

**CASTLE SILVER RESOURCES INC.**  
**(formerly Takara Resources Inc.)**

**Form 51-102F1**  
***Interim Management's Discussion & Analysis***  
***for the nine months ended September 30, 2017***

**DATE: November 27, 2017**

The following Management's Discussion and Analysis ("MD&A") is a review of the operations, current financial position and outlook of Castle Silver Resources Inc. ("Castle" or the "Company"), and it has been prepared by management and should be read in conjunction with the December 31, 2016 annual MD&A, the interim condensed financial statements of Castle for the nine months ended September 30, 2017, and the related notes thereto and the audited consolidated financial statements of Castle for the year ended December 31, 2016 and the related notes thereto, which are prepared in accordance with International Financial Reporting Standards ("IFRS"). The discussion covers the nine months ended September 30, 2017 and up to the date of filing of this MD&A. This MD&A has been prepared in compliance with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations. All amounts are stated in Canadian dollars unless otherwise indicated.

**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. This MD&A contains forward-looking statements relating to, among other things, regulatory compliance, the sufficiency of current working capital, the estimated cost and availability of funding for the continued exploration and development 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 achievements 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. Aside from factors identified in the annual MD&A, additional important factors, if any, are identified here.

**DESCRIPTION OF BUSINESS**

Castle is a junior natural resource company whose business is to seek out exploration opportunities with a focus on the Castle Silver Mine property in Haultain and Nicol Townships, Ontario. Operations are conducted either directly or through consulting agreements with third-parties. The Company finances its properties by way of equity or debt financing or by way of joint ventures. Additional information is provided in the

Company's audited consolidated financial statements for the year ended December 31, 2016, and the Company's interim condensed consolidated financial statements for the nine months ended September 30, 2017. These documents are available on SEDAR at [www.sedar.com](http://www.sedar.com).

The Company also maintains a website at [www.castlesilverresources.com](http://www.castlesilverresources.com).

The Company is a reporting issuer in the Provinces of British Columbia, Alberta and Ontario, and trades on the TSX Venture Exchange ("TSXV") under the symbol CSR.

The corporate office of the Company is located at 3028 Quadra Court, Coquitlam, BC, V3B 5X6

## **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.

On June 26, 2016, the Company issued 885,413 common shares to settle a debt of \$44,269

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.

Finder's fees were paid in connection with the private placement in the amount of \$22,447 cash and 147,646 broker warrants on the same terms as the purchaser warrants.

On March 23, 2017, the Company settled its debt obligations with certain creditors of the Company in the amount of \$290,136 through the issuance of 1,934,163 common shares of the Company at a deemed price of \$0.15 per common share.

Between May 19, 2017 and June 15, 2017, the Company closed a private placement offering, raising gross proceeds of \$1,200,000. The Company issued 6,000,000 units at a price of \$0.20 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 \$0.30 per share for a period of two years from closing. Finder's fees were paid in connection with the private placement in the amount of \$30,000 cash and 150,000 broker warrants on the same terms as the purchaser warrants.

On July 25, 2017, the Company closed a private placement offering, raising gross proceeds of \$897,500. The Company issued 4,487,500 units at a price of \$0.20 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 \$0.30 per share for a period of two years from closing.

## **RESULTS OF OPERATIONS**

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may be different from those estimates.

The following schedule provides the details of the Company's corporate operating expenditures for the three and nine months ended September 30, 2017 and 2016.

	Three months ended		nine months ended	
	September,		September	
	2017	2016	2017	2016
Administrative and general expenses	\$ 13,277	\$ 541	\$ 14,025	\$ 2,510
Advertising and promotion	193,985	-	204,081	-
Management fees	8,395	19,671	19,450	31,671
Professional fees	281,636	4,742	530,387	30,377
Filing costs and shareholders' information	32,550	5,321	74,892	20,476
Travel	57,525	52	73,345	2,015
	<b>\$587,368.00</b>	<b>\$ 30,327.00</b>	<b>\$916,180.00</b>	<b>\$ 87,049.00</b>

The Company was inactive during the nine months ended September 30, 2016.

The following schedule provides the details of the Company's exploration expenditures for the nine months ended September 30, 2017 and 2016.

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2017	2016	2017	2016
Acquisitions	\$ -	\$ 15,000	\$ -	\$ 15,000
Assays and testing	13,009	-	13,009	-
Equipment	71,999	26	73,399	610
Facility expenses	7,066	4,809	13,404	6,129
Geology and geophysics	17,295	-	46,340	-
Labour	30,790	-	30,790	-
Project management and engineering	32,296	19,033	44,494	38,968
Reports	26,938	15	29,073	770
Staking	2,205	-	2,205	-
Taxes, permits and licensing	2,463	25	3,760	-
Travel	8,760	-	8,760	-
	<b>\$ 212,821</b>	<b>\$ 38,908</b>	<b>\$ 265,234</b>	<b>\$ 61,477</b>

The Company was inactive during 2016. Financings were completed in late March 2017 and the Company has started to actively engage in exploration activities.

## Summary of Quarterly Results

The following table sets forth selected financial information for each of the most recently completed quarters

	Sep 30, 2015	Jun 30, 2017	Mar 31, 2017	Dec 31, 2016	Sep 30, 2016	Jun 30, 2016	Mar 31, 2016	Dec 31, 2015
Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net (Profit) Loss	928,011	935,213	535,996	283,389	111,017	67,492	80,507	121,341
Loss per share	.02	.02	.02	0.021	0.004	0.002	0.003	0.00

## LIQUIDITY

The Company has financed its operations to date primarily through the issuance of common shares and the exercise of warrants and stock options. The Company will continue to seek capital through various means including the issuance of capital stock.

The Company is in the exploration stage. These financial statements are prepared in accordance with accounting principles to a going concern, which assumes that the Company will be able to realize assets and discharge liabilities in the normal course of business. The Company's ability to continue as a going concern is dependent upon the continued support from its directors, the ability to continue to raise the necessary financing to meet its obligations, and to achieve profitable operations in the future. The outcome of these matters cannot be predicted at this time. These financial statements do not reflect any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue in business.

The Company has no history of profitable operations and its mineral projects are at an early stage. Therefore, it is subject to many risks common to comparable junior venture resource companies, including under-capitalization, cash shortages and limitations with respect to personnel, financial and other resources as well as a lack of revenues.

## 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 55,941,218 shares issued and outstanding. The Company had 19,636,379 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 July 17, 2019. Stock options outstanding total 2,625,000 are exercisable for common shares at \$0.05 - \$0.20 per share until June 29, 2022.