CASTLE RESOURCES INC.
MANAGEMENT DISCUSSION & ANALYSIS
FOR THE THREE MONTHS PERIOD ENDED
DECEMBER 31, 2012

(Prepared by Management on February 26, 2013)

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 condensed interim consolidated financial statements for the three months period ended December 31, 2012 and related notes thereto. The discussion covers the period-end up to the date of the filing of this MD&A. The Company's reporting currency is the Canadian dollar and all amounts in this MD&A are expressed in Canadian dollars. Those condensed interim consolidated financial statements are prepared in accordance with International Financial Reporting Standings ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). 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 estimated cost and availability of funding for the continued exploration of the Company's exploration properties. Such statements reflect the current views of the Company with respect to future events and are subject to certain risks, uncertainties and assumptions. Many factors could cause the actual results, performance or achievement of the Company to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statements were made.

DESCRIPTION OF THE BUSINESS

Overview

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

MINERAL EXPLORATION ACTIVITIES

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

On October 15, 2010, the Company acquired a 100% interest in the Granduc Claims ("The Granduc property"). The 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 (issued in October 2010 with a value of $1,375,000) of the Company for an aggregate acquisition price of $4,500,000 and 3,000,000 common shares of the Company.

The Granduc property is subject to a 2% Net Smelter Royalty ("NSR") in respect to the B2 Gold Corp. mineral claims, payable B2 Gold Corp. The NSR can be purchased by the Company for $500,000 for the first one percent (1%) and $1 million for the remaining one percent (1%), based on their ownership percentages.

MINERAL EXPLORATION ACTIVITIES (continued)

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 Teuton, with respect to the amounts owed to Teuton, until the Teuton mineral claims cease or are put into commercial production. The Company paid $50,000 cash and 101,021 common shares.

Included in accounts payable and accrued liabilities are $25,000 cash and $25,000 worth of common shares.

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

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

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

On June 7, 2011, the Company launched a 30,000 m drilling program designed to expand the extents of the known mineralization. The Company completed just over 30,000 metres of drilling in 54 holes by early October 2011.

MINERAL EXPLORATION ACTIVITIES (continued)

Highlights of the 2011 drilling results:

Hole		Start (m)	End (m)	Width (m)	% Cu	Au (g/t)	Ag (g/t)	%Fe
GD11-16		682	690	**8**	**3.17**	0.37	7.5	**11.98**
	inc	686	690	**4**	**5.4**	0.65	13	**16.4**
GD11-21		351	373	**22**	**1.38**	0.17	9.78	**18.28**
	inc	363	373	**10**	**2.07**	0.23	14.2	**16.53**
GD11-25		412	430	**18**	**1.9**	0.26	19.28	**11.74**
GD11-33		345	360	**15**	**1.91**	0.23	21.15	**11.58**
	inc	355	360	**5**	**2.42**	0.22	24.66	**10.32**
GD11-31		359.95	371.92	**11.97**	**1.82**	0.18	13.44	**20.93**
	inc.	365	370.9	**5.9**	**2.85**	0.15	13.29	**16.85**
GD11-39		416	434	**18**	**1.58**	0.2	12.97	**25.97**
GD11-36		142	148	**6**	**0.64**	0.08	2.7	**11.91**
	and	152	162	**10**	**0.76**	0.1	3.89	**14**
	and	180	189	**9**	**0.85**	0.1	3.7	**7.92**
	and	241.68	261	**19.32**	**2.73**	0.19	8.53	**15.71**
	inc.	241.68	246	**4.32**	**3.38**	0.26	12.35	**14.99**
	inc.	248	253	**5**	**3.47**	0.23	10.84	**18.47**
	and	323	341	**18**	**1.4**	0.15	12.05	**29.61**
	inc.	324	332	**8**	**1.83**	0.19	18.88	**28**
	and	352	366	**14**	**0.84**	0.13	8.6	**33.29**
	inc.	357	362	**5**	**1.15**	0.16	10.34	**39.24**
	and	371	386.28	**15.28**	**1.61**	0.19	17.57	**9.45**

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

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

On May 18, 2012, Castle launched a 30,000 meter drill program with an initial focus on the South Zone. Two drills were mobilized and the Leduc Exploration camp was made operational.

