CASTLE RESOURCES INC.
MANAGEMENT DISCUSSION & ANALYSIS

FOR THE THREE MONTH ENDED DECEMBER 31, 2010

(Prepared by Management on February 17, 2011)

INTRODUCTION

The following discussion and analysis is a review of the operations, current financial position and outlook for Castle Resources Inc. (the "Company" or "Castle") and should be read in conjunction with the audited consolidated financial statements for the year ended September 30, 2010 and unaudited interim consolidated financial Statements for the three months ended December 31, 2010 and the notes thereto. The discussion covers the period end up to the date of the filing of this management's discussion and analysis ("MD&A"). The audited consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). All dollar amounts are stated in Canadian dollars, unless otherwise noted. Readers are encouraged to read the Company's public information filings on Sedar at www.sedar.com

FORWARD-LOOKING INFORMATION

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

DESCRIPTION OF THE BUSINESS

Overview

Castle Resources Inc. is a Toronto based junior resource company focused on high-quality advanced exploration or development projects in British Columbia and New Brunswick, Canada. The Company's focus is on the Granduc Project, Elmtree Gold Project, and Horseshoe Project. The San Ramon Claim Groups has been optioned to MAG Silver Corp. Management's goal is to seek additional opportunities to continue to add value for shareholders.

HIGHLIGHTS FOR CASTLE RESOURCES

- Raised approximately $10,320,000 through equity financing.
- Acquired 100% interest in the Granduc Copper Project
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Raised approximately $10,320,000 gross proceeds through equity financing

On October 7, 2010, the Company closed a brokered private placement comprised of 31,012,500 units at a price of $0.32 per unit for gross proceeds of $9,924,000 (each unit consists of one common share and one common share purchase warrant), and 1,100,000 flow-through shares at a purchase price of $0.36 per flow through unit share for gross proceeds of $396,000. Each warrant is exercisable for one common share of the Company at $0.50 until October 7, 2012.

Castle Resources Acquires a 100% interest in Granduc Copper Project

The Granduc Mine is an historic past-producing copper mine with excellent infrastructure in place. On April 6, 2010, the Company signed a binding letter of intent (“LOI”) with Bell Copper Corporation (“Bell Copper”) to acquire up to a 90% interest in the Granduc Mine and surrounding areas. On July 16, 2010, the Company and Bell Copper entered into an option agreement. On October 15, 2010, the Company acquired a 100% interest in the Granduc Project. The acquisition supersedes the option agreement dated July 16, 2010. Pursuant to the agreement, the Company paid Bell Copper an additional $2,000,000 and issued an additional 2,750,000 common shares of the Company for an aggregate acquisition price of $4,500,000 and 3,000,000 common shares of the Company.

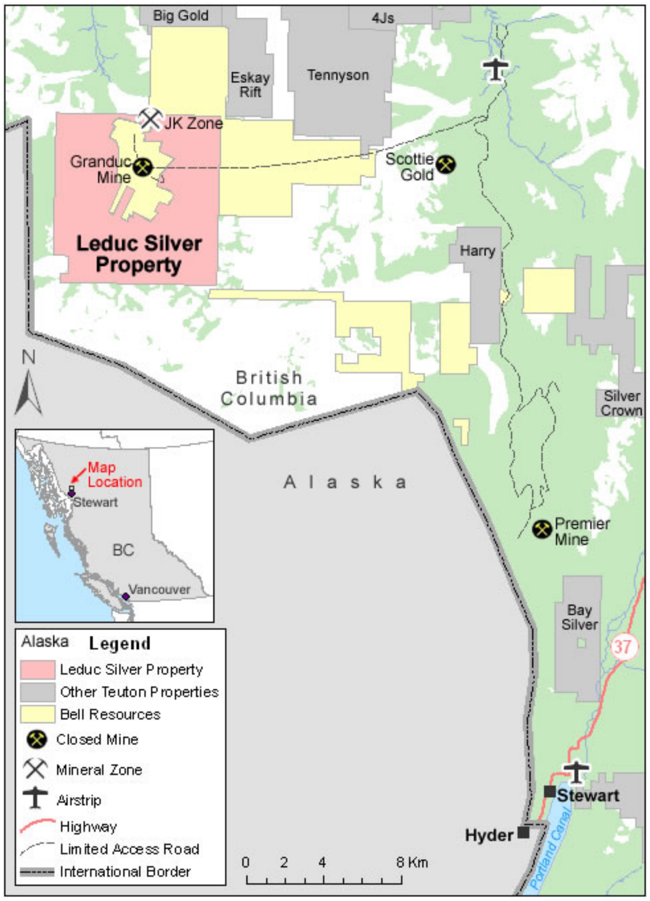
MINERAL EXPLORATION ACTIVITIES

Granduc Copper Mine (“Granduc Project”), British Columbia, Canada

On April 6, 2010, the Company signed a binding letter of intent (“LOI”) with Bell Copper Corporation (“Bell Copper”) to acquire up to a 90% interest in the Granduc Mine and surrounding areas. On July 16, 2010, the Company and Bell Copper entered into an option agreement. On October 15, 2010, the Company acquired a 100% interest in the Granduc Project. The acquisition supersedes the option agreement dated July 16, 2010.

