CASTLE RESOURCES INC.

MANAGEMENT DISCUSSION & ANALYSIS

FOR THE SIX MONTH ENDED MARCH 31, 2009

(Prepared by Management on April 27, 2009)

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, 2008, and Unaudited Interim Consolidated Financial Statements for the three months ended December 31, 2008 and the notes thereto. This discussion covers the last completed fiscal quarter and the subsequent period up to the date of the filing of this management's discussion and analysis ("MD&A"). The unaudited interim 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

This MD&A may contain forward-looking statements. Forward-looking statements are based on current expectations that involve a number of risks and uncertainties which could cause actual events or results to differ materially from those reflected herein. Forward-looking statements are based on the estimates and opinions of management of the Company at the time the statements were made. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statements were made. Readers are also advised to consider such forward-looking statements while considering the risks set forth below.

DESCRIPTION OF THE BUSINESS

Overview

Castle Resources Inc. is a Toronto based junior resource company focused on high-quality advanced exploration projects in Mexico and elsewhere in the world. The Company's original focus was on the San Ramon silver exploration property in Zacatecas, Mexico, a prolific silver producing region in Mexico. Management's goal is to seek additional opportunities to continue to add value for shareholders.

History and corporate structure

Incorporation

The Company was incorporated under the Business Corporations Act (Alberta) on April 29, 2004. Castle was a Capital Pool Company pursuant to Policy 2.4 of the TSX Venture Exchange (the "Exchange") with no active business.

Qualifying transaction

In 2006, Castle acquired mineral exploration properties known as the Se los Dije Group of Claims located in the State of Zacatecas in Mexico. The property composed of eight concessions totalling 312.2 hectares located approximately five kilometres north-east of the city of Zacatecas in the Zacatecas mining district. On March 28, 2007, the shareholders of Castle approved the completion of the qualifying transaction and the Company became a mineral exploration company

MINERAL EXPLORATION ACTIVITIES

The San Ramon Claim Group

Overview

In 2006, Castle acquired the San Ramon project within Mexico's renowned Zacatecas Silver District. The project is comprised 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 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

First-phase drilling at San Ramon commenced in June 2007 and was completed mid October 2007. The drilling was designed to test the depth and continuity of the La Platosa and Veta del Alto veins and to provide initial testing of two additional vein systems.

Twelve diamond drill holes totaling 3,400 meters have been completed. Assays from these holes indicate that the San Ramon mineralization continues to the west of the San Ramon shaft and to the east between the San Ramon and Los Gatos workings. Best results included 1.5 meters of 199 g/t silver and 0.59-percent zinc from near the San Ramon workings and 6.0 meters of 55 g/t silver, 0.59 g/t gold, 0.94-percent lead and 1.90-percent zinc from between the San Ramon and Los Gatos workings.

A prospecting program was started in late 2007 on other parts of the property including the La Concordia Miguel Angel and El Salvador claims, in addition to the Se Los Dije claim. The aim of the prospecting program was to find potential extensions of the veins from the San Ramon workings, the El Salvador vein, San Fernando vein and the Los Gatos vein. Rock and soil samples were collected, but results were not encouraging.

MINERAL EXPLORATION ACTIVITIES (Cont'd)

The San Ramon Claim Group *(Cont'd)*

Exploration Program (Cont'd)

From April until early September 2008, prospecting and sampling was conducted on other claims of the San Ramon property with the aim of discovering new mineralized trends. The prospecting program began on the Evelin claim and progressed to the La Esmeralda claim and then to the Mina Del Fierro claim. The programs lead to the discovery of 3 additional vein/breccia zone clusters. Two of the clusters (one in the Evelin claim and one in the Esmeralda claim) individually totalled approximately 500 to 800 meters in length and 200 to 300 metres in width. As of the end of September, 2008, the 3rd cluster in the Mina Del Fierro claim had not been thoroughly explored, but yielded the best sample results from the initial prospecting program.

