company completed over 22,000 metres of drilling in 40 holes testing the southern extension of the Main Zone as well as expanding the North Zone

In addition to exploration work, the Company has begun preliminary environmental monitoring (water quality sampling, wild life and fish habitat evaluation) towards initiating an application for Environmental Assessment.

MINERAL EXPLORATION ACTIVITIES (continued)

Highlights of the 2012 drilling results:

Hole		Start (m)	End (m)	Width m)	% Cu	Au (g/t)	Ag (g/t)	%Fe
GD12-01		262.00	279.80	**17.80**	**1.28**	0.12	5.77	**19.76**
	inc	271.62	277.00	**5.38**	**1.83**	0.20	8.80	**36.09**
	and	289.50	315.00	**25.50**	**1.81**	0.23	7.13	**13.99**
	inc	295.49	311.00	**15.51**	**2.13**	0.29	9.07	**16.07**
	and	397.00	421.46	**24.46**	**1.40**	0.17	10.21	**10.20**
GD12-02		550.50	558.00	**7.50**	**1.97**	0.20	23.61	**9.36**
GD12-03		508.00	529.00	**21.00**	**1.47**	0.14	2.08	**18.11**
	inc	515.50	523.00	**7.50**	**1.94**	0.18	2.09	**15.86**
GD12-6		68.84	77.24	**8.40**	**2.56**	0.27	23.91	**28.64**

The Company has received the statutory right of way from the British Columbia Ministry of Forests, Lands and Natural Resource Operations for the 17 kilometre long Granduc Tunnel. The tunnel connects the underground mine site to the Granduc road which leads directly to year round port facilities in Stewart, B.C.

In December 2012, an updated resource estimate was published by Tetra Tech. The results are as follows:

Granduc: NI 43-101 Resource (December 2012)

Main Zone Resource

CATEGORY	TONNES (M t)	COPPER (M lb)	GOLD (K oz)	SILVER (M oz)	CU (%)	AU (g/t)	AG (g/t)
Measured	5.16	179.6	28.2	2.27	1.58	0.17	13.7
Indicated	6.16	188.2	33.2	2.25	1.39	0.17	11.4
Inferred	30.52	940.3	169.7	13.03	1.40	0.17	13.3

North Zone Resource

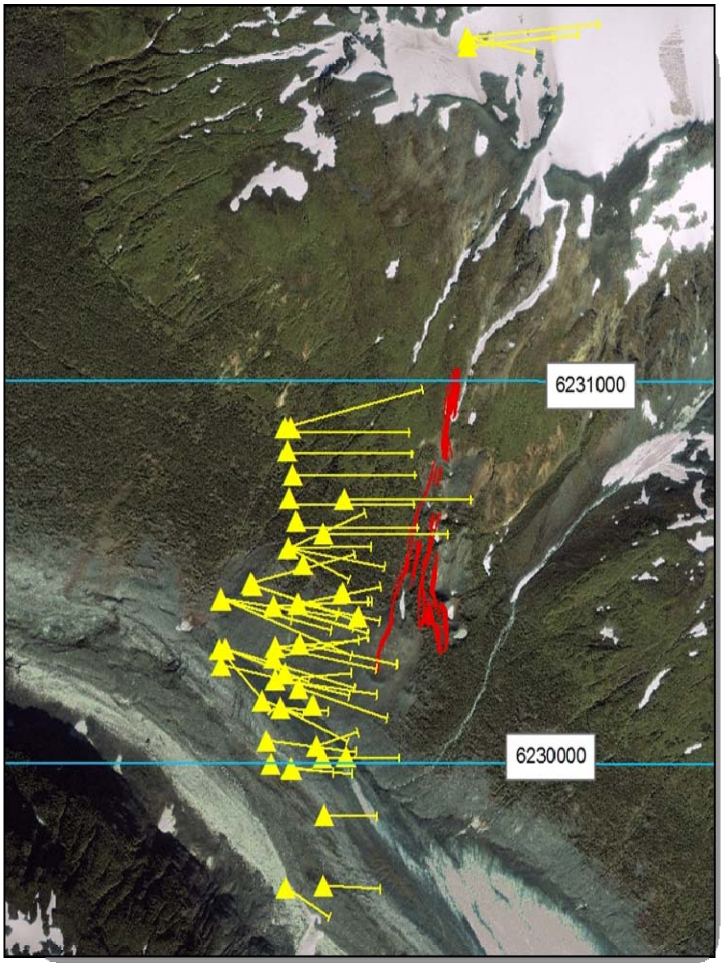
CATEGORY	TONNES (M t)	COPPER (M lb)	GOLD (K oz)	SILVER (M oz)	CU (%)	AU (g/t)	AG (g/t)
Inferred	14.11	464.4	97.3	2.36	1.49	0.21	5.2

