CASTLE SILVER RESOURCES INC.

(formerly Takara Resources Inc.)

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 and 2015

(Expressed in Canadian Dollars)

UHY McGovern Hurley LLP
Chartered Professional Accountants

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Castle Silver Resources Inc.

We have audited the accompanying consolidated financial statements of Castle Silver Resources Inc. and its subsidiary, which comprise the consolidated statements of financial position as at December 31, 2016 and 2015, and the consolidated statements of loss and comprehensive loss, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Castle Silver Resources Inc. and its subsidiary as at December 31, 2016 and 2015, and their financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which indicates that Castle Silver Resources Inc. had continuing losses during the year ended December 31, 2016 and a working capital deficiency as at December 31, 2016. These conditions along with other matters set forth in Note 1 indicate the existence of a material uncertainty that may cast significant doubt about Castle Silver Resources Inc.'s ability to continue as a going concern.

UHY McGovern Hurley LLP

UHY McGovern Hurley LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
April 27, 2017

CASTLE SILVER RESOURCES INC.
(formerly Takara Resources Inc.)
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

As at December 31,	2016	2015
Assets		
Current assets		
Cash	$ 3,170	$ 139
Amounts receivable (Note 4)	52,224	54,776
Total Assets	$ 55,394	$ 54,915
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 9)	$ 798,171	$ 401,951
Total Liabilities	798,171	401,951
Shareholders' Equity (Deficiency)		
Share capital (Note 6)	17,160,803	17,087,130
Warrants (Note 8)	77,623	77,623
Units to be issued (Note 5)	60,002	103,253
Contributed surplus	3,841,453	3,710,157
Deficit	(21,882,658)	(21,325,199)
Total Shareholders' Equity (Deficiency)	(742,777)	(347,036)
Total Liabilities and Shareholders' Equity (Deficiency)	$ 55,394	$ 54,915

Nature of operations and going concern (Note 1)
Commitments and Contingencies (Note 13)
Subsequent events (Note 14)

APPROVED ON BEHALF OF THE BOARD
Signed "Frank Basa"
Signed "Jacques Monette"

The accompanying notes are an integral part of these consolidated financial statements.

CASTLE SILVER RESOURCES INC.
(formerly Takara Resources Inc.)
Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)

For the years ended December 31,	2016	2015
Expenses		
Exploration and evaluation		
Acquisition	$ 75,000	$ 370,659
Equipment	610	-
Faciity 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
Corporate		
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
Other items		
Interest and other income	(3,021)	-
First nation costs	880	1,700
Exchange (gain) or loss	(4,422)	4,422
Taxes and interest	-	2,045
Writeoff of amounts receivable	-	6,160
(Gain) on debt settlement	-	(10,000)
Stock option compensation	117,303	-
Gain on sale of properties	(60,000)	-
Derecognition of accounts payable	-	(64,254)
	50,740	(59,927)
Net loss and comprehensive loss for the year	$ 557,459	$ 516,326
Net loss per share - basic and diluted	$ 0.02	$ 0.02
Weighted average number of shares outstanding basic and diluted	26,551,439	21,303,195

The accompanying notes are an integral part of these consolidated financial statements.

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

Consolidated Statements of Changes in Equity
(Expressed in Canadian Dollars)

