







**CANADA COBALT WORKSINC.**  
**(formerly Castle Silver Resources Inc.)**  
**Management Discussion and Analysis**  
**For the year ended December 31, 2017**

---

**Financings**

- (i) 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.

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.

- (ii) 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.
- (iii) 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.
- (iv) On January 15, 2018 the Company closed a non-brokered private placement with strategic investors, raising gross proceeds of \$1,030,000. The Company issued 2,942,857 units at \$0.35 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 \$0.50 per share for a period of two years from closing

Subsequent to December 31, 2017, 980,000 warrants and 400,000 options were exercised resulting in the issuance of 1,380,000 common shares of the Company for proceeds of \$317,690.

**CANADA COBALT WORKS INC.**  
**(formerly Castle Silver Resources Inc.)**  
**Management Discussion and Analysis**  
**For the year ended December 31, 2017**

---

**Exploration and Evaluation Projects.**

**Castle Silver Mine Property**

The Castle Silver Mine Property, retains a 100% interest in 34 Mining Leases and 2 Mining Licenses of Occupation located in the Haultain and Nicol Townships of Ontario covering a total of 564.41 hectares, along with an additional 19 staked claims consisting of 148 16-ha claim units for a total land package of approximately 2815 hectares.

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

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

Further results from the late 2014 trenching include channel sample assays in trench D3 grading 2.24 g/t Au over 2.20 metres including one sample of 3.77 g/t Au over 1.27 metres. In trench D1, channel sampling grading 0.77 g/t Au over 3.98 metres including a sample of 1.25 g/t over 0.83 metres (Press Release April 2, 2015).

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

In 2016, a program of line cutting was completed in preparation for a ground IP geophysical survey covering the Golden Corridor property and extending onto the Castle Silver Resources’ Castle No.3 property. The IP survey was completed at the end of January 2017 and results and reporting have identified several targets that will be followed up this summer and fall. The survey covered approximately 15 line kilometres aimed at identifying IP anomalies typical of gold and silver mineralization. The IP survey will test for chargeability (highs caused by pyrite, coincident with resistivity lows (caused by alteration) which are commonly associated with gold ore. Such mineralization and alteration with gold and copper mineralization were encountered in surface trenching and sampling. The IP will test also for high chargeability-low resistivity anomalies associated with silver-cobalt vein deposits. Follow up and fill-in MMI (Mobile Metal Ion) sampling will be used to prioritize IP targets for subsequent exploration diamond drilling (Gold Bullion Press Release 12 October 2016).

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

The Company announced, on January 31, 2017, preliminary results from bench-scale metallurgical flotation and gravity test work carried out at SGS Canada laboratories in Quebec City, Canada. The test program

**CANADA COBALT WORKS INC.**  
**(formerly Castle Silver Resources Inc.)**  
**Management Discussion and Analysis**  
**For the year ended December 31, 2017**

---

was aimed at evaluating the potential recovery of silver and cobalt from mineralized-material surface rock samples and tailings collected at the former historic producing Beaver Mine in Cobalt, Ontario and tailings from Castle Mine in Gowganda, Ontario.

Silver and cobalt recoveries, of 98.5 percent and 70.5 percent respectively, produced an extremely high concentrate grade of 11,876 grams per tonne silver and 10.5 percent cobalt using a simple flotation process. The initial mineralized-material surface rock sample - a composite collected from the Beaver Mine waste pile - assayed 2,064 grams per tonne silver and 5.62 percent cobalt. Silver and cobalt concentrate grades produced from the Beaver and Castle Mines tailings were 1,379 grams per tonne Ag and 0.04 percent Co and 308 grams per tonne Ag and 0.08 percent Co respectively, using a simple gravity process. Head assays were 108 grams per tonne Ag with 0.02 percent Co and 123 grams per tonne Ag with 0.01 percent Co respectively.