Note: based on a CuEq Cut-off of 0.8%

MINERAL EXPLORATION ACTIVITIES (continued)

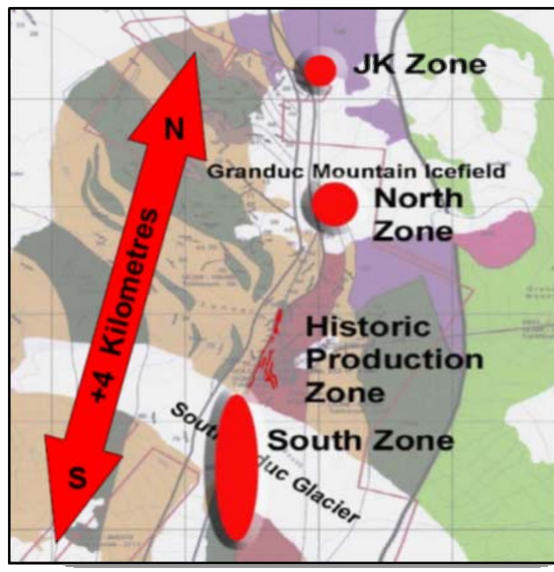
Mineralized Strike

2010, 2011 & 2012 Castle Drilling: 62,000 meters (110 holes)



<u>Typical Granduc VMS Copper Lens</u>
GD10-02 intersected 16.75 meters averaging 2.15% Cu, including 5 meters of 3.27% Cu

GD10-12 intersected 33.48 meters averaging 1.45% Cu, including 15 meters of 1.72% Cu



MINERAL EXPLORATION ACTIVITIES (continued)

On February 28, 2013, the Company has completed and filed the Preliminary Economic Assessment ("PEA") in accordance with National Instrument 43-101.

PEA Result	
Pre-tax NPV (8%) and IRR	**$ 388 MM, 20.9 %**
Post-tax NPV (8%) and IRR	**$ 253 MM, 17.8 %**
Payback	**4 years**
Parameters	
Expected construction start date	**2016**
Mine Life	**15 years**
CAPEX	**$ 494 MM (incl. contingency of $ 69 MM)**
LOM Sustaining CAPEX	**$ 239 MM**
Operating Cost	**$ 1.37/lb Cu (net of metal credits)**
Mining Method	**Sub-level caving (80%), blast-hole stoping (20%)**
Milling Rate	**8,500 tpd**
Mill Recovery	**95 %**
Concentrate	**27 % Cu**
Peak Life of Mine (Yr 2-8)	
Average operating cash flow	**$ 164 MM/yr**
Annual production	**72 Mlb Cu, 811 koz Ag, 9.5 koz Au, 251 kt Magnetite**
Assumptions	
Price of Copper	**$ 3.65/lb**
Price of Silver	**$ 28/oz**
Price of Gold	**$ 1480/oz**
Magnetite	**$ 122/t**
Exchange Rate (CAD:US)	**$ 0.99**
Discounting Start	**2013, Q1**

EXPLORATION AND EVALUATION ASSET

The Granduc Project, British Columbia, Canada

As at March 31, 2016, the Company recorded a balance of $43,922,867 in exploration and evaluation assets in the Granduc project.

The capitalized cost for Granduc property is detailed in the following table:

	2016 3 months $	2015 12 months $	2014 12months $	2013 and prior years $	**Total** **$**
Acquisition costs	-	(197,500)	50,000	6,105,478	**5,957,978**
Exploration Expenditure					
Assaying	-	2,400	-	724,568	**726,968**
Drilling	15,000	14,000	8,265	12,244,657	**12,281,922**
Environmental consulting	(7,925)	52,235	141,751	1,505,224	**1,691,285**
Field camps	41,145	(81,283)	246,280	6,762,196	**6,968,338**
Field labour	-	-	-	371,303	**371,303**
Fuel and transportation	-	899	(15,672)	2,105,152	**2,090,379**
Helicopter fees	-	-	-	4,575,239	**4,575,239**
Mining duties, permits, fees and taxes	3,551	5,903	11,786	234,615	**255,855**
Professional and consulting fees	40,917	75,365	222,772	2,966,959	**3,306,013**
Property and equipment rental	-	4,540	24,520	561,767	**590,827**
Site support and supplies	8,564	(5,000)	21,573	1,319,312	**1,344,449**
Technical report and mapping	-	-	24,154	2,177,688	**2,201,842**
Travel and accommodations	912	295	18,695	487,507	**507,409**
Tunnel rehabilitation	-	-	177,123	5,889,301	**6,066,424**
BC Mining Exploration tax credit	-	-	145,467	(5,158,831)	**(5,013,364)**
Balance	102,164	(128,146)	1,076,714	42,872,135	**43,922,867**

RESULTS OF OPERATIONS AND CASH FLOWS FOR THE THREE AND SIX MONTHS ENDED MARCH 31, 2016 AND 2015

Revenue

The Company is in the exploration stage and therefore, did not have revenues from operations.