	Share Capital	Units to be issued	Warrants Reserve	Contributed Surplus	Deficit	Total Equity (Deficiency)
Balance December 31, 2014	$ 16,899,006	$ -	$ -	$ 3,710,157	$ (20,808,873)	$ (199,710)
Issued by private placement	131,000	-	69,000	-	-	200,000
Share issue costs	(15,376)	-	(7,686)	-	-	(23,062)
Issued for properties	62,500	103,253	14,001	-	-	179,754
Issued for debt	10,000	-	-	-	-	10,000
Issued for compensation	-	-	2,308	-	-	2,308
Net loss for the year	-	-	-	-	(516,326)	(516,326)
Balance December 31, 2015	$ 17,087,130	$ 103,253	$ 77,623	$ 3,710,157	$ (21,325,199)	$ (347,036)
Issued	-	(43,251)	-	-	-	(43,251)
Exercise of warrants - Cash	146	-	-	-	-	146
Exercise of warrants - BV	8	-	(8)	-	-	-
Warrants expired	-	-	(13,993)	13,993	-	-
Issued for debt	44,269	-	-	-	-	44,269
Issued for property	29,250	-	14,001	-	-	43,251
Options granted	-	-	-	117,303	-	117,303
Net loss for the year	-	-	-	-	(557,459)	(557,459)
Balance December 31, 2016	**$ 17,160,803**	**$ 60,002**	**$ 77,623**	**$ 3,841,453**	**$ (21,882,658)**	**$ (742,777)**

The accompanying notes are an integral part of these consolidated financial statements.

CASTLE SILVER RESOURCES INC.
(formerly Takara Resources Inc,)
Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

For the year ended December 31,	2016	2015
Cash provided by (used in):		
Operating activities		
Net loss for the year	**$ (557,459)**	$ (516,326)
Items not involving cash		
Stock option compensation	**117,303**	-
Acquisition of Castle Silver Mines Inc.	**-**	325,659
Gain on shares issued for debt	**-**	(10,000)
Writeoff of amounts receivable	**-**	6,160
Derecognition of accounts payable	**-**	(64,254)
Changes in non-cash working capital items		
Amounts receivable	**2,552**	(31,985)
Accounts payable and accrued liabilities	**440,489**	107,522
Net cash flows from operating activities	**2,885**	(183,224)
Investing activities		
Cash acquired through acquisition (Note 5)	**-**	15,860
Transaction costs for acquisition (Note 5)	**-**	(15,000)
Net cash flows from investing activities	**-**	860
Financing activities		
Issuance of common shares and warrants	**146**	200,000
Share issue cost	**-**	(20,754)
Net cash flows from financing activities	**146**	179,246
Increase (decrease) in cash	**3,031**	(3,118)
Cash and cash equivalents, beginning of year	**139**	3,257
Cash, end of year	**$ 3,170**	$ 139
Supplementary information		
Shares issued for debt	**$ 44,269**	$ 10,000
Shares and warrants issued for property	**$ 43,251**	$ 76,501

The accompanying notes are an integral part of these consolidated financial statements.

1. NATURE OF BUSINESS AND GOING CONCERN

Nature 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 V3B 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.

These consolidated financial statements were approved by the Board of Directors on April 27, 2017.

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. See Note 14.

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.

2. BASIS OF PRESENTATION AND STATEMENT OF COMPLIANCE

Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and the International Financial Reporting Interpretations Committee (“IFRIC”).

Basis of presentation

These consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that have been measured at fair value.

2. BASIS OF PRESENTATION AND STATEMENT OF COMPLIANCE (continued)

Functional currency

The presentation and functional currency of the Company and its subsidiaries is the Canadian dollar.

Significant accounting estimates and judgments

The preparation of these consolidated financial statements requires management to make judgments and estimates that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these judgments and estimates. The consolidated financial statements include judgments and estimates which, by their nature, are uncertain. The impacts of such judgments and estimates are pervasive throughout the 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 also in future periods when the revision affects both current and future periods.

Income, value added, withholding and other taxes

The Company is subject to income, value added, withholding and other taxes. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

Acquisition of Castle Silver Mines Inc.

The Company has determined that the transaction between the Company and Gold Bullion Development Crop. ("Gold Bullion") to acquire Castle Silver Mines Inc. ("CSM"), a Gold Bullion wholly-owned subsidiary, constituted an asset acquisition by the Company, as CSM did not meet the definition of a business as defined in IFRS 3 Business Combinations. Accordingly, effective as at the date of closing, CSM's net assets were consolidated at allocated cost and no goodwill has been recognized.