The metallurgical tests were conducted at SGS Canada Inc. laboratories in Quebec City using about 100 kilograms of tailings and mineralized rock samples. Tailings samples from Castle and Beaver were tested using a gravity separation process. Beaver mineralized material samples were tested using a flotation process. The Company plans to undertake additional metallurgical testing for the optimization of grind and reagents.

Developments in mobile phone use and renewable energy, including solar and electric car batteries, are strongly supportive of demand and pricing for cobalt and silver. This opens up an opportunity to re-evaluate former silver-cobalt producing mine sites with positive results.

Mining at Beaver and Castle took place in the early 1900s and at Castle again in the 1980s when extraction processes were not as advanced as they are today. It may now be economically viable to extract silver and cobalt from what was left behind, including old mine tailings and waste and other rock piles on the surface, as a first phase of production at the properties.

These latest test results support previous test findings at the Castle and Beaver mine sites. In 2013, a hand-cobbed 20 kg geological test sample from the historic waste pile at the Beaver Silver Mine had an average calculated assay of 7.98% cobalt, 3.98% nickel and 1,246 grams (g/t) silver. Details were reported in a news release February 14, 2013 (which can be accessed on Granada Gold Mine's website [www.granadagoldmine.com](http://www.granadagoldmine.com)) when Granada Gold Mine Inc. (formerly Gold Bullion Development Corp.) owned the property.

In addition, the Company received encouraging assay test results in November 2016 for tailings grab samples collected at Castle and Beaver. Highlights of the assay results include: 134.78 g/t silver and 1.124 g/t gold at the Beaver Silver Mine; and 91.36 g/t silver at the Castle Silver Mine. Details of the assay results were reported in the November 29, 2016 news release which can be accessed via Canada Cobalt Works' website at [www.canadacobaltworks.com](http://www.canadacobaltworks.com). The samples of these metallurgical tests may not be representative of the mineralization hosted in the waste and tailings and further work will be undertaken.

In May, 2017 the Company commenced a program to create a suite of value-added, client-specific Cobalt product test samples sourced from material to be extracted during upcoming underground sampling and drilling at its 100%-owned past producing high-grade Castle Silver-Cobalt mine at Gowganda, Ontario. (Press Release May 1, 2017). Battery manufacturers will be the target market for the planned test samples which will be cobalt salts (powder) with a range of purities. Canada Cobalt Works' unique 100%-owned hydrometallurgical process, now known as Re-2OX, was developed by President and CEO Frank Basa in

**CANADA COBALT WORKS INC.**  
**(formerly Castle Silver Resources Inc.)**  
**Management Discussion and Analysis**  
**For the year ended December 31, 2017**

---

conjunction with the National Research Council during the Castle mine's last production cycle, and has been optimized since then. Re-2OX is extremely adaptable as it's designed for high recovery of multiple metals and elements from all feeds with varying chemistries. In addition, CSR is now carrying out advanced-stage testing through SGS Lakefield to evaluate the amenability of the process for efficient recycling of spent Lithium-ion batteries.

The Company has accessed the first level via a portal at 21m (70 feet) below the shaft collar of its underground mine to sample and begin evaluation of the underground cobalt and silver potential. The first level (there are 11 in total) extends approximately 365 meters (1,200 feet) east-west and 360 meters north-south. An extensive network of structures and tunnels, developed through a substantial financial investment by various operators in the 1900's, remains in excellent condition and only minor rehabilitation is necessary.

Visible cobalt in veins that pinch and swell and continue intermittently for many tens of metres on the first level has been noted which is consistent with comments in a large amount of invaluable historical Agnico Eagle data acquired by the Company. Agnico Eagle ceased operations at Castle around 1990 due to plunging Silver prices.

The Company reported in a Press Release June 6, 2017, that a large sample from a quartz-carbonate vein structure containing visible cobalt on the first level of the mine had been taken. Some of the mineralized material was submitted for immediate assaying while the remainder was to be put through the company's proprietary Re-2OX hydrometallurgical process to produce high purity cobalt powders for battery sector, end-buyer evaluation. The Company is also using the highly adaptable Re-2OX process for testing recovery of cobalt and lithium from lithium-ion batteries as the Company vigorously pursues exciting opportunities in recycling technology. A promising first stage of Re-2OX test work on a mixed sample of consumer electronic lithium-ion batteries has been completed by SGS Lakefield and Canada Cobalt Works eagerly anticipates reporting results shortly. Re-2OX achieves recovery through stripping the casing, leaching the cathode of the batteries, and forming a high purity precipitate containing the valuable metals.

