CASTLE RESOURCES INC.

MANAGEMENT DISCUSSION & ANALYSIS

FOR THE THREE AND SIX MONTHS ENDED MARCH 31, 2010

(Prepared by Management on May 26, 2010)

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, 2009, and Unaudited Interim Consolidated Financial Statements for the three and six months ended March 31, 2010 and the notes thereto. This discussion covers the last completed fiscal year and the subsequent period 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 projects in Mexico, British Columbia and New Brunswick, Canada. The Company's original focus was on the San Ramon silver exploration property in Zacatecas, Mexico, a prolific silver producing region in Mexico. The Company current focus is on the Elmtree Gold Project, the Murphy Claims in New Brunswick and the Horseshoe Property in British Columbia. The San Ramon Claim Groups has been option to MAG Silver Corp. 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 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.

Option to MAG Silver Corp

On July 15, 2009, the Company optioned 100% of the San Ramon claim group to MAG Silver Corp. 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.

MINERAL EXPLORATION ACTIVITIES (Cont'd)

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") 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.

A 5000 metre diamond drilling program began on the property on August 3, 2009 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 West Gabbro Zone and confirmed mineralization intersected at depth under the main core of the West Gabbro Zone resource. Drilling to the west found that the West Gabbro Zone narrows and drilling to the east confirms that there is no fault-offset extension of the West Gabbro Zone.

Phase I program was completed in mid September, 2009. A total of 3,135 metres were drilled in 16 holes and 732 samples (including standards, blanks and duplicates as part of the QA/QC process) were sent for analyses and all analyses have been received. 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.

MINERAL EXPLORATION ACTIVITIES (Cont'd)

The Elmtree Gold Project, New Brunswick, Canada (Cont'd)

Highlights of drilling results

Hole	From	to	downhole thickness	g/t Au	Comments
ELM09-52	17.5	19	1.5	1.70	includes 115g g/t Ag, 1.88% Zn, 1.96% Pb
ELM09-52	126.5	128.5	1.5	3.52	
ELM09-52	175.5	177.5	2	1.30	
ELM09-52	188	191.5	3.5	1.05	
ELM09-54	29	58	29	2.43	replicated Lacana hole ME85-001 includes a higher grade section of 3.19 g/t Au across 20 m (downhole thickness)
ELM09-56	81.5	83.5	2	1.74	
ELM09-57	174	176	2	1.25	
ELM09-58	237.5	256	18.5	1.27	includes a higher grade section of 4.58g/t Au across 3 m (downhole thickness)
ELM09-61	25	30.5	5.5	1.58	replicated Lacana hole ME86-022
ELM09-66	209	211	2	1.15	
ELM09-67	233	235	2	1.60	

Phase II drilling began in early October, 2009 and was completed in mid to late October, 2009. Ten holes were drilled (1,986 metres) testing the South Gold Zone & Discovery Zone at depth and infilling previously unexplored areas. A total of 967 samples (including standards, blanks and duplicates as part of the QA/QC process) were collected and sent for analyses.

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 determined 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 and a 60% Ag recovery into a concentrate for sale to a nearby smelter.

The Murphy Claims, New Brunswick, Canada

On September 15, 2009, Castle entered into an option agreement with George Murphy to earn a 100% interest in 76 contiguous claims (the "Murphy claims") tied onto the eastern boundary of the Elmtree claims. The agreement calls for a total payment of $30,000 and 200,000 shares of castle along with a commitment to spend $200,000 in drilling and exploration activities over 3 years. One hole from Phase II of the Elmtree drilling was drilled on the Murphy claims in order to test for a possible extension to the South Gold Zone. There is only one intersection of note and averages 1.2 g/t Au across 2 m (downhole thickness). This is interpreted to be along strike to the east of the SGZ

MINERAL EXPLORATION ACTIVITIES (Cont'd)

Horseshoe Property, British Columbia, Canada

On November 2, 2009 Castle announced that it has 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.