Going concern

See Note 1.

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.

2. BASIS OF PRESENTATION AND STATEMENT OF COMPLIANCE (continued)

Future changes in accounting standards

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.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary Castle Silver Mines Inc.

Intercompany balances and transactions, including unrealized gains and losses arising from intercompany transactions, are eliminated in preparing the consolidated financial statements.

Financial instruments

Financial assets

Fair value through profit or loss - This category comprises derivatives, or assets acquired or incurred principally for the purpose of being sold or repurchased in the near term. They are carried in the consolidated statement of financial position at fair value with changes in fair value recognized in the consolidated statement of loss.

Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

Held-to-maturity investments - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in the consolidated statement of loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Available-for-sale - Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized in other comprehensive income and accumulated in equity. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from accumulated other comprehensive income and recognized in the consolidated statement of loss.

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at the end of each reporting period. Financial assets are impaired when there is objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets described above.

Financial liabilities

Fair value through profit or loss - This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of being sold or repurchased in the near term. They are carried in the consolidated statement of financial position at fair value with changes in fair value recognized in the consolidated statement of loss.

Other financial liabilities - This category includes all other financial liabilities which are recognized at amortized cost.

Financial liabilities are derecognized when the obligation is discharged, cancelled or expires.

The Company's financial instruments consist of the following:

Financial assets:	Classification:
Cash and receivables	Loans and receivables

Financial liabilities:	Classification:
Accounts payable and accrued liabilities	Other financial liabilities

The Company classifies its financial instruments measured at fair value according to a three level hierarchy that reflects the significance of the inputs used in making the fair value measurements. The three levels of fair value hierarchy are as follows:

• Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;
• Level 2 - Inputs other than quoted prices that are observable for assets or liabilities, either directly or indirectly;
• Level 3 - Inputs for assets or liabilities that are not based on observable market data.

As at December 31, 2016 and 2015, there were no financial instruments measured at fair value, and the fair value of assets and liabilities carried at amortized cost was the same as their respective carrying values due to the short term nature of these assets and liabilities.

Mining properties and exploration expenditures

The Company expenses all exploration and evaluation costs relating to mineral properties, except those acquired through a business combination, in the period in which they are incurred. All exploration and evaluation expenditures acquired through a business combination are capitalized as intangible assets. They are subsequently measured at cost less accumulated impairment.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes

Income taxes on the profit or loss for the periods presented comprises current and deferred tax.

Current tax expense is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the end of the reporting period, adjusted for amendments to tax payable with regards to previous reporting periods. Deferred tax is recorded using the asset and liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting or taxable loss; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Additional income taxes that arise from the distribution of dividends from a subsidiary to its parent are recognized at the same time as the liability to pay the related dividend.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset tax assets against tax liabilities, when they relate to income taxes levied by the same taxation authority and the Company intends to settle its tax assets and liabilities on a net basis.

Flow-through shares

Under Canadian income tax legislation, the Company is permitted to issue flow-through shares whereby the Company agrees to incur qualifying expenditures and renounce the related income tax deductions to the investors. For accounting purposes, the proceeds from issuance of these shares are allocated between the offering of shares and the sale of tax deductions. The allocation is made based on the difference between the quoted price of the existing shares and the amount the investor pays for the shares. A liability is recognized for this difference. The liability is reduced and the reduction of premium liability is recorded in other income at the time when the Company files the appropriate renunciation forms with the Canadian taxation authorities and the expenditures are incurred.

Share issue costs

Costs incurred for the issue of common shares and warrants are deducted from share capital and warrants, respectively.