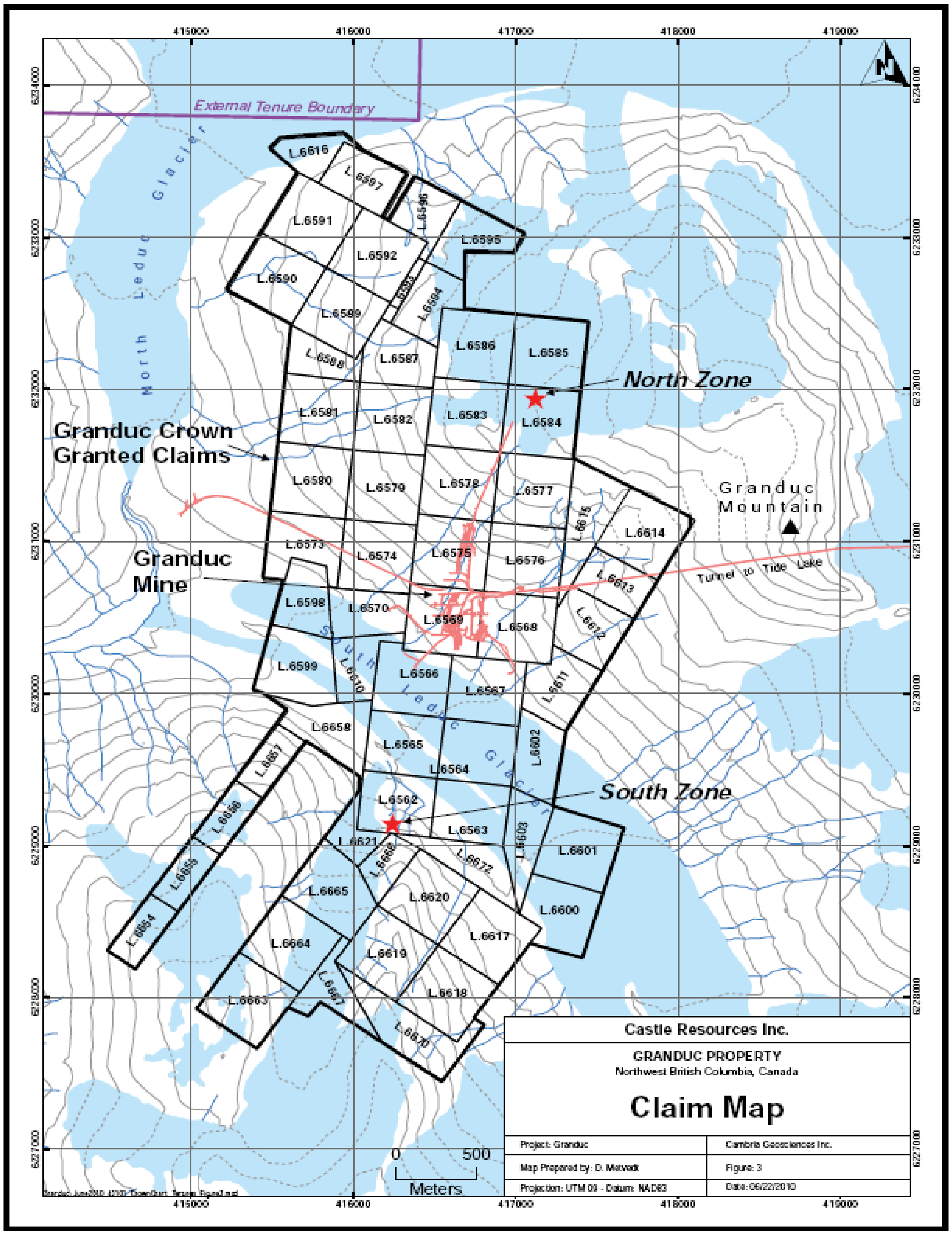
The Granduc property is subject to a 2% Net Smelter Royalty ("NSR") in respect to the Keystone mineral claims, payable to Keystone Gold Inc. The NSR can be purchased by Castle and Bell Cooper for $500,000 for the first one percent (1%) and $1 million for the remaining one percent (1%), based on their ownership percentages.

The Granduc property is also subject to a 1.5% NSR in respect to the Teuton mineral claims and the Bell Mineral claims, payable to Teuton Resources Corporation (“Teuton”). The Company will also make annual payments of $25,000 and $25,000 worth of common shares (based on the average price of the shares over the previous 10 trading days prior to issuance) to Bell Copper, with respect to the amounts owed to Teuton, until the Teuton mineral claims cease or are put into commercial production.



Granduc Copper Mine: Location

MINERAL EXPLORATION ACTIVITIES (continued)



MINERAL EXPLORATION ACTIVITIES (continued)