Expenses

For the three months ended March 31, 2016, the Company recorded total expenses of $206,830 (March 31, 2015 - $259,331). The Company reduced consulting and management fees to $34,149 as compared to $67,977 in the comparative prior period. The reduction is attributed to the resignations of several officers of the Company within the past year. Office and general expenses have also been reduced to $15,606 as compared to $87,793 in the same period in 2015.

Year-to-date total expense was $376,403, a decrease of $173,828 from the same period in 2015. The decrease in expense is mainly attributable the decrease in management and consulting fees of $102,468 (March 31, 2015 - $179,986) and the decrease in office and general of $39,228 (March 31, 2015 - $173,496). The Company has reduced management team from four officers to two officers and cancelled the head office premise lease along with other office related commitments as of March 31, 2015.

The decrease in expense is offset by the increase in interest and financing fees of $170,655 (March 31, 2015 - $131,501). In an effort to finance working capital, the Company entered into a non-revolving term loan facility in the principal amount of $75,000 at 9% interest rate in July 2015. The Company also issued $100,000 convertible debentures at a 10% interest rate in November 2015. The total interest of $170,655 pertains to two term loan facilities in aggregated of $2,275,000 principal amount and the convertible debentures of $100,000. Subsequent to period end, the Company entered into a debt restructuring agreement whereby the loan facilities were assigned to Drake Management LLC (“Drake”). The accrued interests were converted to special warrants.

Net loss and comprehensive loss

For the three months ended March 31, 2016 the Company recorded net loss and comprehensive loss of $203,048 (March 31, 2015 - $259,331). The Company recorded a loss on sale of investments of $4,282,883 and unrealized gain on investments of $4,285,665. This is mainly due to the sale of the remaining 860,000 shares of Winston Resources Inc. for total proceeds of $8,880 (the Company had initially recorded a cost base of $4,300,000). The Company received these shares as part of the sale of the Company’s 60% interest in the Elmtree Gold property in 2012. As at September 30, 2015, the Company had recognized unrealized loss of $4,231,200. Under IFRS, upon the sale of the shares, all the unrealized loss was reversed and $4,291,120 was recorded as realized loss on the sale of this investment. On a net basis, the Company recorded $3,782 unrealized gain (realized loss of $4,281,883 less unrealized gain of $4,285,665) on investments as at March 31, 2016.

Year-to-date net loss and comprehensive loss was $442,501, a decrease of $117,499 from the comparative period in 2015. The decrease in net loss and comprehensive loss is attributable in further reduction in administrative and overhead costs as discussed in the expenses section above.

Cash Flows

Operating Activities

For the six months ended March 31, 2016, cash used in operating activities was $89,007 (March 31, 2015 - $343,491). The decrease corresponds to the decrease in total expenses, which primarily due to the reduction in consulting and management fees and office and general expenses as discussed above.

Investing Activities

For the six months ended March 31, 2016, cash used in investing activities was $3,293 (March 31, 2015 - $84,975). The Company has reduced expenditures on the Granduc Project to the basic care and maintenance.

Financing Activities

For the six months ended March 31, 2016, cash generated by financing activities was $93,480 (March 31, 2015 - $491,860), reflecting a decrease of $398,380 from the same period in 2015. The Company raised $100,000 convertible debenture in November 2015. The Company closed a non-brokered private placement with total proceeds of $500,000 in November 2014. The ability to raise finance in the capital market is curtailed given the current economic conditions in the resource sector.

SUMMARY OF QUARTERLY RESULTS

Quarter ended	March 31, 2016 $	December 31, 2015 $	September 30, 2015 $	June 30, 2015 $
Net income (loss) and comprehensive income (loss) for the period	(203,048)	(239,453)	917,731	(175,448)
Basic and diluted income (loss) per share	(0.02)	(0.03)	0.11	(0.02)
Total expenses	206,830	169,573	222,718	147,504
Exploration and evaluation assets	43,922,867	43,883,200	43,820,703	43,749,788
Working capital deficiency	(797,203)	(646,809)	(480,938)	(301,476)

Quarter ended	March 31, 2015 $	December 31, 2014 $	September 30, 2014 $	June 30, 2014 $
Net loss and comprehensive loss for the period	(259,331)	(272,467)	488,289	510,595
Basic and diluted income (loss) per share	(0.03)	(0.04)	0.08	0.08
Total expenses	259,331	290,898	320,717	536,619
Exploration and evaluation assets	43,952,802	43,883,744	43,948,849	43,440,751
Working capital (deficiency)	(369,386)	(105,627)	(3,373,386)	105,526

Note: Net loss per share on a fully diluted basis is the same as net loss per share on an undiluted basis, as all factors which were considered in the calculation are anti-dilutive.