Loss per share

Basic loss per share is calculated using the weighted average number of common shares outstanding during the period. Diluted loss per share reflects the potential dilution of common share equivalents, such as outstanding stock options and share purchase warrants, in the weighted average number of common shares outstanding during the year, if dilutive. As at December 31, 2016 and 2015, all options and warrants are anti-dilutive and have been excluded from the calculation of diluted loss per share.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Stock-based compensation and warrants

The Company has in effect a stock option plan ("the Plan") which is described in Note 7. The Plan allows Company employees, directors and officers to acquire shares of the Company for a specified option amount set on the date of grant. Stock options awarded are accounted for using the fair value-based method. Fair value is calculated using the Black-Scholes option pricing model and is recorded as stock-based compensation expense over the vesting period of the options. Consideration paid on the exercise of stock options is credited to share capital. The contributed surplus associated with the options is transferred to share capital upon exercise.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

Warrants are accounted for using the fair value-based method. Fair value is calculated using the Black-Scholes option pricing model. Consideration paid on the exercise of warrants is credited to share capital and the value recorded in warrants reserve is transferred to share capital upon exercise. Upon expiration, the value of warrants is reclassified to contributed surplus.

Transaction costs

Direct transaction costs associated with business acquisitions are expensed as incurred.

Impairment of non-financial assets

Non-financial assets are reviewed for impairment if there is any indication that the carrying amount may not be recoverable. If any such indication is present, the recoverable amount of the asset is estimated in order to determine whether impairment exists. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Any intangible asset with an indefinite useful life is tested for impairment at the end of each reporting period and whenever there is an indication that the asset may be impaired.

An asset's recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount is reduced to the recoverable amount, recognizing an impairment loss in the statement of operations. Where an impairment subsequently reverses, the carrying amount is increased to the revised estimate of recoverable amount but only to the extent that this does not exceed the carrying value that would have been determined if no impairment had previously been recognized. A reversal is recognized as a reduction in the depreciation charge for the period.

Asset retirement obligations

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration, development, or ongoing production of a mineral property interest. Such costs arising for the decommissioning of plant and other site restoration work, discounted to their net present value, are provided for and capitalized to the carrying value of the asset, as soon as the obligation to incur such costs arises.

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Asset retirement obligations (continued)

Discount rates, using a pre-tax rate that reflects the time value of money, are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset through depreciation using either the unit-of-production or the straight-line method. The related liability is adjusted for each period for the unwinding of the impact of discounting and for changes to the current market based discount rate, amount, or timing of the underlying cash flows needed to settle the obligation.

As at December 31, 2016 and 2015, the Company has no material restoration, rehabilitation and environmental costs as the environmental disturbance to date is minimal.

Foreign currency translation

Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated to the Canadian dollar at the exchange rate at that date. Foreign exchange differences arising on translation are recognized in the statement of loss. Non-monetary assets and liabilities that are measured at historical cost are translated using the exchange rate at the date of the transaction.

Cash and cash equivalents

Cash equivalents include highly liquid Canadian bank guaranteed funds that are valued at cost plus accrued interest. The carrying amounts approximate the fair market value as they have maturities at the date of purchase of less than one year with early redemption without penalties available. The Company does not have any cash equivalents as of December 31, 2016 or 2015.

4. AMOUNTS RECEIVABLE

The Company's amounts receivable are comprised of the following;

	December 31, 2016	December 31, 2015
Commodity taxes	$ 52,224	$ 22,889
Due from related party	-	31,887
	$ 52,224	$ 54,776

The amount due from related party is with a company, with which the Company has directors and officers in common. The amount is unsecured and non-interest bearing with no fixed terms of repayment.