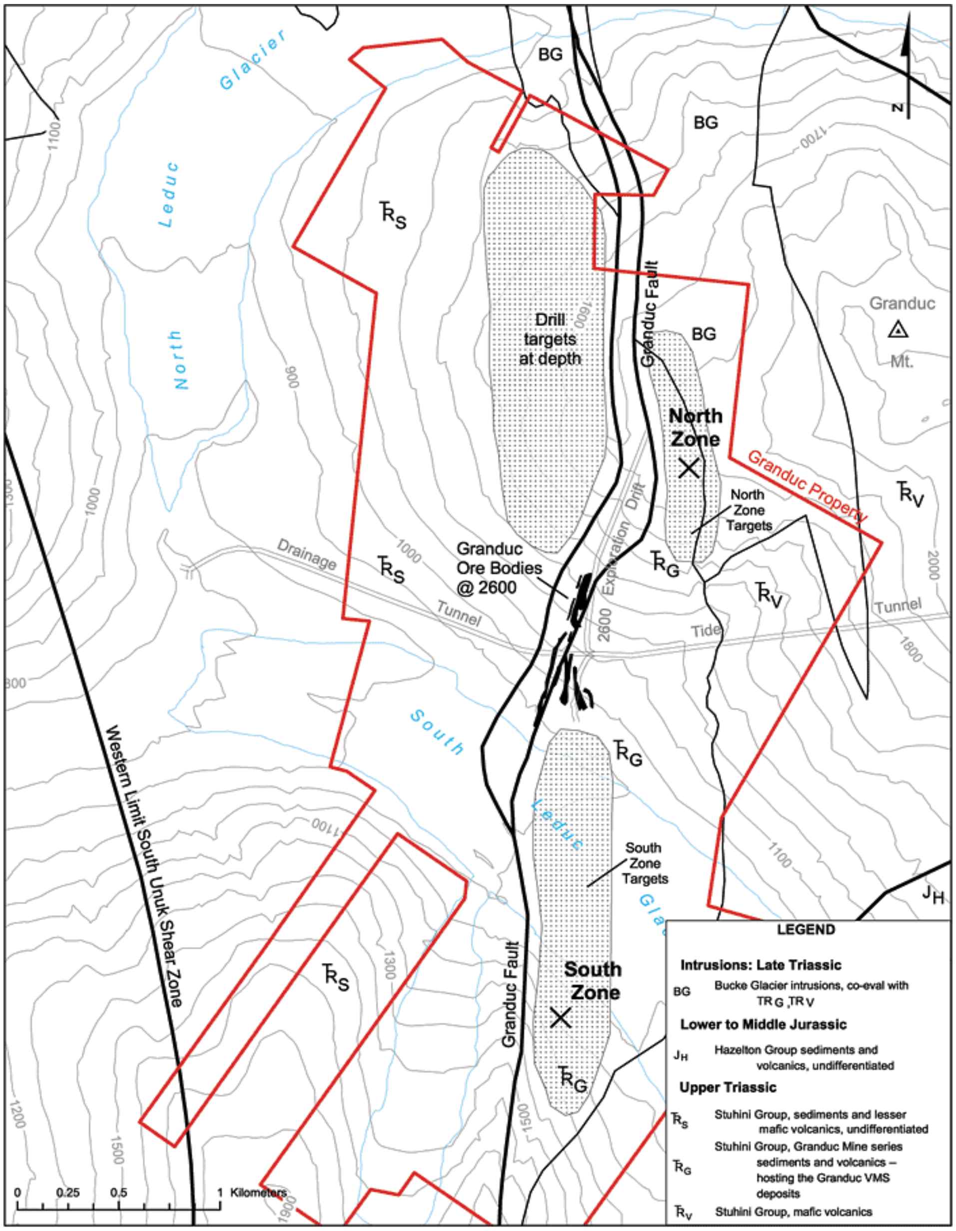
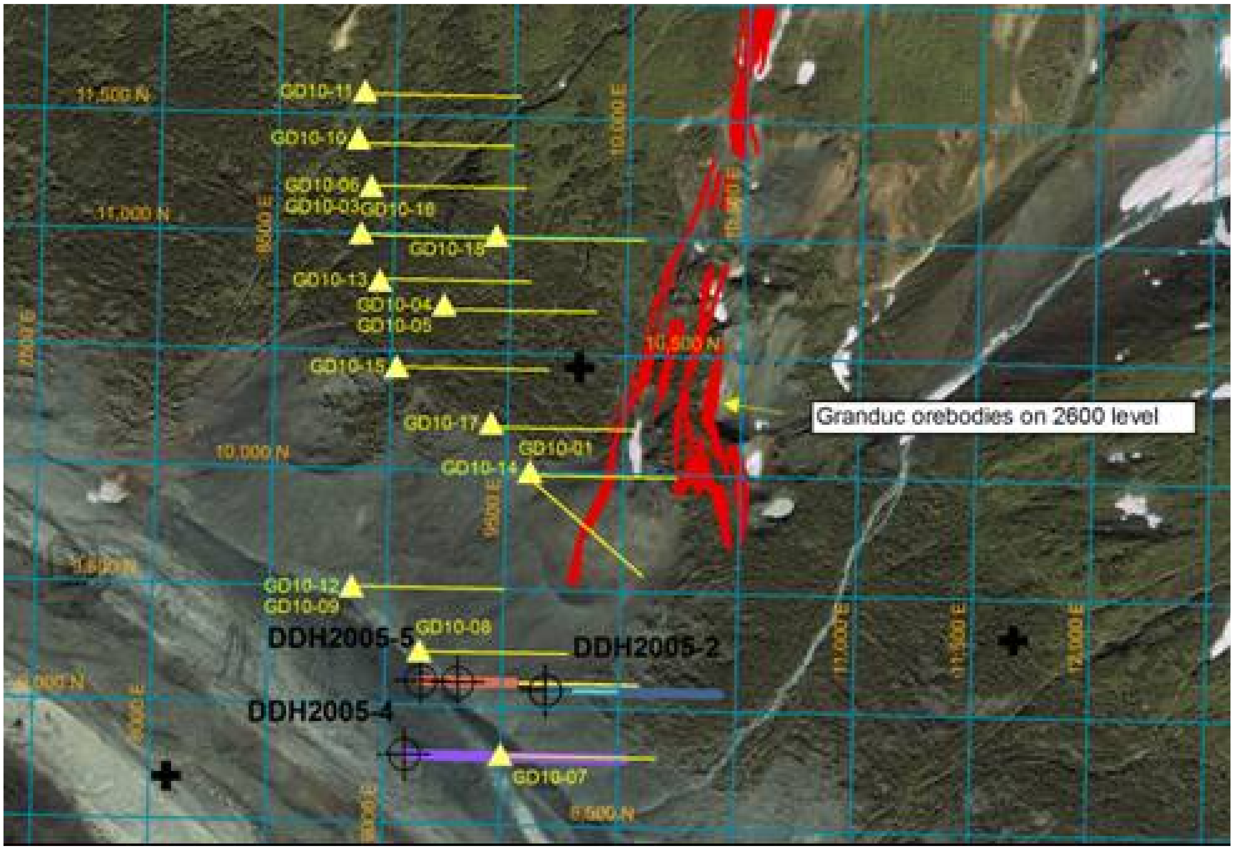


Fig. 3. Geology of the Granduc deposit. Modified from Lewis (1994).

For the period from August 2010 to October, 2010, the company completed 8,223 metres of diamond drilling in 18 holes. The objective of the drill program was to test the down dip extent of the historical deposit as well as replicate certain Newmont and Esso drill results. This goal was achieved as all holes have encountered visible copper mineralization along a 1,000 metre strike. These initial results indicate that the historical in-situ Newmont and Esso resource estimates appear to be reliable; the larger objective is to continue this process and target the balance of the down dip mineralization and extend the strike to the south through a comprehensive drill campaign next field season.

MINERAL EXPLORATION ACTIVITIES (continued)



Note: all widths are downhole thickness

Section	Hole		Start	End	Width (m)	% Cu	Au (g/t)	Ag (g/t)
11,600 N	GD10-11		610.47	617	**6.53**	**0.79**	0.30	5.66
		and	622.8	625	**2.2**	**0.76**	0.21	8.45
		and	651	657	**6**	**1.01**	0.24	9.02
11,400 N	GD10-10		562	567	**5**	**2.14**	0.27	12.30
		and	597	599	**2**	**1.44**	0.11	4.20
11,200 N	GD10-03		488.5	508.65	**20.15**	**1.38**	0.16	12.90
		inc	488.5	491.5	**3**	**2.54**	0.43	14.40
		and	499.5	504.5	**5**	**1.37**	0.13	21.10
11,200 N	GD10-06		587.55	636.5	**48.95**	**0.46**	0.12	5.30
		inc	589.55	592.55	**3**	**1.47**	0.14	7.70