Results from this 82-kg mini-bulk sample of mineralized vein material were reported in a Press Release on July 19, 2017. The sample was crushed to -10 mesh, blended and assayed, returning **1.48%** cobalt, **5.7 g/t** gold and **46.3 g/t** Ag. The high cobalt and gold values from the underground bulk sample suggest that there may be much more to this past-producing mine than just silver. With regard to the underground assay results reported above, the Company cautions investors that samples are selective and should not be considered representative of mineralization underground or elsewhere on the property

Other underground sampling results were reported in a Press Release on June 12, 2017. Chip sampling from the back of a quartz-carbonate vein on the first level of the Company's 100%-owned Castle mine near Gowganda, Ontario, has confirmed the presence of high-grade cobalt and nickel.

Highlights of the first five chip sample results, all strongly mineralized, are as follows:

- **1.8%** cobalt, **8.6%** nickel and **25.2 g/t** silver (CSR-17-S03)
- **1.6%** cobalt, **7.6%** nickel and **32 g/t** silver (CSR-17-S04)
- **0.81%** cobalt, **5.9%** nickel and **4.1 g/t** silver (CSR-17-S01)

The first five chip samples (CSR-17-S01 through CSR-17-S05) averaged **1.06%** cobalt, **5.3%** nickel and **17.5 g/t** silver. They were taken along a 4-meter length of a vein as wide as 30 cm a short distance inside the adit entrance. The vein pinches and swells for an estimated 90 metres.

**CANADA COBALT WORKS INC.**  
**(formerly Castle Silver Resources Inc.)**  
**Management Discussion and Analysis**  
**For the year ended December 31, 2017**

---

The Company cautions investors that the chip samples are selective samples and should not be considered representative of the mineralization hosted within the target area.

Canada Cobalt Works signed a provisional milling agreement with Granada Gold Mine Inc. The provisional milling agreement permits the development of a flowsheet for the mill that can equally process the gold-bearing ore from Granada Gold Mine near Rouyn-Noranda in Quebec as well cobalt-silver-bearing mineralization from the advanced Castle Silver Resources' property in Gowganda, Ontario. The terms of the milling agreement provide batch processing of a minimum of 600,000 tonnes of 4.0 grams per tonne gold ore from the open pit of the Granada Gold Mine over a three-year period with an option to treat a further 1.4 million tonnes of pre-concentrated waste rock. Initial metallurgical test work on the Granada Gold Mine's waste rock, using a conventional coarse gravity process, recovered 70 percent of the gold from 0.5 gram per tonne waste rock to produce 4.5 grams per tonne gravity concentrate which will be further processed at the mill at Canada Cobalt Works' historic mill site. (Press Release October 31, 2017).

Processing of the Granada Gold Mine ore off-site will be treated as a custom milling agreement with a third party and will work within the parameters of the PFS completed June 19, 2014 whereby Canada Cobalt Works will be the operator of the Mill. Granada Gold Mine and Canada Cobalt Works share common directors and therefore are related parties.

In November, the Company announced the completion of, and results from, a 2404-metre surface diamond drill program consisting of 22 diamond drill holes. ON November 13, 2017, we reported that mineralization had been intersected in each and every hole highlighted by 1.55% cobalt, 0.65% nickel, 0.61 g/t Au and 8.8 g/t Ag over 0.65 meters at a very shallow depth (3.85 meters to 4.50 meters) in CA-17-16.

Canada Cobalt Works is employing a century-old approach to resource development and mining whereby it drills for structure and mines for grade. The nature of the vein structures in the northern Ontario Cobalt Camp is that multiple high-grade zones can exist within a single structure. Historically, structures were identified by drilling which was followed by drifting along mineralized areas to develop ore zones.