Generally, the vein/breccias were of similar mineralization found at the San Ramon mine, consisting of oxidized veins or stock works of quartz with trace to 10% pyrite, limonite and locally, chalcopyrite, malachite, sphalerite and galena in minor amounts. Host rocks of the mineralized vein/breccias were generally metasedimentary rocks and occasionally andesites, but most of the anomalous samples results occurred in the vein/breccias at or near the contacts between the metasediments and the andesites (usually within the metasediments). Individual veins were narrow (on the scale of a few millimetres to a few centimetres), but collectively, the thickness of each individual zone appeared to be 4 to 10 meters, and the distance between vein/breccias approximately 15 to 20 meters. Composite chip/grab samples were collected from most of the individual vein/breccia zones. Many of these vein/breccias had evidence of previous excavations, including old shafts/adits and pits. The overall general trend of the vein/breccia zones is parallel or sub parallel to the main NW-SE trend of the veins mined at the San Ramon mine (N50^{o}W). Locally, some of the mineralized vein/breccias had an almost east-west trend (N 70^{o} to 80^{o} W). Up to September 30 2008, 483 samples had been collected and analysed from the prospecting and sampling program.

Sampling results from the prospecting program in the Evelin claim included 2.7 g/t Au and 2.35% Pb in addition to 2.9 g/t Au and 1.98% Pb from grab samples of oxidized, silicified brecciated metasediment with minor pyrite; 297 g/t Ag across a 0.60 m chip sample from a silicified breccia in a metasediment host rock; 284 g/t Ag from a grab sample from an old excavation dump;

Sampling results from the prospecting program in the La Esmeralda claim included 1.2 g/t Au and 1.92% Zn from a grab sample of brecciated metasediment with visible sphalerite and galena; 1.27 g/t Au from a 4.5m chip sample across a silicified brecciated zone with minor pyrite in a metasediment host rock.

MINERAL EXPLORATION ACTIVITIES (Cont'd)

The San Ramon Claim Group *(Cont'd)*

Exploration Program (Cont'd)

Sampling results from the prospecting program in the Mina del Fierro claim included composite grab/chip samples collected and dump material collected around the old workings during prospecting which returned several samples in excess of 1000 ppm (> 1 g/t) Au as well as anomalous values of Ag, Zn Cu and Pb in silicified breccia stock work within a metasediment host rock. Highlights of the sampling included 1.65 g/t Au, 18.9 g/t Ag, 1.03% Pb from a 3 m wide composite grab/chip sample; 0.98 g/t Au, 38.4 g/t Ag and 2.2% Pb also from a 3 m wide composite grab/chip sample; 9.88 g/t Au, 152 g/t Ag, 6.5% Pb, and 5.38% Zn from a grab sample collected from a creek bed along the western boundary of the claim.

In early September 2008, a detailed mapping and sampling program was undertaken on the Evelin claim transecting the vein/breccia zones that returned anomalous results from the earlier prospecting program.

The initial prospecting results from the Mina Del Fierro claim, Evelin claim and La Esmeralda claim as well as the early detailed traverse sampling results from the Evelin claim bode well for the potential discovery of additional gold and silver mineralization on the San Ramon property.

Following careful review of the San Ramon exploration project, management has elected to suspend exploration activities and focus on several project, including selling the asset or finding a potential partner to joint venture the project. Additional San Ramon targets are drilled ready, with detailed mapping and sampling completed over the past two years.

MINERAL EXPLORATION ACTIVITIES (Cont'd)

Interest in mineral properties

The Company has capitalized $103,808 (March 31, 2008 - $556,915) in the San Ramon Claim Group for the period ended March 31, 2009. The Company incurred no acquisition costs. The capitalized cost for each property is as follows:

Description		**March 31,**		**September 30,**
		2009		**2008**
The San Ramon Claim Group, Silver Project, Mexico				
Opening balance	$	4,094,337	$	3,565,706
Assaying		13,814		146,596
Drilling		-		150,985
Professional and consulting fees		61,489		153,821
Labour		8,801		34,296
Mining duties, permits, fees and taxes		2,483		5,538
Office and general		847		9,135
Site support and supplies		16,374		28,260
Closing balance	$	4,198,145	$	4,094,337
Val Uranium Project, British Columbia, Canada				
Opening balance	$	-	$	53,906
Acquisition costs		-		27,574
Write-off of interest in mineral properties	$	-	-$	81,480
Closing balance	$	-	$	-
Cobalt Silver Project, Ontario, Canada				
Opening balance	$	-	$	-
Acquisition costs		-		124,803
Assaying		-		901
Professional and consulting fees		-		67,601
Write-off of interest in mineral properties		-	-	193,305
Closing balance	$	-	$	-
TOTAL	**$**	**4,198,145**	**$**	**4,094,337**