11,000 N	GD10-18		383	390	**7**	**1.53**	0.17	21.10
11,000 N	GD10-16		499	501.2	**2.3**	**0.75**	0.13	5.77
10,800 N	GD10-13		485	495	**10**	**1.09**	0.13	15.40
		inc	491.3	493.5	**2.2**	**1.71**	0.28	23.50
10,700 N	GD10-04		341	349	**8**	**1.32**	0.13	7.40
10,700 N	GD10-05		354.95	368	**14.5**	**1.26**	0.15	12.10
		inc	360.5	366.5	**6**	**1.62**	0.17	14.70
10,400 N	GD10-15		365.5	381.5	**16**	**1.38**	0.19	8.71
		inc	373.5	376.5	**3**	**2.05**	0.32	11.91
		and	384.5	396.5	**12**	**0.77**	0.11	5.20
		inc	385.5	390.5	**5**	**1.42**	0.16	6.49
10,200 N	GD10-17		273	279	**6**	**1.20**	0.15	12.82
		and	287	296	**9**	**1.07**	0.24	11.60
		and	298	306	**8**	**1.27**	0.19	8.58
		and	310	322	**12**	**1.32**	0.28	15.00
		inc	311	316	**5**	**1.73**	0.30	17.42
		and	334	348	**14**	**0.84**	0.17	9.60
		inc	338	341	**3**	**1.19**	0.35	16.37
		and	351	360	**9**	**0.77**	0.18	8.07
		inc	353	357	**4**	**1.08**	0.20	9.88
10,000 N	GD10-01		126.72	136.5	**9.78**	**2.49**	0.21	5.28
		inc	131.2	136.5	**5.3**	**3.00**	0.24	6.45
		and	224.2	227.75	**3.55**	**1.82**	0.15	21.11
			256	276.5	**20.5**	**1.38**	0.13	14.60
		inc	256	263	**7**	**1.71**	0.17	14.70
		inc	256	261	**5**	**1.90**	0.20	22.00
		inc	267.5	274.5	**7**	**1.79**	0.14	14.60
10,000 N	GD10-02		158.3	175.1	**16.75**	**2.15**	0.17	6.80
		inc	158.3	163.3	**5**	**3.27**	0.22	8.80
		and	277.3	294.7	**17.4**	**1.73**	0.23	21.69
		inc	287.2	291.2	**4**	**3.26**	0.50	21.50
		and	312.1	321.5	**8.5**	**1.45**	0.16	9.30

10,000 N	GD10-14		213	223	**10**	**1.21**	0.19	14.16
		and	229	240	**11**	**1.02**	0.16	10.09
		and	268	279	**11**	**1.23**	0.28	22.56
		inc	271	274	**3**	**1.82**	0.39	23.30
		and	286	294.5	**8.5**	**1.12**	0.22	13.89
		and	309.75	334.45	**24.7**	**0.88**	0.14	11.55
		inc	323.7	329.4	**5.7**	**1.29**	0.21	14.80
		and	349.8	361.9	**12.1**	**1.56**	0.18	7.49
		inc	349.8	353.3	**3.5**	**2.04**	0.31	15.00
		and	358.5	361.9	**3.4**	**2.36**	0.35	18.32
9,500 N	GD10-09		205.7	227.7	**17**	**0.99**	0.14	5.20
		inc	205.7	209.7	**4**	**1.70**	0.36	9.00
		and	349.5	363.5	**15**	**1.83**	0.18	14.60
		inc	360.5	363.5	**3**	**3.36**	0.29	17.40
9,500 N	GD10-12		335	358.5	**23.5**	**1.36**	0.14	12.80
		inc	343	348.25	**5.25**	**2.88**	0.30	17.00
		and	393	426.48	**33.48**	**1.45**	0.24	16.50
		inc	396	411	**15**	**1.73**	0.24	20.50
		and	417	426.48	**9.48**	**1.75**	0.31	19.20
9,200 N	GD10-08		264.18	297.03	**32.85**	**0.82**	0.09	7.90
		inc	289	297.03	**8.03**	**1.54**	0.11	13.00
		inc	292	296	**4**	**1.88**	0.11	13.30
8,700 N	GD10-07		137	156.58	**15.78**	**0.81**	0.09	4.90
		and	154	156.58	**2.58**	**1.20**	0.11	4.40

The development strategy at Granduc is focused on generating a NI 43-101 resource estimate based on 2010 drilling results as well as historic drilling and then moving to commission a Preliminary Economic Assessment. As of February 17, 2011, the resource estimate is ongoing and is anticipated to be completed 1st quarter 2011. In tandem, management is preparing a detailed exploration and mine rehabilitation plan that will focus on the balance of targets not yet drilled down dip and along strike. This will entail the partial rehabilitation of the 17 km long tunnel connecting the Granduc underground workings with the former mill site and parts of the mine infrastructure, including ramps and exploration drifts originally developed by Newmont and Esso. This development strategy is already underway and will be implemented starting in the spring of 2011. During the 2010 drilling program, SRK Consulting from Vancouver B. C. was commissioned to undertake the preliminary Economic Assessment as well as review all underground plans and sections towards rehabilitating the mine infrastructure and proceeding with underground exploration.

MINERAL EXPLORATION ACTIVITIES (continued)

The Elmtree Gold Project, New Brunswick, Canada

Overview

On June 1, 2009, the Company entered into an option agreement with Stratabound Mineral Corp. to acquire up to 70% interest in Stratabound's 100% owned New Brunswick based Elmtree Gold Property ("Elmtree"). The Elmtree Property ("the Property") consists of 85 claims (1,375 hectares, 3,400 acres) and is situated near the port city of Bathurst, New Brunswick. The Property contains at least three gold-bearing zones; the higher grade West Gabbro Zone (WGZ), original Discovery Zone (DZ) and the larger tonnage, lower grade South Gold Zone (SGZ). A portion of DZ contains significant stringer mineralization with appreciable zinc-lead-antimony-gold-silver-indium values.

In February 2008, Mercator Geological Services completed a NI 43-101 compliant resource estimate for Stratabound Minerals Corp., which reported 525,000 indicated tonnes in the West Gabbro Zone grading 2.45 g/t gold; 1,556,000 inferred tonnes in the West Gabbro Zone grading 2.01 g/t gold; 2,367,000 indicated tones in the South Gold Zone grading 0.74 g/t gold; 583,000 tonnes in the Discovery Zone grading 1.15 g/t gold only, as well as 158,000 inferred tonnes in the Discovery Zone grading 1.31 g/t gold, 39.54 g/t silver, 0.69% lead and 2.00% zinc.

Exploration Program

In August to October, 2009 a 5000 metre diamond drilling program was completed on the Elmtree property with the objective of expanding the current resource in the WGZ, as well as testing other mineralized areas within the DZ and SGZ. The program was split into 2 separate phases. Phase I of drilling, comprising 3000 metres and Phase II of drilling, comprising 2000 metres.