Further underground sampling at the Castle Mine returned more high-grade results that were disclosed in a Press Release on December 1, 2017.

SAMPLE ID	Sample type	Co	Ag	Au	Ni
		%	ppm	g/Mt	%
CSR UG T 2	bulk sample	3.124	21.0	0.11	0.128
CSR UG T 3	bulk sample	1.036	12.7	0.04	0.117
CSR 17 10	composite	2.323	68.7	0.24	0.355

Bulk samples obtained by removing muck rock from the floor of the drift and chipping out vein material over 2 lengths of 10 metres, each filling a 5 gallon pail with approximately 20 kg of material. A single composite sample was taken by randomly selecting approximately 2 kilograms from each of the bulk samples. Samples were transported by truck to Swastika Laboratories, an accredited lab, in Swastika, Ontario for assay with analysis by aqua regia digestion and atomic absorption finish. The remainder of that material will be submitted to SGS Laboratories in Lakefield, Ontario to use the **Re-20X** process to develop samples for evaluation for the Asian battery market.



**CANADA COBALT WORKS INC.**  
**(formerly Castle Silver Resources Inc.)**  
**Management Discussion and Analysis**  
**For the year ended December 31, 2017**

---

At a time when Cobalt prices are at new decade highs, Canada Cobalt Works access to extensive underground workings at the Castle mine puts the company in a unique position in the northern Ontario cobalt region.

As reported on February 27, 2018, Canada Cobalt has retained Amec Foster Wheeler Environment & Infrastructure (Wood), a major global engineering firm specializing in the energy and industrial markets, will complete near-term geotechnical and hydrogeological field investigation studies at both the Castle and Granada properties as part of the permitting process for the planned 600-tonne-per-day gravity flotation cyanidation mill at the Canada Cobalt Castle mine site near Gowganda.

Gold mineralization from the Granada deposit near Rouyn-Noranda would be transported to the Castle mine for processing. The mill is being designed to accommodate both the gold mineralization from Granada as well as potential cobalt-silver material from the immediate Castle mine and other properties in the surrounding Northern Ontario Cobalt Camp.

Canada Cobalt will also be submitting plans to the Ontario Ministry of Northern Development & Mines for unlimited dewatering of levels two through 11 of the Castle mine.

Further high-grade cobalt values have been returned from additional mini-bulk samples at the Castle mine. The first sample, weighing 13.0 kg, assayed 2.47% cobalt, 23.4 g/t silver, 0.68% nickel and 1.83 g/t gold. The second sample, weighing 14.0 kg, assayed 0.91% cobalt, 460 g/t silver and anomalous nickel and gold.

Canada Cobalt cautions that samples are selective and not necessarily representative of mineralization underground at the Castle mine.

### **Beaver and Violet Properties, Ontario, Canada**

Canada Cobalt Works Inc. owns a 100% interest to an area of approximately 20 acres (Beaver Property) and 39.07 acres (Violet Property) in Coleman Township, Ontario. The property is subject to a 3% net smelter return royalty, and the Company may purchase each 1% of the NSR royalty for \$1.5 million. The Company has met all the obligations of the Option and has had the ownership of the Patents transferred to Castle Silver Resources.

The Company has released results of a high definition mineralogy study and some scoping level flotation and gravity separation tests done by SGS Lakefield on samples from its Beaver Silver Property, located 15 kilometres east of the historic silver camp in Cobalt, Ontario. See Gold Bullion Development Corp.'s Press Release dated February 14, 2013 on the company's website.

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

The Company announced, on January 31, 2017, preliminary results from bench-scale metallurgical flotation and gravity test work carried out at SGS Canada laboratories in Quebec City, Canada. The test program was aimed at evaluating the potential recovery of silver and cobalt from mineralized-material surface rock

**CANADA COBALT WORKS INC.**  
**(formerly Castle Silver Resources Inc.)**  
**Management Discussion and Analysis**  
**For the year ended December 31, 2017**

---

samples and tailings collected at the former historic producing Beaver Mine in Cobalt, Ontario and tailings from Castle Mine in Gowganda, Ontario.