Flow-through expenditure commitment

The Company has indemnified the subscribers of current and previous flow-through share offerings against any tax related amounts that become payable by the shareholder should the Company not meet its expenditure commitments. Include in accounts payable and accrued liabilities as at March 31, 2016 is a provision for $67,000 which is the estimated commitment under the indemnity provided to the flow-through subscribers.

Legal proceeding

The Company is party to legal proceedings in the ordinary course of its operations. The Company believes this claim to be without merit. Management does not expect the outcome of this proceeding to have a materially adverse effect on the results of the Company's financial position or results of operations and therefore this amount has not been reflected in these financial statements. Should any losses result from the resolution of this dispute, that amount will be charged to operations in the year that it is determined.

LIQUIDITY

At March 31, 2016, the Company had cash of $14,980 (September 30, 2015 - $7,214) and working capital deficiency of $797,203 (September 30, 2015 - $480,938).

The Company uses the following key financial measures to assess its financial conditions and liquidity

	March 31, 2016	September 30, 2015
Current ratio	0.04	0.22
Working capital deficiency	$ 797,203	$ 480,938
Cash	$ 14,980	$ 7,214

CAPITAL RESOURCES

The following is a summary of the Company's outstanding common shares, warrants and stock options as of March 31, 2016 and May 24, 2016:

	March 31, 2016	May 24, 2016
Common shares	8,387,758	8,387,758
Stock options	40,833	40,833
Warrants (i)	4,050,000	78,152,000

(i) At March 31, 2016, a total of 4,050,000 warrants were issued and outstanding with expiry date ranging from November 7, 2019 to October 31, 2020. On May 2, 2016, the Company entered into a debt conversion agreement with Drake whereby Drake has agreed to settle the outstanding interest balance as at March 15, 2016 on loans payable in consideration for the issuance of 74,102,000 special warrants at a price of $0.018 per special warrant. The special warrants will be exercised automatically at any time after the Company completes a consolidation of its common shares of least one (1) new common share for every four (4) (maximum) existing common shares.

OUTLOOK AND CAPITAL REQUIREMENTS

The Company is involved in mineral exploration which is a high risk activity and relies on results from each exploration program to determine if areas justify any further exploration and the extent and method of appropriate exploration to be conducted.

The Company has no source of revenue and has significant cash requirements to be able to meet its administrative overhead and maintain its property interests. In order to be able to resume the construction contracts and advance the development of its exploration and evaluation assets, the Company will be required to raise additional financing. Until that time, certain discretionary expenditures may be deferred and measures to reduce operating costs will be taken in order to preserve working capital.

Following the termination of non-critical contracts, reduction in staff numbers and reduction in management salaries in addition to the anticipated future success of equity financings, Castle expects that cash will be sufficient to pay for capital expenditure commitments and general and administrative costs for the next 12 months. Depending upon future events, the rate of expenditures and other general and administrative costs could increase or decrease. The Company continues to evaluate a range of alternative options available to it to access capital to fund future expenditures.

The Company's current approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. The majority of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

Castle' opinion concerning liquidity and its ability to avail itself in the future of the financing options mentioned above are based on currently available information. To the extent that this information proves to be inaccurate, future availability of financing may be adversely affected. Factors that could affect the availability of financing include the Company's performance (as measured by various factors including the progress and results of its exploration work) and equity markets, investor perceptions and expectations of past and future performance, the global financial climate, metal and commodity prices.

COMMITMENTS AND CONTINGENCIES

Management Contracts
The Company is party to certain management and employee contracts. These contracts contain clauses requiring additional payments of up to $342,000 be made upon the occurrence of certain events such as a change of control. As the triggering events have not taken place, the contingent payments have not been reflected in these condensed interim consolidated financial statements. Minimum management contract commitments remaining under these contracts are approximately $180,000, due within one year.

Environmental
The Company's exploration and evaluation activities are subject to laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

Flow-through expenditure commitment
The Company has indemnified the subscribers of current and previous flow-through share offerings against any tax related amounts that become payable by the shareholder should the Company not meet its expenditure commitments. Include in accounts payable and accrued liabilities as at March 31, 2016 is a provision for $67,000 which is the estimated commitment under the indemnity provided to the flow-through subscribers.

RECENT ACCOUNTING PRONOUNCEMENTS

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods on or after October 1, 2015 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”) 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 though management does not anticipate early adoption of the standard.

IFRS 11 – Joint Arrangements ("IFRS 11") was amended in May 2014 adding new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments specify the appropriate accounting treatment for such acquisitions. This amendment becomes effective for annual periods beginning on or after January 1, 2016.