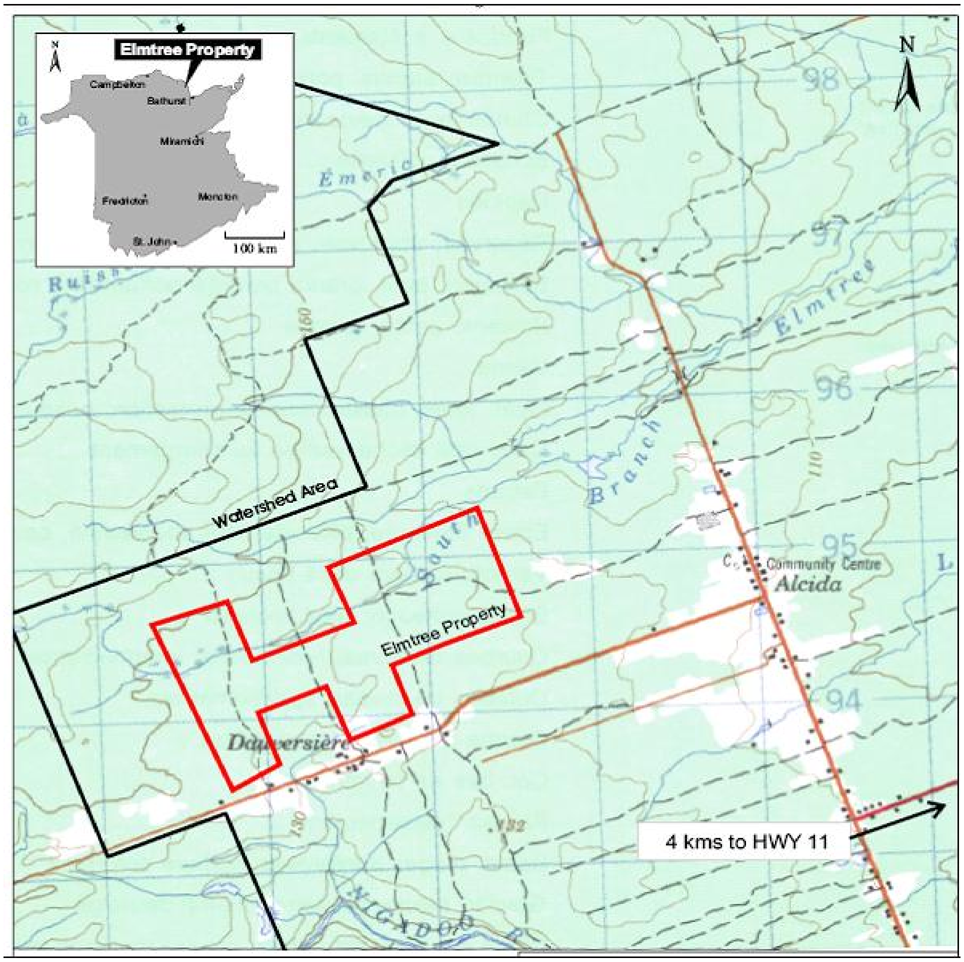
Phase I drilling successfully delineated the WGZ and confirmed mineralization intersected at depth under the main core of the WGZ resource. Drilling to the west found that the WGZ narrows and drilling to the east confirms that there is no fault-offset extension of the WGZ. A total of 3,135 metres were drilled in 16 holes two of the 16 holes were designed to replicate older Lacana drilling results as recommended by Mercator Geological Services in their NI 43-101 compliant technical report. Phase II successfully tested the SGZ and the DZ. Ten holes were drilled totalling 1,986 metres.

In late November 2009, Castle commissioned Micon International Consultants to perform a Preliminary Economic Assessment (PEA) on the possibility of extracting the high grade gold portion of the WGZ. On April 23, 2010, the Company announced the filing of positive preliminary economic assessment ("PEA") on Sedar for the Elmtree Gold Property. Management commissioned the Micon PEA to determine baseline economics of the Elmtree project. As stated in Castle's news release on March 5, 2010, the PEA indicates a pre-tax IRR of 25% using $900 Au/oz and a pre-tax IRR of 63% using $1,100 Au/oz, based on open pit mining and toll-milling of 1.117 million tonnes with an average gold grade of 2.41 g/t Au, a stripping ratio of 6.3 (W/O), and assumes a 90% Au recovery into a concentrate for sale to a nearby smelter.

In June 2010, the company commissioned Micon International to initiate a feasibility study on the WGZ and Stantec Consulting to undertake an environmental review towards the permitting process towards mining the WGZ. As of February 10, 2011, the feasibility study is ongoing and a preliminary report is anticipated by mid to late March, 2011. As of January 3, 2011, the comprehensive environmental assessment is ongoing and is anticipated to be completed by 3rd quarter 2011.

In August, 2010, the company completed a 4000 m infill diamond drill program in 29 holes on the WGZ towards moving the resources from inferred to indicated for the feasibility study. All Samples were submitted to AGAT Laboratories in Mississauga ON for analysis. All drilling results confirmed the presence of gold in the WGZ (see press release Dec 21, 2010)

MINERAL EXPLORATION ACTIVITIES (continued)



Elmtree: Location map and claim boundary

Horseshoe Property, British Columbia, Canada

On November 2, 2009, Castle entered into an agreement to acquire a 100% interest in the Horseshoe Claim Group in the prolific Stewart Mining Camp in northwest British Columbia, Canada. Castle will earn a 100% undivided interest in the Horseshoe Property over a 3 year period by spending $1.5 million on exploration and drilling expenses. Castle will pay the vendor a total of $300,000 and will issue 360,000 shares of the Company over the term of the option, subject to exchange approval.

The Horseshoe Property has numerous promising precious metal surface showings including the High-Grade Vein showing, which has received most of the historic work in the area. According to a Minister of Mines Annual Report in 1926, a sample of quartz vein material assayed 86.2 g/t gold and 123 g/t silver. During a property visit in October, 2009, 3 grab samples were collected along the High-Grade Vein, which returned values of 20.7 g/t Au and 68.3 g/t Ag; 2.23 g/t Au; and 0.9 g/t Au. The 4th grab sample was collected from a separate showing with a visible surface strike length of over 100 metres averaging 7+ metres in width and returned values of 2.0% Cu, 156 g/t Ag and 1.04 g/t Au.

MINERAL EXPLORATION ACTIVITIES (continued)

Castle is planning a comprehensive exploration program for summer 2011 to test this vein system. The closest past producer to the Horseshoe Property is known as the Porter-Idaho located less than 750 meters to the north of the property boundary.

On January 25, 2010, Castle submitted for assessment work covering the property visit on the Horseshoe claims to keep the group in good standing until Feb 28, 2010. As of August 2, 2010, the property has sufficient assessment credits in place to keep the property in good standings for almost 1 year

The San Ramon Claim Group, **Zacatecas, Mexico**

Overview

In 2006, Castle acquired the San Ramon project within Mexico's renowned Zacatecas Silver District. The project is composed of eight concessions totaling 312.2 hectares, approximately five kilometers northeast of the city of Zacatecas. The property is adjacent to Capstone Mining Corporation's recently commissioned Cozamin Mine.

The principal mine workings within the property are located in two main zones in its northern portion, San Ramon and Los Gatos, which cover approximately 300 meters of the La Platosa and Veta del Alto veins. The San Ramon mine workings include the San Ramon and Azul shafts, each approximately 95 meters deep with four subsurface levels. Historical reports indicate that approximately 20,000 tons of ore grading 1.0 to 2.0 grams per ton (g/t) gold and 400 to 600 g/t of silver were extracted at San Ramon. The Azul shaft was refurbished in 2003 and was used to dewater the mine workings for mapping and sampling purposes.