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

MINERAL EXPLORATION ACTIVITIES (continued)

Highlights of the 2012 drilling results:

Hole		Start (m)	End (m)	Width (m)	% Cu	Au (g/t)	Ag (g/t)	%Fe
GD12-01		262	279.8	**17.8**	**1.28**	0.12	5.77	**19.76**
	inc	271.62	277	**5.38**	**1.83**	0.2	8.8	**36.09**
	and	289.5	315	**25.5**	**1.81**	0.23	7.13	**13.99**
	inc	295.49	311	**15.51**	**2.13**	0.29	9.07	**16.07**
	and	397	421.46	**24.46**	**1.40**	0.17	10.21	**10.2**
GD12-02		550.5	558	**7.5**	**1.97**	0.20	23.61	**9.36**
GD12-03		508	529	**21**	**1.47**	0.14	2.08	**18.11**
	inc	515.5	523	**7.5**	**1.94**	0.18	2.09	**15.86**
GD12-6		68.84	77.24	**8.4**	**2.56**	0.27	23.91	**28.64**

Castle has completed over 12 holes of its expansion drilling program and aims to complete the surface program at the Granduc by September. There are currently 4 drills turning at site with a strategy of:

a) completing the drilling on the South Zone begun in 2011, an area of robust mineralization that has extended the strike of the current resource by over 600 meters to the south of the historic Granduc orebody, and
b) Defining the potential copper mineralization of the North Zone identified by SRK Consulting as ‘exploration potential’ (see SEDAR technical report dated April 9, 2012).

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

New Granduc Resource Estimate published by Tetra Tech Dec 12, 2012

Updated Granduc Resource:

Category	Tonnes (Mt)	Copper (M lb)	Gold (K oz)	Silver (M oz)	Cu (%)	Au (g/t)	Ag (g/t)
Measured	**5.16**	**179.6**	**28.2**	**2.27**	**1.58**	**0.17**	**13.7**
Indicated	**6.16**	**188.2**	**33.2**	**2.25**	**1.39**	**0.17**	**11.4**
M&I	**11.32**	**367.7**	**61.4**	**4.52**	**1.47**	**0.17**	**12.4**
Inferred	**44.63**	**1,404.70**	**267**	**15.4**	**1.43**	**0.19**	**10.7**

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

Tetra Tech has estimated a new NI 43-101 mineral resource for the Granduc copper deposit.

MINERAL EXPLORATION ACTIVITIES (continued)

The Elmtree Gold Project, New Brunswick, Canada

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") consisted 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 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 August 8, 2011, the feasibility study is still ongoing but the comprehensive environmental assessment has been put on hold until the feasibility study is completed. Due to unforeseen requirements of the Federal government for additional environmental studies, the environmental assessment has been postponed until the full impact of such studies is understood and the feasibility study is completed. The feasibility study was completed in late November and was delivered to Castle for review.

In October 2011, the ground staked mining claims were converted to cell claims as per the Government of New Brunswick's initiative to convert claim staking from physical ground staking to electronic map staking. At the same time, the 3 separate blocks were converted into 1 block with a common anniversary date of December 18. The new claim block number is 3848 and all claims are in good standings until December 18, 2012.

The Company has successfully completed the conditions to satisfy Option one of the agreement with Stratabound and thus acquired a 60% undivided interest in Elmtree.

On June 22, 2012, the Company sold 60% interest in the Elmtree gold property and assigned all of the Company`s right, obligations and interest under the underlying option agreement to CNRP Mining Inc.

Pursuant to a purchase and assignment agreement entered into on April 30, 2012 between the Company and CNRP Mining Inc. ("CNRP') the Company received 18,000,000 common shares of CNRP - as partial consideration. The CNRP Shares were subsequently exchanged for common shares of Winston Resources Inc. ("`WRW") on a one-for-one basis pursuant to reverse take over transaction plan of arrangement involving CNRP and WRW..
In addition to the receipt of WRW common shares, the Company will also receive:

(i) Cash payment of $500,000 over a 12 month period (included in amounts receivable); and
(ii) a 3% NSR interest of the Elmtree Deposit.

MINERAL EXPLORATION ACTIVITIES (continued)

The fair value of the 18,000,000 WRW common shares was $4,500,000 using the quoted market price of WRW on the closing date (June 22, 2012). The investment in WRW is accounted for at fair value through profit and loss. At September 30, 2012, the Company recorded an unrealized loss of $2,160,000 related to the change in the quoted market value of the WRW common shares to September 30, 2012. During the period ended December 31, 2012, the Company recorded unrealized loss of $1,080,000. As at December 31, 2012, the quoted market value of the WRW common shares was $1,260,000.