IFRS 16 – Leases (“IFRS 16”) was issued in January 2016 and replaces IAS 17 – Leases as well as some lease related interpretations. With certain exceptions for leases under twelve months in length or for assets of low value, IFRS 16 states that upon lease commencement a lessee recognises a right-of-use asset and a lease liability. The right-of-use asset is initially measured at the amount of the liability plus any initial direct costs. After lease commencement, the lessee shall measure the right-of-use asset at cost less accumulated depreciation and accumulated impairment. A lessee shall either apply IFRS 16 with full retrospective effect or alternatively not restate comparative information but recognise the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. IFRS 16 requires that lessors classify each lease as an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise it is an operating lease. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. Earlier adoption is permitted if IFRS 15 has also been applied.

IAS 1 – Presentation of Financial Statements (“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.

SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the condensed interim consolidated financial statements requires management to make estimates and assumptions that affect the amounts reported in the condensed interim consolidated financial statements and related notes to the condensed interim condensed interim consolidated financial statements. These condensed interim consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the condensed interim consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and the revision affects both current and future periods. The Company regularly reviews its estimates and assumptions, however, actual results could differ from these estimates and these differences could be material.

- Assets' carrying values and impairment charges

In the determination of carrying values and impairment charges, management looks at the higher of the recoverable amount or fair value less costs to sell in the case of assets and at objective evidence, significant or prolonged decline of fair value on financial assets indicating impairment. These determinations and their individual assumptions require that management make a decision based on the best available information at each reporting period.

- Capitalization of exploration and evaluation costs

Management has determined that exploration and evaluation costs incurred and capitalized during the period have future economic benefits and are economically recoverable. In making this judgment, management has assessed various sources of information including but not limited to the geologic and metallurgic information, history of conversion of mineral deposits to proven and probable mineral reserves, operating management expertise and existing permits. See Note 5 for details of capitalized exploration and evaluation costs.

- Mineral reserve estimates

Mineral reserve and mineral resource estimates are determined in accordance with National Instrument 43-101, "Standards of Disclosure for Mineral Projects", issued by the Canadian Securities Administrators. There are numerous uncertainties inherent in estimating mineral reserves and mineral resources, including many factors beyond the Company's control. Such estimation is a subjective process, and the accuracy of any mineral reserve or mineral resource estimate is a function of the quantity and quality of available data and of the assumptions made and judgments used in engineering and geological interpretation. Differences between management's assumptions including economic assumptions such as commodity prices and market conditions could have a material effect in the future on the Company's financial position and results of operations.

- Impairment of exploration and evaluation assets

While assessing whether any indications of impairment exist for exploration and evaluation assets, consideration is given to both external and internal sources of information. Information the Company considers includes changes in the market, economic and legal environments in which the Company operates. Such changes are not within the Company's control and could affect the recoverable amount of exploration and evaluation assets. Internal sources of information include the manner in which exploration and evaluation assets are being used or are expected to be used and indications of expected economic performance of the assets. Estimates may include, but are not limited to, estimates of the discounted future cash flows expected to be derived from the Company's mining properties, costs to sell the properties and the appropriate discount rate. Reductions in metal price forecasts, increases in estimated future costs of production, increases in estimated future capital costs, reductions in the amount of recoverable mineral reserves and mineral resources and/or adverse current economics can result in a write-down of the carrying amounts of the Company's exploration and evaluation assets.

- Estimation of decommissioning and restoration costs and timing of expenditure

The decommissioning and restoration cost estimates are updated annually during the life of a project to reflect known developments, (e.g. revisions to cost estimates and to the estimated lives of operations), and are subject to review at regular intervals. Decommissioning, restoration and similar liabilities are estimated based on the Company's interpretation of current regulatory requirements and constructive obligations and are measured at fair value. Fair value is determined based on the net present value of estimated future cash expenditures for the settlement of decommissioning, restoration or similar liabilities that may occur upon decommissioning of the mine. Such estimates are subject to change based on changes in laws and regulations and negotiations with regulatory authorities.

- Income taxes and recoverability of potential deferred tax assets

In assessing the probability of realizing income tax assets recognized, management makes estimates related to expectations of future taxable income, applicable tax planning 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. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. The Company considers whether relevant tax planning opportunities are within the Company's control, are feasible and are within management's ability to implement. Examination by applicable tax authorities is supported based on individual facts and circumstances of the relevant tax position examined in light of all available evidence. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognized. Also, future changes in tax laws could limit the Company from realizing the tax benefits from the deferred tax assets. The Company reassesses unrecognized income tax assets at each reporting period.

- Share-based payments

Management determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based share awards are generally determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, forfeiture rate, future employee turnover rates and future employee stock option exercise behaviours and corporate performance. Such judgments and assumptions are inherently uncertain. Warrants are valued in a similar way. Changes in these assumptions affect the fair value estimates.