Castle is planning a comprehensive exploration program for next year to test this vein system with the goal of developing a NI 43-101 compliant resource calculation. 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 standings until Feb 28, 2010. Additional reserves are present in the BC assessment claim bank, which will keep most of the claim group in good standings until March 30, 2010. Castle would be required to pay approximately $1000 in order to keep all claims in good standings until March 31, 2010. After this date, Castle would be required to pay approximately $4,370 per month to keep the claim group in good standings until work can be performed and filed to satisfy the assessment requirements. As of May 26, 2010, the Horseshoe property is in good standings in terms of assessment work until May 31, 2010.

Granduc Project, British Columbia, Canada

On April 6, 2010, the Company has signed a binding letter of intent ("LOI") with Bell Copper Corporation ("Bell Copper") to acquire up to a 90% interest in the Granduc Copper Mine ("Granduc Project") located near Stewart, British Columbia. The Company can earn an 80% undivided interest in the Granduc Project over a 6 year option period and will have the option to earn an additional 10% by providing the financing after feasibility to Bell Copper in order to put the Granduc Project into production.

The Company will commit to spending a total of $25 million over 6 years (including $2.5 million in Year 1) and commit to spending a minimum of $2 million per year with the contingency of a one-time catch up year when the Company does not spend a minimum of $2 million in the previous year. The Company will pay $2.5 million to Bell Copper (of which $500,000 will be spent in the first year on the Granduc Project to the credit of Bell Copper) and will pay 250,000 common share of the Company per year during the 6 year life of the Option. The Option is subject to a 60 day due diligence period commencing on April 1, 2010. The Company paid $20,000 non-refundable payment to Bell Copper on the execution of the binding letter of intent. The transaction is subject to regulatory approval.

MINERAL EXPLORATION ACTIVITIES (Cont'd)

Interest in mineral properties

The Company has capitalized $364,819 (March 31, 2009 - $Nil) in the Elmtree Gold Property, $3,031 (March 31, 2009 - $Nil) in the Murphy Claims and $7,940 (March 31, 2009 - $Nil) in the Horseshoes Claim for a total of $375,790.

The San Ramon Claim Group, Silver Project, Mexico	$ 448,000
The Elmtree Gold Property, New Brunswick, Canada	
Opening Balance	$ 635,067
Exploration Expenditure	
Assaying	27,095
Drilling	194,733
Field labour	26,200
Fuel and transportation	3,700
General expense	3,443
Professional and consulting fees	98,169
Site support and supplies	10,872
Travel and accommodations	607
Total	$ 999,886
The Murphy Claims, New Brunswick, Canada	
Opening Balance	$ 17,300
Assaying	577
Professional and consulting fees	2,454
Total	$ 20,331
The Horseshoe, British Columbia, Canada	
Acquisition costs	$ 82,674
Assaying	473
General expense	18
Professional and consulting fees	3,057
Site support and supplies	3,715
Travel and accommodations	677
Total	$ 90,614
Total Interest in mineral properties	**$ 1,558,831**

SELECTED ANNUAL AND QUARTERLY FINANCIAL INFORMATION

Results of operations for the three months period ended March 31, 2010 and March 31, 2009

Net loss

Net Loss for the three months period ended March 31, 2010 was $113,341 or $0.00 per share (March 31, 2009: loss of $160,130 or $0.01 per share).

Revenue

As at March 31, 2010, the Company was in the exploration stage and therefore did not have revenues from operations. Revenue consisted of interest income earned on cash equivalents in held during the period was $nil as compared to $8,103 for the three months period ended March 31, 2009.

Expenses

Expenses for the three months period ended March 31, 2010 totalled $113,341 (March 31, 2009 - $168,233). These expenses are made up of consulting and management fees $57,750 (March 31, 2009 - $65,000), professional fees of $19,114 (March 31, 2009 - $55,377), office and general of $26,454 (March 31, 2009 - $34,635), transfer, listing and filing fees of $9,574 (March 31, 2009 - $12,631) and amortization of assets of $449 (March 31, 2009 – $590). The changes in expense for the period are as follows:

- The Company capitalized consulting fees directly related to mineral properties. General consulting fees decreased to $7,500 as compared to $15,000 for the period ended March 31, 2009. Management fees consisted of payments to a director and an officer in the amount of $50,250 (March 31, 2009 – $50,000).