SELECTED ANNUAL AND QUARTERLY FINANCIAL INFORMATION

The following table sets out the unaudited interim financial information of Castle Resources Inc. and is derived from the Company's audited consolidated financial statements for the year ended September 30, 2008. The information set out below should be read in conjunction with the audited consolidated financial statements and related notes prepared as of November 11, 2008 for the year ended September 30, 2008.

Balance Sheet	Quarter end March 31, 2009	Year end September 30, 2008
Current Assets	$1,488,808	$1,921,087
Current Liabilities	83,166	103,119
Working Capital	1,405,642	1,817,968
Total Assets	5,694,390	6,023,858
Shareholders' Equity	5,530,224	5,839,739
Deficit	2,052,972	1,743,457

Results of Operations for the three month period ended March 31, 2009 and March 31, 2008

Income Statement	Quarter end March 31, 2009	Quarter end March 31, 2008
Expenses	$168,233	$136,540
Net income (loss)	(160,130)	$182,670
Net income (loss) per share	($0.01)	$0.01
Weighted average number of shares	26,684,521	18,841,257

Notes: 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.

Net loss

Net Loss for the three months ended March 31, 2009 was $160,130 or ($0.01) per share (March 31, 2008 - income of $136,540 or $0.01 per share).

Expenses for the three months ended March 31, 2009 totalled $168,233 (March 31, 2008 - $136,540). These expenses are made up of consulting and management fees $65,000 (March 31, 2008 - $55,430), professional fees of $55,377 (March 31, 2008 - $14,653), office and general of $34,635 (March 31, 2008 - $36,194), transfer, listing and filing fees of $12,631 (March 31, 2008 - $25,467) and amortization of assets of $590 (March 31, 2008– $4,796).

SELECTED ANNUAL AND QUARTERLY FINANCIAL INFORMATION (Cont'd)

Results of Operations for the three month period ended March 31, 2009 and March 31, 2008 (Cont'd)

The changes in expense for the three months ended March 31, 2009 are as follows:

- Included in consulting and management fees are amount paid to the Company's CEO of $37,500 (March 31, 2008 - $40,000), business development fees of $15,000 (March 31, 2008 - $26,200), outside consultants fees of $Nil (March 31, 2008 - $1,680) and accounting fees paid the Company's CFO of $12,500 (March 31, 2008 - $11,125).

- Professional fees increased by $40,724 prior period mainly from increase in legal fees in relation to the Legend of Cobalt case ($19,530), the expensing geological consulting ($16,667) commencing January 1, 2009 and the increase in accounting fees. Also included in professional fees is legal fees of $12,703 (March 31, 2008 - $14,903) for general corporate matters.

- Office and General of $34,635 (March 31, 2008 - $36,194) are overhead costs which includes among other expenses, rent $18,813 (March 31, 2008 - $10,131), and foreign exchange loss $16,433 (March 31, 2008 - $Nil). The increase in office and general expense when compare to March 31, 2008 is mainly due to the foreign exchange loss which arose from the weakening of Canadian dollar relative to the US dollar on the Company's payable due to ALS Chemex at March 31, 2009.

Interest income

Interest income earned on cash equivalents held during the quarter was $8,103 (March 31, 2008 - $2,210). The increase is attributable to the interest earned on cash held in GICs as cash and cash equivalents balance is $963,938 at March 31, 2009 compared to $870,970 at March 31, 2008.