Silver and cobalt recoveries, of 98.5 percent and 70.5 percent respectively, produced an extremely high concentrate grade of 11,876 grams per tonne silver and 10.5 percent cobalt using a simple flotation process. The mineralized-material surface rock sample was a composite collected from the waste pile assaying 2,064 grams per tonne silver and 5.62 percent cobalt at the Beaver Mine. Silver and cobalt concentrate grades produced from the Beaver and Castle Mines tailings were 1,379 grams per tonne Ag and 0.04 percent Co and 308 grams per tonne Ag and 0.08 percent Co respectively, using a simple gravity process. Head assays were 108 grams per tonne Ag with 0.02 percent Co and 123 grams per tonne Ag with 0.01 percent Co, respectively. The metallurgical tests were conducted at SGS Canada Inc. laboratories in Quebec City using about 100 kilograms of tailings and mineralized rock samples. Tailings samples from Castle and Beaver were tested using a gravity separation process. Beaver mineralized material samples were tested using a flotation process.

Developments in mobile phone use and renewable energy, including solar and electric car batteries, are strongly supportive of demand and pricing for cobalt and silver. This opens up an opportunity to re-evaluate former silver-cobalt producing mine sites with positive results.

Mining at Beaver and Castle took place in the early 1900s and at Castle again in the 1980s when extraction processes were not as advanced as they are today. It may now be economically viable to extract silver and cobalt from what was left behind, including old mine tailings and waste and other rock piles on the surface, as a first phase of production at the properties. These latest test results support previous test findings at the Castle and Beaver mine sites. In 2013, a hand-cobbed 20 kg geological test sample from the historic waste pile at the Beaver Silver Mine had an average calculated assay of 7.98% cobalt, 3.98% nickel and 1,246 grams (g/t) silver. Details were reported when Granada Gold Mine Inc. (formerly Gold Bullion Development Corp.) owned the property in a news release February 14, 2013 which can be accessed via the company website at [www.granadagoldmine.com](http://www.granadagoldmine.com).

In addition, the Company received encouraging assay test results in November 2016 for tailings grab samples collected at Castle and Beaver. Highlights of the assay results include: 134.78 g/t silver and 1.124 g/t gold at the Beaver Silver Mine; and 91.36 g/t silver at the Castle Silver Mine. Details of the assay results were reported in the November 29, 2016 news release which can be accessed via the company website at [www.canadacobaltworks.com](http://www.canadacobaltworks.com) Castle Silver Mine Property

**CANADA COBALT WORKS INC.**  
**(formerly Castle Silver Resources Inc.)**  
**Management Discussion and Analysis**  
**For the year ended December 31, 2017**

---

**Results of Operations**

A summary of the Exploration Expenses for the year ended December 31, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Acquisition costs	\$ 500,000	\$ 75,000
Assays and testing	77,655	-
Drilling	187,050	-
Equipment	202,286	610
Facility expense	46,314	30,457
Geology, geophysics and surveys	138,580	54,000
Labour	74,956	-
Project management and engineering	124,278	144,216
Reports	29,073	770
Royalties	15,000	15,000
Staking	2,205	-
Taxes, permits and licensing	5,003	4,655
Travel	22,226	1,095
	<u>\$ 1,424,626</u>	<u>\$ 325,803</u>

All exploration expenses other than the \$75,000 acquisition cost in 2016, which was for the Beaver and Violet properties, were spent on the Castle Silver Mines property. The acquisition expenses in 2017 were for the purchase of the 50% interest on five claims on the Castle Silver Mines Property. The increase in other expenses is due to increased activity.

A summary of the Corporate Expenses for the year ended December 31, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Advertising and promotion	\$ 420,756	\$ -
General and Administration	34,262	4,246
Professional fees	716,658	144,059
Filing costs and shareholders' information	110,775	28,813
Travel	127,679	3,798
	<u>\$ 1,410,131</u>	<u>\$ 180,916</u>

The increase in expenses is the result of increased activity.