(Expressed in Canadian Dollars)

5. EXPLORATION AND EVALUATION PROJECTS

Castle Silver Mine Project, Ontario

On April 13, 2015, the Company and Gold Bullion entered into a definitive purchase and sale agreement for the Company to acquire certain properties of Gold Bullion situated in Ontario, through the acquisition of Gold Bullion's wholly-owned subsidiary, CSM. Under the terms of the agreement, the Company acquired all the issued and outstanding common shares of CSM from Gold Bullion in exchange for 10,000,000 units of the Company. Issued in equal stages of 2,500,000 units over a 4-year period. Each unit consists of one common share in the capital of the Company and one common share purchase warrant exercisable at $0.10, expiring one year from the date of issuance of the units. Under the terms of the amended and restated share purchase agreement dated May 4, 2015, Gold Bullion has agreed to distribute pro rata the Company units received to the Gold Bullion shareholders. In addition, the parties have agreed that the Company will not be obligated to issue any units, if such issuance results in Gold Bullion holding more than 20% of the then issued and outstanding common shares in the capital of the Company.

On each of September 15, 2015, and 2016, the Company issued 2,500,000 units of Castle, with the remaining 5,000,000 units to be issued over a 2-year period.

The consideration paid and payable is estimated as follows:

Common shares	$ 91,750
Warrants	28,002
Units to be issued	60,002
	$ 179,754

Each block of warrants was assigned a value of $14,001 using the Black Scholes option pricing model. The assumptions used were: expected dividend yield of 0%, expected volatility of 145%, a risk-free interest rate of 0.48% and expected life of 1 year.

The fair value of the units to be issued is estimated to be $60,002, of which $32,000 was assigned to common shares and $28,002 to warrants. The warrants were valued using the Black Scholes option pricing model, using the same assumption as the $14,001 valued warrants above. The estimated fair value of common shares was based on the quoted market share price at September 15, 2015, and included a liquidity discount. The value of liquidity discount was estimated using the Black Scholes option pricing model. The assumptions used were: expected dividend yield of 0%, expected volatility of 145%, a risk free interest rate of 0.48% and expected life of 1 – 3 years.

The allocation of the purchase price is as follows:

Cash	$ 15,860
Net liability assumed	(161,765)
Mineral exploration claims	340,659
Transaction costs	(15,000)
	$ 179,754

5. EXPLORATION AND EVALUATION PROJECTS (continued)

Castle Silver Mine Project, Ontario (continued)

In accordance with the Company's accounting policy, the amount allocated to the mineral exploration claims was expensed during the year ended December 31, 2015.

CSM holds a 100% interest in certain claims and parcels located in the Haultain and Nicol townships of Ontario. The property is subject to a sliding scale royalty on silver production which will start from 3% when the price of silver is US$15 or lower per troy ounce and up to 5% when the price of silver is greater than US$30 per troy ounce and a 5% gross overriding royalty on the sale of products derived from the property with a minimum annual payment of $15,000 in the form of royalties on all future production from the property and a 1% NSR.

On September 30, 2016, the Company entered into a Letter of Intent with Gold Bullion Development Corp. to advance the "Castle Golden Corridor Zone" discovered through surface sampling at the Company's 3,300 hectare Castle Silver Mine Property 75 km southwest of Kirkland Lake.

Under the terms of the Letter of Intent, the Company transferred a 50% interest in certain contiguous mineral claims on the property (the "Castle Golden Corridor Zone) in lieu of $60,000 in property payments owed to Gold Bullion pursuant to an Assignment Agreement between the two companies dated October 8, 2015, concerning the Beaver and Violet cobalt-silver properties.

Beaver Property, Ontario

On October 8, 2015, the Company entered into an Assignment Agreement (the "Agreement") with Gold Bullion to acquire a 100% interest in the Beaver and Violet cobalt and silver properties located in the township of Coleman, in northern Ontario. Gold Bullion held a seven-year option with Jubilee Gold Exploration Ltd ("Jubilee") to acquire a 100% interest to the properties, which are subject to a 3% NSR royalty. Each 1% can be purchased for $1.5M.

Pursuant to the Agreement, the Company agreed to pay an aggregate of $75,000 with $15,000 payable within 10 days of execution of the agreement (paid) and four equal instalments of $15,000 on each anniversary date of the agreement, and accept all of Gold Bullion's rights, obligations and liabilities under the option agreement dated May 10, 2011 and amended January 31, 2012 (the "Option Agreement"). In lieu of making these four instalment payments of $15,000 including the year ended December 31, 2016, the Company transferred a 50% interest in certain claims to Gold Bullion.