Pursuant to the agreement with CNRP, until the earlier of the completion of the distribution of these common shares to the shareholders of the Company, or June 22, 2014, the Company will:

(i) assign all of its voting rights in and to these common shares to an officer of CNRP; and
(ii) not sell any of these common shares to any third party without the prior consent of CNRP

Horseshoe Property, British Columbia, Canada

On November 2, 2009, Castle entered into an agreement to acquire a 100% interest in the Horseshoe Claim Group southeast of Stewart, northwest British Columbia, Canada.

From August 28 to September 30, 2011, a 1281 metre -7 hole diamond drilling program was conducted on the Property. A total of 811 samples were collected from the 7 drill holes. Drilling was focused on the High-Grade showing and the Fraser/North Fork polymetallic vein showing.

The diamond drilling program intersected narrow anomalous gold bearing quartz veins in 3 diamond drill holes in the High-Grade vein area, which confirms the presence of gold bearing quartz veins in the area. However, the results were not indicative of the same values collected on surface and within the Middle zone adit by Geoquest, 2006 as well as collected by the Company in October 2009.

Diamond drilling in the polymetallic vein area intersected narrow polymetallic veins with anomalous Ag, Pb and Zn, but drilling failed to intersect the same width of vein and level of results as found on surface by the Company in October 2009.

While anomalous gold was found through diamond drilling on the High-Grade vein showing that can be correlated to anomalous gold surface sample locations, it is evident from the results that the occurrence of gold in this area is spotty and would require significant detailed work in order to advance the property. The property was returned to the original vendors in December 2011 and Castle has no further interest in the property.

MINERAL EXPLORATION ACTIVITIES (continued)

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 Vetadel 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 tons of oxide ore grading 0.5 g/t gold and 246 g/t silver along with 1.2-million tons 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 BehreDolbear 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.

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.

At September 30, 2012, the Company wrote-down the San Ramon Claim Group totaled $449,007 and the related IVA recoverable of $84,358.

MINERAL EXPLORATION ACTIVITIES (continued)

INTEREST IN MINERAL PROPERTIES

During the three months period ended December 31, 2012, the Company capitalized an additional $1,150,063 in interest in mineral properties. The capitalized cost for each property is detailed in the following table.

The Granduc Project, British Columbia, Canada

Acquisition costs	$ 6,105,478
Exploration Expenditure	
Assaying	685,379
Drilling	10,705,050
Equipment and rental	4,134,941
Field labour	1,843,774
Fuel and transportation	6,409,497
General expense	512,374
Laboratory	147,374
Mapping	44,089
Professional and consulting fees	10,266,770
Site support and supplies	4,891,786
Travel and accommodations	630,343
Utilities	1,618
Less: refundable exploration tax credit	(5,198,648)
Balance at December 31, 2012	$41,179,825

The Elmtree Gold Project, New Brunswick, Canada

Acquisition Costs	$ 215,945
Exploration Expenditure	
Assaying	120,542
Drilling	741,836
Field labour	91,831
Fuel and transportation	29,820
General expense	76,092
Mining duties, permits, fees and taxes	12,380
Professional and consulting fees	1,094,346
Site support and supplies	80,317
Travel and accommodations	53,720
Sales of property	(2,516,829)
Balance at December 31, 2012	$ -

The Horseshoe Property, British Columbia, Canada

Acquisition costs	$ 216,674
Exploration Expenditure	
Assaying	473
Drilling	106,140
Equipment and rental	20,313
General expense	18
Mining duties, permits, fees	37,078
Professional and consulting fees	79,711
Site support and supplies	11,305
Travel and accommodations	134,749
Write-down of property	(606,461)
Balance at December 31, 2012	$ -

MINERAL EXPLORATION ACTIVITIES (continued)

The San Ramon Claim Group, Silver Project, Mexico

Acquisition and exploration cost	$ 449,007
Write-down of property	(449,007)
Balance at December 31, 2012	$ -
Total interest in mineral properties	**$41,179,825**

RESULTS OF OPERATIONS AND CASH FLOWS

Revenue

For the three months period ended December 31, 2012, the Company generated interest revenue of $2,201 (December 31, 2011 - $10,606). The Company decreased its investment in GIC deposit during the period. The Company is in the development stage and therefore did not have revenues from operations.