**CANADA COBALT WORKSINC.**  
**(formerly Castle Silver Resources Inc.)**  
**Management Discussion and Analysis**  
**For the year ended December 31, 2017**

---

**Liquidity and Capital Resources**

Cash totaled \$446,897 as at December 31, 2017, compared to \$3,170 as at December 31, 2015. Net working capital at December 31, 2017 was \$363,791 compared to a deficiency of \$742,777 as at December 31, 2016.

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

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

**Selected Annual Information**

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

	<b>Year Ended December 31, 2017</b>	<b>Year Ended December 31, 2016</b>	<b>Year Ended December 31, 2015</b>
Total Net Loss	(\$3,966,947)	(\$557,459)	\$(516,326)
Net Loss per share	(\$0.09)	(\$0.02)	(\$0.02)
Total Assets	\$680,160	\$55,394	\$54,915

**Summary of Quarterly Results**

	Dec 31, 2017	Sep 30, 2017	Jun 30, 2017	Mar 31, 2017	Dec 31, 2016	Sep 30, 2016	Jun 30, 2016	Mar 31, 2016
Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net (Profit) Loss	1,430,990	926,011	935,213	535,996	283,389	111,017	67,492	80,507
Loss per share	0.03	.02	.02	.02	0.021	0.004	0.002	0.003

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

**Outstanding share Data**

The Company's authorized capital is an unlimited number of common shares without par value. As at the date of this report there were 60,824,075 shares issued and outstanding. The Company had 21,039,236 share purchase warrants outstanding. Each warrant entitles the holder to purchase one common share at a price of \$0.10 - \$0.50 per share until January 13, 2020. Stock options outstanding total 5,175,000 are exercisable for common shares at \$0.05 - \$0.30 per share until December 5, 2022.

**CANADA COBALT WORKSINC.**  
**(formerly Castle Silver Resources Inc.)**  
**Management Discussion and Analysis**  
**For the year ended December 31, 2017**

---

**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, 2017 was \$160,598 (2016 - \$210,945) of consulting fees and share based payments valued at \$450,000. (2016 – 67,500)

There were no Directors' fees paid to members of the Board of Directors for the years ended December 31, 2017 and 2016.

Included in accounts payable and accrued liabilities was \$30,882 (2016 - \$510,094) 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.

**Off-Balance Sheet Arrangements**

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

**Financial Instruments and Risk Factors**

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

**1. Risk management and hedging activities**

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

- a. Currency risk – As the Company transacts business in Canadian dollars, there is minimal foreign currency risk at December 31, 2017 and 2016.
- b. Price risk - The Company is exposed to price risk with respect to commodity prices. As the Company is not a producing entity, this risk does not currently affect earnings, however, the risk could affect the completion of future equity transactions. The Company monitors commodity prices of precious metals and the stock market to determine the timing, nature and extent of equity transactions.
- c. Credit risk - Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. The Company is exposed to credit risk on its cash. The Company

**CANADA COBALT WORKS INC.**  
**(formerly Castle Silver Resources Inc.)**  
**Management Discussion and Analysis**  
**For the year ended December 31, 2017**

---

has deposited its cash with reputable financial institutions, from which management believes the risk of loss is minimized. As at December 31, 2016, cash was held with major Canadian financial institutions.