- Contingencies

Refer to Notes 1 and 15 of the condensed interim consolidated financial statements for the three months ended March 31, 2016.

SIGNIFICANT ACCOUNTING POLICIES

The condensed interim consolidated financial statements of the Company and its subsidiary were prepared in accordance with IFRS, as issued by the International Accounting Standards Board (“IASB”) as of March 31, 2016.

RELATED PARTY TRANSACTIONS

The condensed interim consolidated financial statements include balances and transactions with directors and officers of the Company and corporations related to them. The Company paid fees for services to certain officers and directors or companies controlled by certain officers and directors during the period that were recorded in the accounts shown below:

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:

Key Management Compensation

	March 31, 2016 $	March 31, 2015 $
Exploration and evaluation assets	-	47,250
Consulting and management fees – Salaries, consulting fees and bonus	83,898	127,949
	83,898	195,199

Included in accounts payable and accrued liabilities as at March 31, 2016 is $160,676 (September 30, 2015 - $76,200) payable to current and prior director and officers of the Company. These amounts are unsecured, non-interest bearing with no fixed terms of repayment.

SUBSEQUENT EVENTS

Debt Restructuring

On April 29, 2016, the Company announced that it has closed the comprehensive debt restructuring proposal regarding outstanding indebtedness with Drake. Pursuant to the debt restructuring, the following loan facilities (Note 7) were assigned from the existing lender to Drake:

- Loan agreement between the Company and the lender and promissory note to the lender dated July 14, 2010 in the amount of $2,200,000 (Note 7).
- General security agreement dated July 14, 2010 between the Company and the lender regarding the Loan.
- Loan amending agreement dated November 7, 2014 between the Company and the lender in respect of an extension to the maturity date of the Loan to July 14, 2017.
- Loan amending agreement dated July 24, 2015 between the Company and the lender in respect of an increase of the Loan by $75,000 to an aggregate amount of $2,275,000.

In consideration for the Company’s consent of the loan assignment, Drake agreed to the following terms and conditions:

- Extension of the term of the loan facility from July 14, 2017 to July 14, 2018;
- Agreement to provide the necessary funding to the Company to maintain the listing of its shares on the Canadian Securities Exchange until at the least the extended maturity date of the loan facility (unless in the event of a transaction where the Company would cease being a reporting issuer under applicable Canadian securities law, or upon the conclusion of arm's length mergers and financings by which the Company's share ownership is below 25%); and
- Propose a debt settlement to the existing unsecured creditors.

Change in Management
Concurrent with the closing of the above transaction, the existing Company's board of directors resigned, comprised of Anthony M. Croll, Lester J. Fernandes, Timothy Mann and Tyler Mitchelson. Mr. Timothy Mann has also resigned as the President and Chief Executive Officer of the Company.

The following three directors have been nominated and appointed as the Company's board of directors: Scott Riley, Robert Bruggeman and Vikram Rao. A replacement for the President and Chief Executive Officer will be recruited.

Debt Conversion
On May 2, 2016, the Company entered into a debt conversion agreement with Drake. Pursuant to the loan facility assigned to Drake on April 29, 2015, the Company owes Drake an aggregate principal amount of $2,275,000. As at March 15, 2016, a total of $1,333,836 in interest was outstanding under the loan facility.

Drake has agreed to settle the outstanding interest balance as at March 15, 2016 in consideration for the issuance of 74,102,000 special warrants at a price of $0.018 per special warrant. The special warrants will be exercised automatically at any time after the Company completes a consolidation of its common shares of least one (1) new common share for every four (4) (maximum) existing common shares.

TRENDS

Mineral exploration is a speculative venture. There is no certainty that the money spent on exploration and development of mineral projects will result in any discoveries of commercial bodies of ore. The long-term profitability of the Company's operations will in part be related to the success of its exploration programs, which may be affected by a number of factors that are beyond the control of the Company. The mineral industry is intensely competitive in all its phases. The Company competes with many other mineral exploration companies who have greater financial resources and experience. The market price of precious metals and other minerals is volatile and cannot be controlled.

USE OF FINANCIAL INSTRUMENTS

The Company has not entered into any specialized financial agreements to minimize its investment risk, currency risk or commodity risk. There are no off-balance sheet arrangements. The principal financial instruments affecting the Company's financial condition and results of operations is currently its cash and investments.

CAPITAL MANAGEMENT AND FINANCIAL RISK FACTORS

The Company's objective when managing capital is to maintain its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders.

The Company includes shareholders' equity, comprised of issued capital stock, share-based payments reserve, warrants reserve and deficit, in the definition of capital.

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, exploration and development of mineral properties. 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 properties in which the Company currently has an interest in are in the exploration and evaluation stage; as such the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during 2015 and 2016. The Company and its subsidiary are not subject to any externally imposed requirements.