- Professional fees decreased by $36,263 when compared to prior period. The decrease is mainly attributable to the decrease in legal fees for general corporate matters.

- Office and General of $26,454 (March 31, 2009 - $34,635) are overhead costs which includes among other expenses, rent $16,015 (March 31, 2009 - $18,813), and foreign exchange loss $1,581 (March 31, 2009 - $16,433). The decrease in office and general expense when compare to March 31, 2009 is mainly from the decrease in foreign exchange loss as the Canadian dollar strengthen relative to US dollar on the payable due to ALS Chemex .

SELECTED ANNUAL AND QUARTERLY FINANCIAL INFORMATION (Cont'd)

Balance Sheet	Period end March 31, 2010	Year-end September 30, 2009
Current Assets	$ 577,270	$ 270,643
Current Liabilities	156,285	186,353
Working Capital	420,985	84,290
Total Assets	2,141,506	1,377,314
Shareholders' Equity	1,985,221	1,190,961
Deficit	6,614,613	6,380,735

Factors Affecting Comparability of Quarterly Financial Information

Castle became a mineral exploration company on March 28, 2007 upon completing its Qualifying Transaction. Prior to this date, the Company was a Capital Pool Company pursuant to Policy 2.4 of the TSX Venture Exchange Inc. (the "Exchange") with no active business.

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

Summary of Quarterly Results

Period	Revenue	Income (loss) for the period	Basic & Diluted Income (loss) per Share
March 31, 2010	Nil	$(113,341)	$(0.00)
December 31, 2009	Nil	$(120,537)	$(0.00)
September 30, 2009	Nil	$(4,121,114)	$(0.15)
June 30, 2009	Nil	$(266,649)	$0.01
March 31, 2009	Nil	$(160,130)	$(0.01)
December 31, 2008	Nil	$(755461)	$(0.02)
September 30, 2008	Nil	$(156,747)	$(0.01)
June 30, 2008	Nil	$182,670	$0.01
March 31, 2008	Nil	$(134,758)	$(0.01)

SELECTED ANNUAL AND QUARTERLY FINANCIAL INFORMATION (Cont'd)

CASH FLOWS, LIQUIDITY AND CAPITAL RESOURCES

CASH FLOWS

	March 31, 2010	**March 31, 2009**
Cash used in operating activities	$400,161	$199,745
Cash used investing activities	82,034	50,725
Cash flows from financing activities	573,287	-
Increase (Decrease) in cash and cash equivalents	91,092	(250,470)
Cash and cash equivalents - beginning of period	70,958	1,214,408
Cash and cash equivalents - end of period	162,050	963,938

Operating Activities

The Company uses $400,161 to finance the operation. This is an increase of approximately $200,000 when compared to prior year. The increased in mainly due to approximately $304,000 cash tie up in subscription receivable, a portion of the money raised in March 29, 2010 private placement was received subsequent to March 31, 2010.

Investing Activities

Cash used in investing activities increased by approximately $31,000. The Company has increased exploration work on the Elmtree, George Murphy and Horseshoe project. During the three months period, Castle incurred exploration expenditures of $89,261 and $6,640 on the Horseshoe Project for a total of $$95,901.

Financing Activities

On March 29, 2010 the Company completed a non-brokered private placement of 7,762,500 common shares at $0.08 per common share for gross proceeds of $621,000. The broker was paid a cash commission of 6% of the amount of funds raised and were granted compensation shares equivalent to 6% of the number of units sold. The Company paid $23,400 in cash fees to the finders incurred $24,313 in legal fees and filling fees.

SELECTED ANNUAL AND QUARTERLY FINANCIAL INFORMATION (Cont'd)

CASH FLOWS, LIQUIDITY AND CAPITAL RESOURCES (Cont'd)

LIQUIDITY

At March 31, 2010, the Company had cash and cash equivalents of $162,050 and working capital of $420,985. The Company has no long-term debt obligations that impact liquidity or future cash flows. 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 has been successful in accessing the equity market, 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.