SELECTED ANNUAL AND QUARTERLY FINANCIAL INFORMATION (Cont'd)

Summary of Quarterly Results

The following table sets out key financial data on a quarter by quarter basis for the last eight quarters to the end of March 31, 2009. The September 30, 2008 quarter net loss rose to $755,461 as a result of the write-off of the Val Uranium Project ($81,480) and the Legend of Cobalt Project ($643,305) total $724,785. The September 30, 2008 normalized net loss is $112,156 (add back fourth quarter write-down of $643,305). The Company has income in the March 31, 2008 quarter of $182,670; this is attributable to $317,000 future income tax recovery on flow through shares. Net loss before income tax is $134,330.

Period	Revenue	Income (loss) for the period	Basic & Diluted Income (loss) per Share
March 31, 2009	Nil	(160,130)	(0.01)
December 31, 2008	Nil	(149,385)	(0.01)
September 30, 2008	Nil	(755,461)	(0.02)
June 30, 2008	Nil	(156,747)	(0.01)
March 31, 2008	Nil	182,670	0.01
December 31, 2007	Nil	(134,758)	(0.01)
September 30, 2007	Nil	(219,549)	(0.01)
June 30, 2007	Nil	(329,236)	(0.02)

CASH FLOWS, LIQUIDITY AND CAPITAL RESOURCES

CASH FLOWS

	March 31, 2009	March 31, 2008
Cash used in operating activities	199,745	110,532
Cash used investing activities	50,725	232,745
Cash flows from financing activities	-	1,092,456
Increase (decrease) in cash and cash equivalents	(250,470)	749,179
Cash and cash equivalents at beginning of period	1,214,408	121,791
Cash and cash equivalents at end of period	963,938	870,970

Operating Activities
Cash used in operating activities increased by $89,213 compare to March 31, 2008 balance. The Company carried lower account payable and accrued liabilities at March 31, 2009 when compared to balance at March 31, 2008 ($152,267). As a result, the net change in non-cash working capital decreased to $40,205 compared to $19,002 in prior period.

Investing Activities
Cash used in investing activities decreased to $50,725 compared to $232,745 in prior period. The company invested the full amount in acquisition of mineral properties and deferred exploration expenditures in both periods.

LIQUIDITY

The Company's financial objective is to ensure that it has sufficient liquidity in the form of cash and/or debt capacity to finance its ongoing requirements to support its strategy to explore for precious and base metals.

The Company uses the following key financial measures to assess its financial conditions and liquidity. The comparative numbers is derived from the Company's audited consolidated financial statements as at September 30, 2008.

FINANCIAL MEASURES

	March 31, 2009	September 30, 2008
Current Ratio	17.90	18.63
Working Capital	1,405,642	1,817,968
Cash and cash equivalents	963,938	1,402,460

LIQUIDITY AND CAPITAL RESOURCES (Cont'd)

CAPITAL RESOURCES

The Company has been successful in accessing the equity market in the twelve months however, there is no guarantee that the Company will continue to able to access the equity markets, or that financing will be available upon terms acceptable to the Company.

Outlook and capital requirements

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

CAPITAL STOCK

Authorized

Unlimited number of common voting shares

Unlimited number of preferred shares

Issued

	Number #	Amount $
Balance, December 31, 2007	18,361,665	4,700,673
Private placement	3,357,141	1,175,000
Private placement – warrant valuation	-	(175,000)
Shares issue costs	-	(50,250)
Share issuance	50,000	15,000
Private placement	4,915,715	1,489,000
Private placement – warrant valuation	-	(219,000)
Shares issue costs	-	(107,227)
Balance at September 30, 2008 and March 31, 2009	26,684,521	6,828,196

WARRANTS

	Number #	Amount $
Private placement	1,678,570	133,000
Broker warrants	234,999	42,000
Shares issue costs	-	(8,294)
Private placement	2,457,858	174,000
Broker warrants	344,100	45,000
Shares issue costs	-	(24,353)
Balance at September 30, 2008 and March 31, 2009	**4,715,527**	**361,353**

LIQUIDITY AND CAPITAL RESOURCES (Cont'd)

CAPITAL RESOURCES (Cont'd)

STOCK-BASED COMPENSATION

The Company has an incentive stock option plan ("the Plan") whereby the Company can grant to directors, officers, employees and consultants options to purchase shares of the Company. The Plan provides for the issuance of stock options to acquire up to 10% of the Company's issued and outstanding capital. The Plan is a rolling plan as the number of shares reserved for issuance pursuant to the grant of stock options will increase as the Company's issued and outstanding share capital increases. Options granted under the Plan vest immediately pending any regulatory hold period.