Historical resource estimates credit the property with 640,000 tones of oxide ore grading 0.5 g/t gold and 246 g/t silver along with 1.2-million tones of sulphide ore grading 1.3 g/t gold and 274 g/t silver. These estimates do not comply with National Instrument 43-101.

Castle began exploration at San Ramon in May 2007, following recommendations detailed in the October 10, 2006 property of merit technical report prepared by Behre Dolbear in accordance with NI 43-101. It was designed to verify and expand the historical resource estimates and includes plans for surface mapping, sampling, and drilling programs.

Exploration Program

In early September 2008, a detailed mapping and sampling program was undertaken on the Evelin claims transecting the vein/breccia zones that returned anomalous results from an earlier prospecting program. Exploration activity was halted on the San Ramon property in January, 2009.

MINERAL EXPLORATION ACTIVITIES (continued)

Option to MAG Silver Corp ("MAG Silver")

On July 15, 2009, the Company optioned 100% of the San Ramon claim group to MAG Silver. To earn their interest in the San Ramon property, MAG Silver has committed to exploration expenditures of US$500,000 in the first year of the option, US$500,000 in the second year of the option, US$1,000,000 in the third year of the option and US$1,250,000 in the fourth year of the option for total of US$3,250,000. Following commercial production, Castle will retain a 1.5% NSR in the project. In addition, MAG Silver has agreed to the following payment schedule; US$75,000 upon signing of the option agreement and US$750,000 by the fifth anniversary of the agreement. MAG Sliver submitted a progress report to the Company on July 15, 2010 regarding their exploration activities on the Property as of December 15, 2009.

A regional geological mapping program was completed over 312 hectares. All previously drilled cores was relogged and selectively sampled on the Se Los Dije vein structure. In addition, 7 holes totalling 2,638 m were drilled and 245 samples were assayed on the Property close to the SE side of the claims along the "El Pajaro" vein structure. According to the report, the Se Los Dije vein is the most promising target. This vein was recommended for further exploration and diamond drilling The El Pajaro, Tecoloters and La Antena veins were reported as secondary targets.

INTEREST IN MINERAL PROPERTIES

During the period, the Company capitalized a total of $4,870,550 in in interest in mineral properties. The capitalized cost for each property is detail in the following table.

The Granduc Project, British Columbia, Canada

Acquisition costs	$ 6,020,500
Exploration Expenditure	
Assaying	65,709
Drilling	849,764
Equipment and rental	41,406
Field labour	412,727
Fuel and transportation	852,998
General expense	44,399
Professional and consulting fees	421,182
Site support and supplies	142,938
Travel and accommodations	132,330
Less: refundable exploration tax credit	(380,100)
Balance at December 31, 2010	$ 8,603,853

The Elmtree Gold Project, New Brunswick, Canada

Acquisition Costs	$ 165,945
Exploration Expenditure	
Assaying	113,927
Drilling	781,836
Field labour	91,831
Fuel and transportation	13,860
General expense	60,500
Mining duties, permits, fees and taxes	7,050
Professional and consulting fees	674,674
Site support and supplies	66,231
Travel and accommodations	39,890
Balance at December 31, 2010	$ 2,015,744

The Horseshoe Property, British Columbia, Canada

Acquisition costs	$ 216,674
Exploration Expenditure	
Assaying	473
General expense	18
Mining duties, permits, fees	3,156
Professional and consulting fees	12,753
Site support and supplies	3,715
Travel and accommodations	3, 145
Balance at December 31, 2010	$ 239,934

The San Ramon Claim Group, Silver Project, Mexico	$ 448,000
Total Interest in mineral properties	**$ 11,307,531**

SELECTED HISTORICAL FINANCIAL DATA

The following table provides selected annual audited financial information that should be read in conjunction with the Audited Financial Statements and Notes of the Company for the applicable period, which have been prepared in accordance with Canadian GAAP.

	2010	2009	2008	2007	2006
For the Year Ended September 30,	**$**	**$**	**$**	**$**	**$**
Interest income	-	19,134	29,920	27,500	7,419
Net loss and comprehensive loss for the year	1,083,344	4,637,278	1,181,296	695,822	92,354
Loss per share (basic & diluted)	0.03	0.17	0.04	0.06	0.03
Interest in mineral properties	6,436,981	1,100,367	4,094,337	3,619,612	84,450
Total assets	7,641,260	1,377,314	6,023,858	4,596,507	311,665
Total long-term liabilities	1,783,590	-	81,000	81,000	-
Shareholders' equity	3,371,619	1,190,961	5,839,739	4,215,159	266,644

RESULTS OF OPERATIONS AND CASH FLOWS

Revenue

The Company is in the development stage and therefore did not have revenues from operations. Interest income for the period ended December 31, 2010 was $12,598 (December 31, 2009 - $Nil).

Net loss

The Company recorded a loss and comprehensive loss of $ 1,622,729 with basic and diluted loss per share of $0.02 for the period ended December 31, 2010 reflecting an increase of $ 1,502,192 when compared with the same period in 2009. Net loss is reduced by $100,000 (December 31, 2009 - $Nil) future income tax recovery. The future income tax recovery relates to the $396,000 flow-through shares issued in connection with the October 7, 2010 private placement. As the flow-through triggers the "more likely than not" test for future realization of some of these assets to be met (to the amount of the expected future income tax liability), certain assets can be valued at the date the flow-through funds are raised in anticipation of future renunciation.

Expenses

The Company recorded $1,735,327 in total expenses for the period ended December 31, 2010 as compared to $120,537 in the comparative period. The reasons for the increase in expense are as follows:

- Stock-based compensation increased to $1,518,100 as compared to $Nil in the prior period. On October 18, 2010, the Company granted a total of 3,230,000 stock options. Each option allows the holder to purchase one share of the Company at an exercise price of $0.50 for a period of five years from the date of grant. The weighted average grant date fair value of these options was estimated at $1,518,100 using the Black-Scholes option pricing model. The stock options vested immediately which resulted in $1,518,100 charge in the current period.

RESULTS OF OPERATIONS AND CASH FLOWS (continued)

- Interest and financing fees increased to $83,220 as compared to $nil for the period ended December 31, 2009. The Company entered into a 5-year, non-revolving term loan facility in the principal amount of $2,200,000 with interest payable at the rate of 5% in the first 12 months and 9% in the following 48 months. The facility was subject to a 10% discount such that it amounted to $220,000. As a result, total proceeds to the Company amounted to $1,980,000. The Company issued 3,600,000 drawdown warrants (valued at $216,000) and 300,000 standby warrants (valued at $15,000).The value of the warrants and the discount was recorded against the debenture to be accreted over the term of the debenture. During the period, the Company recorded $83,211 interest, accretion expense and finance fees in the consolidated statement of operations and deficit.