Pursuant to the Assignment Agreement, the Company is required to make annual payments to Jubilee for a period of 5 years, or until the properties are put into commercial production, whichever is earlier, in an aggregate amount of $60,000: $10,000 in each year on or before July 1, 2012, 2013, 2014, $15,000 on each of July 1, 2015, and 2016. Prior to signing the Agreement, the Company paid Gold Bullion $15,000 for the reimbursement of the July 1, 2015 prepayment of the NSR to Jubilee. In addition, the Company made a $15,000 prepayment of the NSR on July 1, 2016.

(Expressed in Canadian Dollars)

6. SHARE CAPITAL

Authorized
Unlimited number of common shares without par value
Unlimited number of preferred shares issuable in series

Issued
Common

	2016		2015	
	Number of Shares	**Amount**	Number of Shares	Amount
Balance, beginning of year	**25,182,647**	**$ 17,087,130**	18,282,647	$ 6,899,006
Private placements	**-**	**-**	4,000,000	131,000
Issued on exercise of warrants - Cash	**1,421**	**146**	-	-
Issued on exercise of warrants - BV	**-**	**8**	-	-
Share issue costs	-	**-**	-	(15,376)
Issued for debt	**885,413**	**44,269**	400,000	10,000
Issued for property	**2,500,000**	**29,250**	2,500,000	62,500
Balance, end of year	**28,569,481**	**$ 17,160,803**	25,182,647	$17,087,130

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

(ii) 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.

(iii) During 2015, and pursuant to the terms of the purchase agreement (see Note 5), the Company issued 400,000 common shares to settle $20,000 of management fees owed to one director of the Company at a price of $0.025 per share, which was the quoted market share price at the measurement date.

(Expressed in Canadian Dollars)

7. STOCK OPTIONS

The Company has in place a stock option plan (the "Plan") under which officers, directors, employees and consultants are eligible to receive incentive stock options. The aggregate number of common shares reserved for issuance under the Plan and common shares reserved for issuance under any other share compensation arrangement granted or made available by the Company from time to time may not exceed in aggregate 10% of the Company's common shares issued and outstanding at the time of grant. The term of any options granted under the Plan will be fixed by the Board of Directors and may not exceed ten years, but so long as the Company remains a "Tier 2" issuer under the policies of the Toronto Stock Exchange, options may not exceed a term of five years. The exercise price of options granted under the Plan will be determined by the Board of Directors, provided that it is not lower than the fair market value of the option shares on the date of the grant of the option.

The terms of the plan are as follows:

(i) the maximum number of shares that can be received by a beneficiary during any 12 month period is limited to 5% of issued and outstanding shares;

(ii) the maximum number of shares that can be reserved for a consultant during any 12 month period is limited to a 2% of issued and outstanding shares; and

(iii) the maximum number of shares that can be reserved for a supplier of investor relations services during any 12 month period is limited to 2% of issued and outstanding shares; moreover, the options granted may be exercised on a 12 month period after the grant, at the rate of 25% per quarter.

The following options transactions occurred during the years ended December 31, 2016 and 2015:

	Number of Options	**Estimated Grant Date Fair Value**	**Weighted Average Exercise Price**
Balance, December 31, 2015 and 2014	**-**	**$ -**	**$ -**
Granted	**2,450,000**	**117,303**	**0.06**
Balance, December 31, 2016	**2,450,000**	**$ 117,303**	**$ 0.06**

As at December 31, 2016 the options outstanding were as follows:

Number of Options	Options Vested	Exercise Price ($)	Estimated Grant Date Fair Value ($)	Expiry Date
1,850,000	1,850,000	0.05	91,303	April 13, 2021
200,000	200,000	0.05	6,000	July 5, 2021
400,000	400,000	0.10	20,000	July 7, 2021
2,450,000	2,450,000		117,303	