Expenses

For the three months period ended December 31, 2012, the Company recorded total expenses of $392,972 (December 31, 2011 - $253,178). This is mainly due to the increase in consulting and management fees of $97,441, interest and financing fees of $11,001, and office and general expenses of $33,890.

Net loss and comprehensive loss

For the three months period ended December 31, 2012, the Company recorded comprehensive loss of $1,372,641 (December 31, 2011 - $141,380). The Company recorded a gain on flow-through share premium of approximately $98,130 and unrealized loss on investment of approximately $1,080,000 in Winston Resources Inc.

Cash Flows

Operating Activities

For the three months period ended December 31, 2012, the Company used cash in operating activities of $2,572,530 (December 31, 2011 - $1,832,505). This increase is attributed to non-cash working capital increase of approximately $591,949 in the current period. The Company has paid off a significant balance of accounts payable and accrued liabilities upon receiving of financing in October 2012.

Investing Activities

For the three months period ended December 31, 2012, the Company used cash in investing activities of $1,158,611 (December 31, 2011 - $5,043,410). The Company has completed 24,000 metre surface drillings program at the Granduc Copper project in early October 2012.

Financing Activities

For the three months period ended December 31, 2012, the Company generated cash in financing activities of $5,147,208 (December 31, 2011 - $5,654,579). During the quarter, the Company raised approximately $5,479,670 through private placement.

SUMMARY OF QUARTERLY RESULTS

Quarter ended	December 31, 2012 $	September 30, 2012 $	June 30, 2012 $	March 31, 2012 $
Net loss and comprehensive loss (income) for the period	1,372,641	4,494,042	(1,373,068)	392,843
Basic and diluted loss (income) per share	0.01	0.03	(0.01)	0.00
Expenses	392,972	350,458	371,845	447,273
Exploration and evaluation assets	41,179,825	40,029,762	33,267,734	30,703,245
Working capital (deficiency)	2,989,755	(611,936)	6,441,520	11,338,673
Write-down of exploration and evaluation assets	-	-	449,007	-
Interest income	2,201	7,420	14,368	179

Quarter ended	December 31, 2011 $	September 30, 2011 $	June 30, 2011 $	March 31, 2011 $
Net loss and comprehensive loss for the period	141,380	188,978	244,996	2,204,876
Basic and diluted loss per share	0.00	0.00	0.00	0.02
Expenses	253,178	234,359	295,672	2,230,855
Exploration and evaluation assets	29,124,873	24,368,649	14,955,265	11,748,623
Working capital	2,811,592	2,428,085	12,055,027	15,323,777
Interest income	10,606	29,535	50,675	25,979
Share-based compensation	-	58,705	-	1,697,200

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 2012, the Company had cash and cash equivalents of $2,272,552 and working capital of $2,989,755. Included in amounts receivable is $1,864,429 in BC refundable exploration tax credits and approximately $93,604 GST/HST receivable. The Company received the GST/HST refund subsequent to period-end.

FINANCIAL MEASURES

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

	December 31, 2012	September 30, 2012
Current Ratio	2.50	0.90
Working Capital (deficiency)	2,989,755	(611,936)
Cash and cash equivalents	2,272,552	856,485

CAPITAL RESOURCES

The following is a summary of the Company's outstanding share, warrant and stock option data as of December 31, 2012 and February 26, 2013.

Common shares

At December 31, 2012, the Company had issued and outstanding 173,256,980 common shares. On January 17, 2013, the Company issued 119,048 as advance royalty payment. At February 26, 2013, the Company has outstanding common shares 173,376,028.

Stock options

At December 31, 2012, a total of 9,180,000 stock options are issued and outstanding with expiry dates ranging from June 1, 2014 through to August 2, 2016. All stock options entitle the holder to purchase common shares of the Company. At February 26, 2013, the Company stock options outstanding are unchanged.

Warrants

At December 31, 2012, a total of 7,588,997 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 February 18, 2013 through to October 2, 2014. On February 18, 2013, 1,180,500 warrants expired. At February 26, 2013, the Company has 6,408,497outstanding warrants.