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.

FINANCIAL RISK MANAGEMENT

The Company may be exposed to risks of varying degrees of significance which could affect its ability to achieve its risk management objectives. The main objective of the Company's risk management process is to ensure that the risks are properly identified and that the capital base is adequate in relation to those risks. The principal risks to which the Company is exposed to are described below. There have been no significant changes in the risks, objectives, policies and procedures during 2016 and 2015.

Market Risk
Market risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will significantly fluctuate because of changes in market prices. The Company is exposed to market risk in trading its investments and unfavourable market conditions could result in dispositions of investments at less than favourable prices. In addition, most of the Company's investments are in the resource sector.

Liquidity risk
Liquidity risk is the risk that the Company is not able to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. All of the Company's accounts payable and accrued liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. The Company's loans payable are due on July 14, 2017 (Note 7 and 16) and convertible debentures are due on October 31, 2020.

At March 31, 2016, the Company had cash of $14,980 (September 30, 2015 - $7,214) and current assets of $34,775 (September 30, 2015 - $138,340), to settle current liabilities of $831,978 (September 30, 2015 - $619,278). The Company has a working capital deficiency of $797,203 at March 31, 2016 (September 30, 2015 - $480,938).

Interest Rate Risk
The Company has cash and interest-bearing debts as described in Notes 7 and 8. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks.

Credit Risk
The Company's credit risk is primarily attributable to cash and amounts receivable. The Company has no significant concentration of credit risk arising from operations. Cash has been deposited with reputable financial institutions, from which management believes the risk of loss to be remote. Amounts receivable consists of harmonized sales tax due from the Federal Government of Canada. Management believes that the credit risk concentration with respect to these amounts included in the amounts receivable is remote; however such amounts are subject to government audit.

Sensitivity analysis
Based on management's knowledge and experience of the financial markets, the Company believes the following movements are reasonably possible over a twelve month period:

As at March 31, 2016, a 10% change in the closing prices of its portfolio investments would result in an estimated change in net loss/income of $988 (September 31, 2015 - $8,961) based on the value of the investments at March 31, 2016.

Fair Value
All of the Company’s investments are classified as held-for-trading, which are measured at fair value. Cash and amounts receivable are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities, loans payable and convertible debentures are classified as other financial liabilities, which are measured at amortized cost.

As at March 31, 2016, the carrying values of cash, amounts receivable, accounts payable and accrued liabilities and loans payable approximate their fair values due to the relatively short periods to maturity of the financial instruments. The carrying values of loans payable and convertible debentures approximate fair values as a result of recording the loans payable and convertible debentures at their estimated fair value when the proceeds were received.

Fair Value hierarchy and liquidity risk disclosure
The Company classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels: (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1); (b) inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) (Level 2); and (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3). As at March 31, 2016 and September 30, 2015, the Company’s financial instruments that are carried at fair value are investments, which have been classified Level 1, within the fair value hierarchy.

RISKS AND UNCERTAINTIES

An investment in the securities of the Company is highly speculative and involves numerous and significant risks and should be undertaken only by investors whose financial resources are sufficient to enable them to assume such risks and who have no need for immediate liquidity in their investment. Prospective investors should carefully consider the risk factors described below.

Capital Investment

The ability of the Company to continue exploration and development of its property interests will be dependent upon its ability to raise significant additional financing hereafter. There is no assurance that adequate financing will be available to the Company or that the terms of such financing will be favorable. Should the Company not be able to obtain such financing, its properties may be lost entirely.

Government Regulations

The Company's exploration operations are subject to government legislation, policies and controls relating to prospecting, development, production, environmental protection, mining taxes and labor standards. For the Company to carry out mining activities, exploitation licenses must be obtained and kept current. There is no guarantee that the Company's exploitation licenses would be extended or that new exploitation licenses would be granted. In addition, such exploitation licenses could be changed and there can be no assurances that any application to renew any existing licenses will be approved. The Company may be required to contribute to the cost of providing the required infrastructure to facilitate the development of its properties. The Company will also have to obtain and comply with permits and licenses which may contain specific conditions concerning operating procedures, water use, waste disposal, spills, environmental studies, abandonment and restoration plans and financial assurances. There can be no assurance that the Company will be able to comply with any such conditions.