- d. Liquidity risk - Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. Management monitors the Company's liquidity by assessing forecast and actual cash flows and by maintaining adequate cash on hand.
- e. Interest rate risk - The Company is not exposed to any meaningful interest rate risk due to the short-term nature and immateriality of its interest generating asset.
- f. Sensitivity analysis - The Company has cash and cash equivalents subject to interest rate risk of approximately \$446,897. A 1% change in the primary interest rate would not affect the reported net income by a material amount.
- g. Fair values, carrying amounts and changes in fair value. The fair values of the Company's financial instruments approximate their carrying value due to their short-term nature. Fair value amounts represent point-in-time estimates and may not reflect fair value in the future. The measurements are subjective in nature, involve uncertainties and are a matter of judgment. The methods and assumptions used to develop fair value measurements, for those financial instruments where fair value is recognized in the balance sheet, have been prioritized into three levels as per the fair value hierarchy in Canadian generally accepted accounting principles.
  - Level 1 includes quoted prices (unadjusted) in active markets for identical assets or liabilities.
  - Level 2 includes inputs that are observable other than quoted prices included in level 1.
  - Level 3 includes inputs that are not based on observable market data.
- h. Collateral - The carrying value of financial assets the Company has pledged as collateral as at December 31, 2017 is \$Nil (2016 - \$Nil).

## **2. Risks and Uncertainties**

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

**CANADA COBALT WORKS INC.**  
**(formerly Castle Silver Resources Inc.)**  
**Management Discussion and Analysis**  
**For the year ended December 31, 2017**

---

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

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

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

**Nature of Mineral Exploration and Mining**

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

Substantial expenditures are required to establish reserves through drilling, to determine the technical and economic feasibility of mining and extracting them, and, if warranted, to develop the mining and processing facilities and infrastructure at any site chosen for mining. Although substantial benefits may be derived from the discovery of a major mineralized deposit, it is impossible to ensure that the current proposed exploration programs on the properties in which the Company has an interest will result in profitable mining operations. Furthermore, there can be no assurance that the Company's estimates of future exploration expenditures will prove accurate, and actual expenditures may be significantly higher than currently anticipated. Whether a deposit will be commercially viable depends on a number of factors, some of which are the particular attributes of the deposit, such as its size and grade, costs and efficiency of the recovery methods that can be employed, proximity to infrastructure, land use, and



**CANADA COBALT WORKS INC.**  
**(formerly Castle Silver Resources Inc.)**  
**Management Discussion and Analysis**  
**For the year ended December 31, 2017**

---

environmental protection. The effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company not receiving an adequate return on its invested capital.

**Mineral Deposits and Production Costs; Commodity Prices**

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

**Exploration, Development and Resource and Reserve Estimates**

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

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

**Exploration and Development Risks**

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



**CANADA COBALT WORKSINC.**  
**(formerly Castle Silver Resources Inc.)**  
**Management Discussion and Analysis**  
**For the year ended December 31, 2017**

---

**Financing Risks**

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

**Liquidity Concerns and Future Financing**

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

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

**Environmental and other Regulatory Requirements**

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

**Permits and Licenses**

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

**CANADA COBALT WORKSINC.**  
**(formerly Castle Silver Resources Inc.)**  
**Management Discussion and Analysis**  
**For the year ended December 31, 2017**

---

**Competition**

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

**Title to Some of the Company's Mineral Properties May be Challenged or Defective**

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

**No Assurance of Title to Property**

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

**Conflicts of Interest**

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

**Insurance**

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

**CANADA COBALT WORKS INC.**  
**(formerly Castle Silver Resources Inc.)**  
**Management Discussion and Analysis**  
**For the year ended December 31, 2017**

---

**Fluctuation in Market Value of Canada Cobalt's Shares**

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

**Critical Accounting Policies and Estimates**

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

**Internal Controls Over Financial Reporting and Disclosures**

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

**New accounting standards adopted during the year**

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

*IAS 1 Presentation of Financial Statements ("IAS 1")*

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

**Future changes in accounting standards not yet adopted**

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

**CANADA COBALT WORKS INC.**  
**(formerly Castle Silver Resources Inc.)**  
**Management Discussion and Analysis**  
**For the year ended December 31, 2017**

---

*IFRS 9 Financial Instruments (“IFRS 9”)*

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

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

**Additional Information**

Additional information about Canada Cobalt Works Inc., including the annual information form, may be obtained from the Company’s website at [www.canadacobaltworks.com](http://www.canadacobaltworks.com) or on SEDAR at [www.sedar.com](http://www.sedar.com).