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

These condensed interim consolidated financial statements include balances and transactions with directors and officers of the Company and corporations related to them. These were incurred in the normal course of business and were measured at the exchange amount, which is the amount agreed between the parties. The Company paid fees for services to certain officers and directors or companies controlled by certain officers and directors during the period that were recorded in the accounts shown below:

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company:

Key Management Compensation

	Three months ended December 31, 2012	Year ended September 30, 2012
Exploration expenditures	$ 153,425	$ 567,723
Consulting fees	64,325	563,229
Directors' fees	7,741	31,365
	$ 225,491	**$ 1,162,317**

COMMITMENTS AND CONTINGENCIES

Management Contracts

The Company is party to certain management and employee contracts. These contracts contain clauses requiring additional payments of up to $2,138,000 be made upon the occurrence of certain events such as a change of control. As the likelihood of these events taking place is not determinable, the contingent payments have not been reflected in these condensed interim consolidated financial statements. Additional minimum management contract commitments remaining under these contracts are approximately $1,021,000, due within one year.

Premise Lease

The Company is subject to a lease commitment and is committed to expenditures approximately of $180,684 in fiscal year 2013.

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

Flow-through Spending

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.

- In October 2011, the Company raised $5,999,994 through the issuance of flow-through shares and it required to spend such funds on qualified exploration expenditures by December 31, 2012. At December 31, 2012, the Company has met this spending requirement.

- In March 2012, the Company raised $6,636,715 through the issuance of flow-through shares and it required to spend such funds on qualified exploration expenditures by December 31, 2013. At December 31, 2012, the Company has met this spending requirement.

- In October 2012, the Company raised $1,717,275 through the issuance of flow-through shares and it required to spend such funds on qualified exploration expenditures by December 31, 2013. At December 31, 2012, the Company spent approximately $1,029,700 of this spending requirement

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.

RECENT ACCOUNTING PRONOUNCEMENTS

IFRS 9 Financial Instruments: Classification and Measurement
IFRS 9 was issued in November 2009. This standard is the first step in the process to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 introduces new requirements for classifying and measuring financial assets and liabilities, which may affect the Company's accounting for its financial assets. The standard is not applicable until October 1, 2015 but is available for early adoption. The Company has yet to assess the full impact of IFRS 9.

IAS 1 Presentation of Other Comprehensive Income
In June 2011, the IASB issued an amendment to IAS 1, "Presentation of Financial Statements" requiring companies to group items presented within Other Comprehensive Income based on whether they may be subsequently reclassified to profit or loss. This amendment to IAS 1 is effective for annual periods beginning on or after July 1, 2012 will full retrospective application. Early adoption is permitted. The Company has yet to assess the full impact of IAS 1.

IFRS 10 Consolidated Financial Statements
IFRS 10 replaces the consolidation guidance in IAS 27, and Separate Financial Statements, and SIC-12, Consolidation — Special Purpose Entities, by introducing a single consolidation model for all entities based on control, irrespective of the nature of the investee. The Company intends to adopt IFRS 10 in its financial statements for the annual period beginning October 1, 2013. The Company has yet to assess the full impact of IFRS 10.

IFRS 11 Joint Arrangements
IFRS 11 requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venture will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31, Interests in Joint Ventures, and SIC-13, Jointly Controlled Entities—Non-monetary Contributions by venturers. The Company has yet to assess the full impact of IFRS 11.

IFRS 12 Disclosure of Interests in Other Entities
IFRS 12 Disclosure of Interests in Other Entities ("IFRS 12") is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint agreements, associates, special purpose vehicles and other off-balance sheet vehicles. The required disclosures aim to provide information in order to enable users to evaluate the nature of, and the risks associated with, an entity's interest in other entities, and the effects of those interests on the entity's financial position, financial performance and cash flows. The Company intends to adopt IFRS 12 in its financial statements for the annual period beginning on August 1, 2013. The Company has yet to assess the full impact of IFRS 12.

IFRS 13 Fair Value Measurement
IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair disclosures. The Company has yet to assess the full impact of IFRS 13.

RECENT ACCOUNTING PRONOUNCEMENTS (continued)

IAS 32 Financial Instruments

IAS 32 was amended to clarify the criteria that should be considered in determining whether an entity has a legally enforceable right of set off in respect of its financial instruments. Amendments to IAS 32 are applicable to annual periods beginning on or after January 1, 2014 with retrospective application required. Earlier application is permitted. The Company has yet to assess the full impact of the amendments to IAS 32.

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.

RISKS AND UNCERTAINTIES

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

Capital Investment

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

Government Regulations

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

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

Development Stage Corporation & Exploration Risks

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

Foreign Operations

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

Environmental Protection

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

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.

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

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

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

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 condensed interim 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 year 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 December 31, 2012 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 condensed interim consolidated financial statements.

Additional Information

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