Market Fluctuation and Commercial Quantities

The market for minerals is influenced by many factors beyond the control of the Company such as changing production costs, the supply and demand for minerals, the rate of inflation, the inventory of mineral producing companies, the international economic and political environment, changes in international investment patterns, global or regional consumption patterns, costs of substitutes, currency availability and exchange rates, interest rates, speculative activities in connection with minerals, and increased production due to improved mining and production methods. The metals industry in general is intensely competitive and there is no assurance that, even if commercial quantities and qualities of metals are discovered, a market will exist for the profitable sale of such metals. Commercial viability of precious and base metals and other mineral deposits may be affected by other factors that are beyond the Company's control including particular attributes of the deposit such as its size, quantity and quality, the cost of mining and processing, proximity to infrastructure and the availability of transportation and sources of energy, financing, government legislation and regulations including those relating to prices, taxes, royalties, land tenure, land use, import and export restrictions, exchange controls, restrictions on production, as well as environmental protection. It is impossible to assess with certainty the impact of various factors which may affect commercial viability so that any adverse combination of such factors may result in the Company not receiving an adequate return on invested capital.

Development Stage Corporation & Exploration Risks

The Company is engaged in the business of exploration and development for precious and base metals in Canada. The properties of the Company have no established reserves. There is no assurance that any of the properties can be mined profitably. Accordingly, it is not assured that the Company will realize any profits in the short to medium term, if at all. Any profitability in the future from the business of the Company will be dependent on developing and commercially mining an economic deposit of minerals, which itself is subject to numerous risk factors. Exploration and development of mineral deposits involves a high degree of financial risk over a significant period of time of which even a combination of careful valuation, experience and knowledge of management may not eliminate. While discovery of ore-bearing structures may result in substantial rewards, few properties which are explored are ultimately developed into producing mines. Major expenses may be required to establish reserves by drilling and to construct mining and processing facilities at a particular site. It is impossible to ensure that the current exploration, development and production programs of the Company will result in profitable commercial mining operations. The profitability of the Company's operations will be, in part, directly related to the cost and success of its exploration and development programs which may be affected by a number of factors. Substantial expenditures would be required to establish reserves sufficient to commercially mine mineral deposits on the Company's properties and to construct complete and install mining and processing facilities in those properties that are actually mined and developed.

Foreign Operations

Some of the Company's property interests is located in Mexico, and is subject to that jurisdiction's laws and regulations. The Company believes the present attitude of Mexico to foreign investment and mining to be favorable but investors should assess the political risks of investing in a foreign country. Variations from the current regulatory, economic and political climate could have an adverse effect on the affairs of the Company.

Environmental Protection

The mining and mineral processing industries are subject to extensive governmental regulations for the protection of the environment, including regulations relating to air and water quality, mine reclamation, solid and hazardous waste handling and disposal and the promotion of occupational health and safety which may adversely affect the Company or require it to expend significant funds.

Mining Risks and Insurance

The Company is subject to the risks normally encountered in the mining industry, such as unusual or unexpected geological formations, cave-ins or flooding. The Company may become subject to liability for pollution, damage to life or property and other hazards of mineral exploration against which it or the operator of its exploration programs cannot insure or against which it or such operator may elect not to insure because of high premium costs or other reasons. Payment of such liabilities would reduce available funds for acquisition of mineral prospects or exploration and development and would have a material adverse effect on the financial position of the Company.

Insurance Policy

One of the Company's property interests is located in British Columbia. The Company believes they carry adequate insurance prescribed by the British Columbia government.

No History of Profitability

The Company is a development stage company with no history of profitability. There can be no assurance that the operations of the Company will be profitable in the future. The Company has limited financial resources and will require additional financing to further explore, develop, acquire, retain and engage in commercial production on its property interests and, if financing is unavailable for any reason, the Company may become unable to acquire and retain its mineral concessions and carry out its business plan.

Conflicts of Interest

Certain of the directors and officers of the Company may also serve as directors and officers of other companies involved in gold and precious metal or other natural resource exploration and development and consequently, the possibility of conflict exists. Any decisions made by such directors involving the

Company will be made in accordance with the duties and obligations of directors to deal fairly and in good faith with the Company and such other companies. In addition, such directors declare, and refrain from voting on any matters in which such directors may have a conflict of interest.

Market Risk

Market risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will significantly fluctuate because of changes in market prices. The Company is exposed to market risk in trading its investments and unfavourable market conditions could result in dispositions of investments at less than favourable prices. In addition, most of the Company's investments are in the resource sector.

CHANGES TO INTERNAL CONTROL OVER FINANCIAL REPORTING

There has been no significant change to the Company's internal control over financial reporting during the three months ended March 31, 2016 that has materially affected or are reasonably likely to have a material effect on the Company's internal control over financial reporting.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The information provided in this report is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the consolidated financial statements.

Additional Information

Additional information relating to the Company can also be found on SEDAR at www.sedar.com.

CORPORATE INFORMATION

Directors and Officer

Scott Riley	Director
Robert Bruggeman	Director
Vikram Rao	Director
Jennifer Ta	Officer

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CST Trust Company
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Banker

Scotiabank
Toronto, Ontario, Canada

Stock Exchange Listing
Canadian Securities Exchange - Symbol: CRI