The following table reflects the continuity of stock options during the period:

	March 31, 2009		September 30, 2008	
	Number of stock options #	Weighted average exercise price $	Number of stock options #	Weighted average exercise price $
Balance, beginning of period	1,205,000	0.28	1,804,000	0.20
Forfeited or expired	-	-	(599,000)	0.32
Balance, end of period	1,205,000	0.28	1,205,000	0.28

As of March 31, 2009, the following stock options were outstanding:

Value $	Outstanding Options #	Options Exercisable #	Exercise Price $	Expiry Date
26,686	280,000	280,000	0.20	May 31, 2009
189,750	825,000	825,000	0.30	March 28, 2012
27,000	100,000	100,000	0.35	June 4, 2012
243,436	1,205,000	1,205,000		

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 the period, rent of approximately $8,682 (March 31, 2008 - $10,131) was charged by this corporation included in office and general expenses.

During the quarter ended March 31, 2009, the Company incurred consulting fees and management fees of approximately $65,000 (March 31, 2008 - $41,125) 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.

ACCOUNTING POLICIES

Recent Accounting Pronouncements Issued and Not Yet Applied

International Financial Reporting Standards ("IFRS")
In January 2006, the CICA Accounting Standards Board ("AcSB") adopted a strategic plan for the direction of accounting standards in Canada. As part of the plan, accounting standards in Canada for public companies are expected to converge with IFRS by the end of 2011. The Company continues to monitor and assess the impact of convergence of Canadian GAAP and IFRS.

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.

FLOW-THROUGH SHARE SPENDING COMMITMENT

The Company is in the process of complying with its flow-through contractual obligations with subscribers with respect to the requirements of the Income Tax Act (Canada). The Company is obligated to incur qualifying expenditures in Canada ("CEE") within 12 months from the effective date of renunciation (December 31, 2008) as defined in the Income Tax Act (Canada). At March 31, 2009, the Company's remaining commitment with respect to unspent resources expenditures under flow-though common share agreements were approximately $885,000. Since the money was not spent by December 31, 2008, the Company will institute the look-back rule, which will give it until December 31, 2009, to make the required expenditures.

RISKS AND UNCERTAINTIES

The Company completed its Qualifying Transaction within the time limit imposed by the Exchange. The Company is, since March 28, 2007, a mining company. 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.

Development Stage Corporation & Exploration Risks

The Company is engaged in the business of exploration and development for precious and base metals in Mexico. 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.

RISKS AND UNCERTAINTIES (Cont'd)

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.

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.

RISKS AND UNCERTAINTIES (Cont'd)

Foreign Operations

The majority 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.

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.

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.

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 CONTROLS

Management has established processes, which are in place to provide them sufficient knowledge to support management representations that they have exercised reasonable diligence that (i) the audited consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the audited consolidated financial statements and (ii) the audited consolidated financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented by the audited consolidated financial statements.

In contrast to the certificate required under Multilateral Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings (MI 52-109), the Company utilizes the Venture Issuer Basic Certificate which does not include representations relating to the establishment and maintenance of disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as defined in MI 52-109. In particular, the certifying officers filing the Certificate are not making any representations relating to the establishment and maintenance of:

i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP. The Company’s certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in this certificate.

Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in MI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

MANAGEMENT’S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The information provided in this report, including the unaudited interim consolidated financial statements, 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 unaudited interim consolidated financial statements.

FORWARD LOOKING STATEMENTS

This MD&A contains forward looking statements that are subject to a number of known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those anticipated in the Company's forward looking statements. Factors that could cause such differences include: changes in world silver markets, equity markets, costs and supply of materials relevant to the mining industry, change in government and changes to regulations affecting the mining industry. Although the Company believes expectations reflected in its forward looking statements are reasonable, results may vary, and the Company cannot guarantee future results, levels of activity, performance or achievements. The Company undertakes no obligation to update forward looking statements, unless required by securities law.

Additional Information

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