The above mentioned stock-based compensation expense of $1,518,100 and the interest and financing fees expense of $83,211 are non-cash expenses which are added back in the cash flows statement under operating activities.

Cash Flows

Operating Activities
Operating activities used $315,358 of cash flows in the period, representing an increase of $222,148 compared to the same period in 2009. This increase in 2010 period as compared to the 2009 period was mainly due to changes in non-cash working capital. The Company has $899,057 tied up in amounts receivable as compared to $22,460 in the comparative period. The amounts receivable consisted of $518,958 (December 31, 2009 - $22,460) in GST refunds, $380,100 (December 31, 2009 - $Nil) in refundable exploration tax credits, and $53,750 (December 31, 2009 - $Nil) related to stock options exercised.

Investing Activities and Financing Activities
During the period, our investing activities used cash of approximately $5,221,602, primarily driven by the acquisition of mineral properties and deferred exploration expenditures. For the period ended December 31, 2010, the Company paid approximately $3,556,500 in acquisition costs (including 2,920,000 shares issued, valued at $1,451,500) and incurred $1,665,102 in deferred exploration expenditures. During the period, we raised $10,320,000 in equity financing. We received $83,666 on the exercise of warrants and $1,110 on the exercise of Brokers' warrants. We paid $100,000 in shareholder loans which was outstanding at September 30, 2010 year-end.

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Balance Sheet	Period-end December 31, 2010	Period-end December 31, 2009
Current Assets	$ 5,134,962	$ 193,014
Current Liabilities	527,439	109,648
Working Capital	4,607,523	83,366
Total Assets	16,640,246	1,658,323
Shareholders' Equity	14,246,006	1,548,675
Deficit	9,086,808	6,501,272

SUMMARY OF QUARTERLY RESULTS

The following table sets out key financial data (unaudited) on a quarter by quarter basis for the last eight quarters to the end of December 31, 2010.

Quarter ended	December 31, 2010 $	September 30, 2010 $	June 30, 2010 $	March 31, 2010 $
Net loss and comprehensive loss for the period	1,622,729	367,989	481,477	113,341
Basic and diluted loss per share	0.02	0.01	0.01	0.00
Expenses	1,735,327	424,658	481,477	113,341
Interest in mineral properties	11,307,531	6,436,981	1,722,823	1,558,831
Write-down of mineral properties	-	20,331	-	-
Working capital (deficiency)	4,607,523	(1,517,409)	84,704	420,985
Stock-based compensation	1,518,100	173,000	272,800	-

Quarter ended	December 31, 2009 $	September 30, 2009 $	June 30, 2009 $	March 31, 2009 $
Net loss and comprehensive loss for the period	120,537	4,121,114	266,649	160,130
Basic and diluted loss per share	0.00	0.15	0.01	0.01
Expenses	120,537	453,929	267,320	168,233
Interest in mineral properties	1,459,455	1,100,367	4,349,487	4,198,145
Write-down of mineral properties	-	3,688,185	-	-
Working capital (deficiency)	83,366	84,290	1,060,241	1,405,642
Stock-based compensation	-	-	60,000	-
Interest income	-	-	671	8,103

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

LIQUIDITY

At December 31, 2010, the Company had cash and cash equivalents of $3,982,840 and working capital of $4,607,523. The Company has been successful in accessing the equity market, while there is no guarantee that this will continue to be available, management has no reason to expect that this capability will diminish in the near term.

FINANCIAL MEASURES

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

	December 31, 2010	December 31, 2009
Current Ratio	9.74	1.76
Working Capital	4,607,523	83,366
Cash and cash equivalents	3,982,840	70,958

CAPITAL RESOURCES

The following is a summary of the Company's outstanding share, warrant and stock option data as of December 31, 2010 and February 17, 2011.

Common shares

At December 31, 2010, the Company had issued and outstanding 82,601,320 common shares. As of February 17, 2011, the Company has a total 83,114,520 issued and outstanding common shares.

Stock options

At December 31, 2010, a total of 7,395,000 stock options are issued and outstanding with expiry dates ranging from March 28, 2012 through to October 18, 2015. All stock options entitle the holder to purchase common shares of the Company. On January 21, 2011, the Company granted 860,000 stock options to an officer. As of February 17, 2011, the Company has a total of 8,255,000 issued and outstanding stock options.

Warrants

At December 31, 2010, a total of 30,474,541 warrants and brokers' warrants were outstanding, with each warrant entitling the holder to purchase one common share of the Company with expiry dates ranging from April 15, 2011 through to July 14, 2015. As of February 17, 2011, the Company has 31,890,062 issued and outstanding warrants, including 300,000 standby warrants and 3,600,000 draw down warrants issued in connection with $2.2 million debt financing.

OUTLOOK AND CAPITAL REQUIREMENTS

Castle expects that the cash will be sufficient to pay for the continued exploration and overhead expense for the next 12 months. Depending upon future events, the rate of expenditures and other general and administrative costs could increase or decrease.

RELATED PARTIES TRANSACTIONS

Related party transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

The Company rents office space from a corporation controlled by a director of the Company. During 2010, rent of approximately $15,000 (December 31, 2009 - $7,900) charged by this corporation was included in office and general expenses.

During the period, the Company incurred consulting fees and management fees of approximately $132,750 (December 31, 2009 - $62,250) paid to certain directors and officers of the Company.

TRENDS

Mineral exploration is a speculative venture. There is no certainty that the money spent on exploration and development of mineral projects will result in any discoveries of commercial bodies of ore. The long-term profitability of the Company's operations will in part be related to the success of its exploration programs, which may be affected by a number of factors that are beyond the control of the Company.

The mineral industry is intensely competitive in all its phases. The Company competes with many other mineral exploration companies who have greater financial resources and experience. The market price of precious metals and other minerals is volatile and cannot be controlled.

INTERNATIONAL FINANCIAL REPORTING STANDARDS

In January 2006, the Canadian Accounting Standards Board ("AcSB") announced its decision to replace Canadian GAAP with IFRS. On February 13, 2008 the AcSB confirmed January 1, 2011 as the mandatory changeover date to IFRS for all Canadian publicly accountable enterprises. This means that the Company will be required to prepare IFRS financial statements for the interim periods and fiscal year end beginning September 30, 2011.