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 March 31, 2010.

FINANCIAL MEASURES

	March 31, 2010	March 31, 2009
Current Ratio	3.69	17.90
Working Capital	420,985	1,405,642
Cash and cash equivalents	162,050	963,938

CAPITAL RESOURCES
The following is a summary of the Company's outstanding share data as of March 31, 2010 and May 26, 2010.

Common shares
At March 31, 2010, the Company had issued and outstanding 38,820,687 common shares (September 30, 2009 - $26,684,521). There were 292,500 compensation shares issued on April 1, 2010 pertains to March 29, 2010 private placement. As of May 26, 2010, the Company has had issued and outstanding 39,113,187 common shares

Stock options
At March 31, 2010, a total of 2,350,000 stock options are issued and outstanding with expiry dates ranging from March 28, 2012 through to June 1, 2014. The weighted average exercise price for all stock options is $0.17. All stock options entitle the holder to purchase common shares of the Company. There were no additional stock options issued or exercised from April 1, 2010 to May 26, 2010.

Warrants
At March 31, 2010, a total of 6,371,127 warrants were outstanding, with each warrant entitling the holder to purchase one common share of the Company with expiry dates ranging from September 18, 2010 through to April 15, 2011. There were no warrants issued or exercised from April 1, 2010 to May 26, 2010.

CASH FLOWS, LIQUIDITY AND CAPITAL RESOURCES (Cont'd)

Outlook and capital requirements

Castle expects that the cash and cash equivalents will not be sufficient to pay for the continued exploration and overhead expense for the next 12 months. The Company will need to raise funds over the next few 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 the period, rent of approximately $8,088 (March 31, 2009 - $8,682) charged by this corporation was included in office and general expenses.

During the quarter ended March 31, 2010, the Company incurred consulting fees and management fees of approximately $65,250 (March 31, 2009 - $65,000) 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.

RECENT ACCOUNTING PRONOUCEMENT NOT YET ADOPTED

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 ends beginning in 2012. The Company has hired external consultants to assist in analyzing and addressing the differences between IFRS and Canadian GAAP that are relevant to the Company. An initial analysis that identifies the high level differences between Canadian GAAP and IFRS that may impact the Company was completed during 2009. The full impact of the required changes to accounting systems, processes and training and development required for key personnel is being assessed. The Company will continue their analysis of accounting and disclosure differences continue to work with external consultants to assess the impact on our internal controls, and work on a changeover plan as necessary. There will be changes in accounting policies related to the adoption of IFRS and these may materially impact the Company's financial statements in the future.

Business Combinations, Consolidated Financial Statements and Non-Controlling Interests

The CICA issued three new accounting standards in January 2009: Section 1582, Business Combinations, Section 1601, Consolidated Financial Statements and Section 1602, Non-Controlling Interests. These new standards will be effective for fiscal years beginning on or after January 1, 2011. The Company is in the process of evaluating the requirements of the new standards. Sections 1582 replaces section 1581 and establishes standards for the accounting for a business combination. It provides the Canadian equivalent to IFRS 3 - Business Combinations. The section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Sections 1601 and 1602 together replace section 1600, Consolidated Financial Statements. Section 1601, establishes standards for the preparation of consolidated financial statements. Section 1601 applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of IFRS lAS 27 - Consolidated and Separate Financial Statements and applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011.

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 AND CONTINGENCIES

The Company is party to certain management contracts. These contracts contain clauses requiring additional payments of up to $546,000 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 the consolidated financial statements. Additional minimum management contract commitments remaining under these contracts are approximately $27,000 all of which are due within one year.

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.

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.

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.

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.

RISKS AND UNCERTAINTIES (Cont'd)

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.

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.

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.

RISKS AND UNCERTAINTIES (Cont'd)

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 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 March 31, 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, 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 audited consolidated financial statements.

Additional Information

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