On April 13, 2016, the Company granted 1,850,000 stock options to directors, officers, consultants and employees of the Company. The stock options are exercisable for one common share at $0.05 per share, for a five-year period. The options were vested immediately. The fair value of the options was estimated on the date of the grant using Black-Scholes option pricing model. The assumptions used were: expected dividend yield of 0%, expected volatility of 222%, a risk free interest rate of 0.73% and expected life of 5 years. The options were valued at $91,303.

On July 7, 2016, the Company granted 600,000 stock options to consultants of the Company. 400,000 stock options are exercisable for one common share at $0.05 per share. 200,000 stock options are exercisable for one common share at $0.10 per share. The options were vested immediately and have expiration of five years. The fair value of the options was estimated on the date of the grant using Black-Scholes option pricing model. The assumptions used were: expected dividend yield of 0%, share price of $0.03-$0.05, expected volatility of 104%-225%, a risk free interest rate of 0.56%-0.65% and expected life of 5 years. The options were valued at $6,000 and $20,000.

(Expressed in Canadian Dollars)

8. WARRANTS

The following warrants transactons occurred during the years ended December 31, 2016 and 2015:

	Number of Warrants	Estimated Grant Date Fair Value	Weighted Average Exercise Price
Balance, December 31, 2014	-	-	-
Issued by private placements	4,000,000	69,000	0.10
Issue costs related to warrants	-	(7,686)	-
Issued for property	2,500,000	14,001	0.10
Issued as compensation	147,000	2,308	0.10
Balance, December 31, 2015	6,647,000	$ 77,623	$ 0.10
Expired	(2,498,579)	(13,993)	0.10
Exercised	(1,421)	(8)	0.10
Issued for property	2,500,000	14,001	0.10
Balance, December 31, 2016	6,647,000	$ 77,623	$ 0.10

At December 31, 2016, the issued and outstanding warrants are as follows:

Number of Warrants	Exercise Price ($)	Estimated Grant Date Fair Value ($)	Expiry Date
2,500,000	0.10	14,001	September 15, 2017
1,535,000	0.10	30,447	May 20, 2017
2,012,000	0.10	23,846	June 23, 2017
600,000	0.10	9,330	July 31, 2017
6,647,000		77,623	

9. 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 of short-term benefits (2015 - $71,363) 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.

(Expressed in Canadian Dollars)

10. INCOME TAXES

The reconciliation of the combined Canadian federal and provincial statutory income tax rate on the net loss for the years ended December 31 is as follows:

	2016	2015
Loss before income tax	$ 557,459	$ 516,326
Expected income tax recovery (2016 and 2015 - 26.5%)	(148,000)	(137,000)
Non-deductible expenses	-	2,000
Stock option compensaation	31,000	-
Change in tax benefits not recognized	117,000	135,000
Income tax expense reflected in the consolidated statements of loss	-	-

Deferred Income Tax

Deferred income taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amounts of assets and liabilities. Deferred income tax assets have not been recognized in respect of the following deductible temporary differences because it is not probable that future taxable profit will be available against which the Company can use these benefits:

	2016	2015
Non-capital losses - Canada	$ 6,451,690	$ 6,816,280
Resource-related deductions	3,856,110	1,213,410
Other deductible temporary differences	963,120	491,510
Total	$ 11,270,920	$ 8,521,200

The Company's Canadian non-capital income tax losses expire as follows:

2025	$ 64,720
2026	113,940
2027	372,110
2028	566,540
2029	270,670
2030	1,597,600
2031	1,658,710
2032	823,270
2033	160,450
2034	405,050
2035	267,220
2036	151,410
	$ 6,451,690

11. CAPITAL MANAGEMENT

The Company considers its capital structure to consist of shareholders' equity. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support its exploration, development and operating activities.