The following information is presented in pursuant to the October 2008 recommendations of the Canadian Performance Reporting Board relating to pre-2011 communications about IFRS conversion and to comply with Canadian Securities Administrators Staff Notice 52-320, Disclosure of Expected Changes in Accounting Policies Relating to Changeover to International Financial Reporting Standards. This information is provided to allow investors and others to obtain a better understanding of our IFRS changeover plan and the resulting possible effect on our financial statement. Readers are cautioned, however that it may not be appropriate to use such information for any other purposes. This information also reflects the Company's most recent assumptions and expectations; circumstances may arise, such as changes in IFRS regulation or economic conditions, which could change these assumptions or expectations.

We have developed a plan for our changeover to IFRS comprised of three related phases:

- Review and Assessment
- Design
- Implementation

Phase 1: Review and Assessment Phase

The objective of this phase is to identify the required changes to our accounting policies and practices resulting from the changeover to IFRS to determine the scope of the work effort required for the Design and Implementation phases.
Phase 1 involves:

- A detailed review of all relevant IFRS standards to identify differences with our current accounting policies and practices
- The separate consideration of one-time accounting policy alternatives that must be addressed at the changeover date, and those accounting policy choices that will be applied on an ongoing basis in periods subsequent to the changeover to IFRS
- The prioritization of those differences that could have a more than inconsequential impact on our financial statements, business processes or IT systems

INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Phase 2: Design Phase

Phase 2 will result in the design and development of detailed solutions to address the differences identified in the first phase of our changeover plan. These solutions will result in certain necessary changes to our internal business processes and financial systems to comply with IFRS accounting and disclosure requirements.

Phase 2 activities include:

- The evaluation of accounting policy alternatives
- The investigation, development and documentation of solutions to resolve differences identified in Phase 1, reflecting changes to existing accounting policies and practices, business processes, IT systems and internal controls
- The implementation of a change management strategy to address the information and training needs of internal and external stakeholders

Phase 3: Implementation Phase

In the third and final phase of our changeover plan, we will implement the changes to affected accounting policies and practices, business processes, systems and internal controls. These changes will be tested prior to the formal reporting requirements under IFRS to ensure all significant differences are appropriately addressed in time for the changeover.

Progress towards Completion of the Company's IFRS Changeover Plan

The Company has completed Phases 1 of its changeover plan. The Company's changeover plan entails identifying the differences between Canadian GAAP and IFRS that impact our financial statements. Our analysis to date has determined that our accounting policies are largely aligned with IFRS requirements in many key areas. Appropriate resources have been identified to complete the changeover in a timely manner according to our plan milestones. We have also ensured training needs are met and will continue to be addressed throughout the changeover period. At this time the impact that the future adoption of IFRS will have on our financial position and results of operations is not reasonably determinable on a quantitative basis, however, such impact may be material. Additional information will be provided as we move towards the changeover date.

The Company has performed its review of IFRS based on standards applicable as of the date of this report. The International Accounting Standards Board ("ISAB") is still developing IFRS and may propose changes to the standards between the date of this report and the date the Company adopts IFRS. The Company's assessment of differences between Canadian GAAP and IFRS are based on its historical, current and expected business activities. Changes in business activities could also lead to unexpected differences to the Company's financial statements, notes and other disclosures as reported under Canadian GAAP and IFRS. The Company is tracking the differences between Canadian GAAP and IFRS on individual transactions throughout 2011 fiscal year. The Company has also analyzed the effect of changes in IFRS as they occur. The Company will continue to provide quarterly and annual updates on the IFRS Changeover Plan in future filings throughout the transition period.

USE OF FINANCIAL INSTRUMENTS

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

COMMITMENTS

In order to maintain the option agreement in good standing, the Company is required to conduct certain minimum levels of exploration activity. The exploration program concluded in 2010 more than satisfies the commitments established in the option agreement for the year.

FLOW-THROUGH SHARE SPENDING COMMITMENT

Pursuant to the terms of the flow-through share agreements, the Company is in the process of complying with its flow-through contractual obligation with subscribers with respect to the Canadian Federal Income Tax requirements. The Company raised $706,500 through the issuance of flow-through shares and is required to spend such funds on qualified exploration expenditures by December 31, 2011. At December 31, 2010, the Company has met the spending requirement.

RISKS AND UNCERTAINTIES

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

No History of Profitability

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

Government Regulations

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

RISKS AND UNCERTAINTIES (continued)

Market Fluctuation and Commercial Quantities

The market for minerals is influenced by many factors beyond the control of the Company such as changing production costs, the supply and demand for minerals, the rate of inflation, the inventory of mineral producing company, the international economic and political environment, changes in international investment patterns, global or regional consumption patterns, costs of substitutes, currency availability and exchange rates, interest rates, speculative activities in connection with minerals, and increased production due to improved mining and production methods. The metals industry in general is intensely competitive and there is no assurance that, even if commercial quantities and qualities of metals are discovered, a market will exist for the profitable sale of such metals. Commercial viability of precious and base metals and other mineral deposits may be affected by other factors that are beyond the Company's control including particular attributes of the deposit such as its size, quantity and quality, the cost of mining and processing, proximity to infrastructure and the availability of transportation and

sources of energy, financing, government legislation and regulations including those relating to prices, taxes, royalties, land tenure, land use, import and export restrictions, exchange controls, restrictions on production, as well as environmental protection. It is impossible to assess with certainty the impact of various factors which may affect commercial viability so that any adverse combination of such factors may result in the Company not receiving an adequate return on invested capital.

Development Stage Corporation & Exploration Risks

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

Foreign Operations

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

Environmental Protection

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

RISKS AND UNCERTAINTIES (continued)

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

Capital Investment

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

Conflicts of Interest

Certain of the directors and officers of the Company may also serve as directors and officers of other companies involved in gold and precious metal or other natural resource exploration and development and consequently, the possibility of conflict exists. Any decisions made by such directors involving the Company will be made in accordance with the duties and obligations of directors to deal fairly and in good faith with the Company and such other companies. In addition, such directors declare, and refrain from voting on any matters in which such directors may have a conflict of interest.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for the design of internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the consolidated financial statements in accordance with accounting principles generally accepted in Canada. Based on a review of its internal control procedures at the end of the period covered by this MD&A, management has concluded its internal controls and procedures are effective in providing reasonable assurance that financial information is recorded, processed, summarized and reported in a timely manner.

CHANGES TO INTERNAL CONTROL OVER FINANCIAL REPORTING

There have been no significant changes to the Company's internal control over financial reporting that occurred during the most recent period ended September 30, 2010 that have materially affected, or are reasonably likely to materially affect the Company's internal control over financial reporting.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

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

Additional Information

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