The Company's objective when managing capital is to safeguard its ability to continue as a going concern in order to pursue the exploration of its mineral properties and maximize shareholder returns. The Company satisfies its capital requirements through careful management of its cash resources and by utilizing equity issues, as necessary, based on the prevalent economic conditions of both the industry and the capital markets and the underlying risk characteristics of the related assets. As at December 31, 2016 and 2015, the Company had no bank debt.

The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the year ended December 31, 2016 and 2015.

The Company is not subject to any capital requirements imposed by a lending institution or regulatory body, other than of the TSXV which requires adequate working capital or financial resources of the greater of (i) $50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of 6 months. As of December 31, 2016, the Company may not be compliant with the policies of the TSXV. The impact of this violation is not known and is ultimately dependent on the discretion of the TSXV. See Note 14.

12. FINANCIAL INSTRUMENTS AND RISK FACTORS

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

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 and 2015, cash was held with major Canadian financial institutions.

Liquidity Risk
The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2016, the Company had a cash balance of $3,170 (December 31, 2015 - $139) to settle current financial liabilities of $798,171 (December 31, 2015 - $401,951). The Company is currently seeking equity financing as indicated in Note 1. 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. See Note 14.

Market Risk
Market risk is the risk of loss that may arise from changes in market factors such as interest rates and commodity and equity prices.

(a) Interest rate risk
The Company is not exposed to interest rate risk as it does not have interest bearing debt.

(b) Commodity price risk
The ability of the Company to develop its mineral properties and the future profitability of the Company is directly related to the market prices of silver, uranium and nickel.

12. FINANCIAL INSTRUMENTS AND RISK FACTORS (continued)

(c) Marketable securities price risk
At December 31, 2016 and 2015, the Company was not exposed to marketable securities price risk.

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

13. COMMITMENTS AND CONTINGENCIES

(a) Environmental Contingencies
The Company's exploration activities are subject to various laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

(b) Flow-Through Shares
Pursuant to the issuance of 2,560,000 flow-through shares on December 31, 2013, the Company renounced $128,000 of qualified exploration expenditures with an effective date of December 31, 2013. The Company is required to expend this amount on qualified exploration expenditures by December 31, 2014. As of December 31, 2014, the Company has expended $64,990 of this amount on qualified exploration expenditures. There was a shortfall of qualified expenditures of approximately $63,010 as at December 31, 2014. This amount remains unspent as of December 31, 2016. As at December 31, 2016, no amount has been provided for potential claims in accordance with the indemnity provisions as no such amount, if any, is currently determinable.

The Company has indemnified the subscribers of current and previous flow-through share offerings against any tax related amounts that may become payable by the subscribers as a result of the Company not meeting this expenditure commitment.

(c) Management Contracts
The Company is party to a management contract. Upon the occurrence of certain events such as a change in control, the contract requires payment of up to $180,000. As a triggering event has not taken place, the contingent payment has not been reflected in these consolidated financial statements.

The Company has entered into a Memorandum of Understanding ("MOU") with the Matachewan First Nation community in connection with certain exploration and evaluation programs in their area in return for payment of 2% of all costs of the exploration program incurred to date and thereafter to the First Nation community.

In addition, the Company has entered into a second Memorandum of Understanding ("MOU") with both Temagami First Nation and Teme-Augama Nation to provide a framework process for consultation during the life of the project.

The MOUs also includes terms outlining environmental protection, employment, training and business opportunities, and mitigation of impacts on the traditional pursuits of the members of the First Nation communities.

14. SUBSEQUENT EVENTS

A) 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.

   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.

B) Subsequent to December 31, 2016, the Company granted 700,000 stock options to certain consultants of the Company pursuant to the Company's stock option plan. Stock options are exercisable at $0.19 per share, and $0.24 per share. The stock options expire on March 14, 2022 and March 18, 2022.

C) 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.