CASTLE RESOURCES INC.
MANAGEMENT DISCUSSION & ANALYSIS
FOR THE THREE AND NINE MONTHS ENDED JUNE 30, 2010
(Prepared by Management on August 11, 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 nine months ended June 30, 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's current focus is on the Elmtree Gold Project, the Murphy Claims in New Brunswick, the Granduc Project and 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.

QUARTERLY HIGHLIGHTS

Granduc Copper Mine

The Company has signed the letter of intent ("LOI") with Bell Copper to acquire up to 90% interest in the Granduc Copper Mine in Stewart, B.C. Newmont's 1966 in-situ mineral inventory (non NI 43-101 compliant for the Granduc deposit was 39,442,403 tonnes grading 1.73% copper (Schmidt, et al 1983). Approximately 420 million pounds of copper produced with gold and silver credits. Subsequent to June 30, 2010, Castle and Bell Copper have entered into an option agreement.

Elmtree Gold Property

Castle files positive preliminary economic assessment for the Elmtree Gold Property. 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.

QUARTERLY HIGHLIGHTS (Continued)

Appointment of New President & Chief Operating Officer
The Company has appointed Mr. Mike Sylvestre as the Company's President & Chief Operating Officer. Mr. Sylvestre will steer the development of the Granduc Mine and the Elmtree Gold Project. He is an experienced senior mining executive with a track record of leading major mining operations over a 30+ year career. Mr. Sylvestre has held senior management positions domestically and internationally as CEO Vale Inco New Caledonia, where he completed construction and began commissioning of the $4 billion Goro nickel hydromet project, President Vale Inco Manitoba where he managed one of Inco's largest integrated mining properties producing 130 million pounds of refined nickel per year, and Vice President of Operations PT Inco, one of the world's largest open cast nickel laterite operations.

Mr. Sylvestre holds a MSc and a BSc in Mining Engineering Degree from McGill University and Queen's University respectively. Mike has also studied at the Richard Ivey School of Business and MIT Sloan School of Management.

Appointment of New Director
Castle has appointed Mr. Tim Mann, P. Eng., a highly experienced mining executive to join board as the Company moves to advance the past producing Granduc Mine, and put the Elmtree Gold Deposit into production.

Tim Mann, is a mining engineer with extensive international operations and technical management experience in mine engineering, mine development and mine operations. His career spans close to 40 years, including senior operational assignments with Placer Dome and Goldcorp, and extensive consulting experience with SNC-Lavalin prior to establishing his own consulting business in 2004. He has been involved in numerous engineering, study and project management assignments within Canada and overseas. He is currently VP of Projects for Largo Resources Ltd.

MINERAL EXPLORATION ACTIVITIES

The Elmtree Gold Project, New Brunswick, Canada

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

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

MINERAL EXPLORATION ACTIVITIES (Continued)

The Elmtree Gold Project, New Brunswick, Canada (Continued)

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

Phase I drilling successfully delineated the WGZ and confirmed mineralization intersected at depth under the main core of the WGZ resource. Drilling to the west found that the WGZ narrows and drilling to the east confirms that there is no fault-offset extension of the WGZ. A total of 3,135 metres were drilled in 16 holes and 732 samples (including standards, blanks and duplicates as part of the QA/QC process) were analysed Two of the 16 holes were designed to replicate older Lacana drilling results as recommended by Mercator Geological Services in their NI 43-101 compliant technical report.

Phase II successfully tested the SGZ and the DZ. Ten holes were drilled totalling 1,986 metres. 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 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.

On July 5, 2010, Castle began a 3300 m infill diamond drill program on the WGZ towards moving the resources from inferred to indicated for the feasibility study. As of August 2, 2010, approximately 3000 m has been drilled in 19 holes. It is anticipated that drilling will wrap up around August 9, 2010. Samples from the first 16 holes have been sent to AGAT Laboratories in Mississauga ON for analysis. As of August 2, 2010, analytical results from the first two have been received but not verified.

Granduc Copper Mine ("Granduc Project"), British Columbia, Canada
On July 16, 2010, the Company entered into an option agreement that will enable Castle to earn up to a 90% interest in the Granduc Mine and surrounding areas over a 6 year period. Castle can earn an 80% undivided interest in the Granduc Mine during this period by spending $25 million and will have the option to earn an additional 10% by providing the project financing. Castle will earn a 51% interest at the end of Year 3 by spending a total of $7 million in exploration and drilling expenses.

Pursuant to the option agreement, the Company will commit to spending a total of $25 million over 6 years (including $3 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 Castle does not spend a minimum of $2 million in the

MINERAL EXPLORATION ACTIVITIES (Continued)

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

previous year. The Company paid $2.5 million to Bell Copper (of which $500,000 will be spent in the first year on the Granduc Mine to the credit of Bell Copper) and will pay 250,000 Castle shares per year during the 6-year life of the option (total of 1,500,000 shares). The Granduc property is subject to a 2% Net Smelter Royalty (NSR), payable to B2Gold Corp. The NSR can be purchased by Castle for $500,000 for the first one percent (1%) and $1 million for the remaining one percent (1%).

In late July, 2010, the Company initiated plans for a 7000 m diamond drill program to confirm historic resources for the Granduc deposit in the F and B zones. The diamond drilling will be used towards a NI 43-101 resource estimate. As of August 2, 2010, camp procurement has been initiated.

Horseshoe Property, British Columbia, Canada

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

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

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 August 2, 2010, the property has sufficient assessment credits in place to keep the property in good standings for almost 1 year

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. As of August 2, 2010, no further work has been performed on the Murphy claims

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 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. MAG Sliver submitted a progress report to the Company in mid July, 2010 regarding their exploration activities on the Property as of December 15, 2009.

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

MINERAL EXPLORATION ACTIVITIES (Continued)

Interest in mineral properties

The Company has capitalized $902,177 (June 30, 2009 - $140,040) in the Elmtree Gold Property, $20,331 (June 30, 2009 - $Nil) in the Murphy Claims, $104,925 (June 30, 2009 - $Nil) in the Horseshoes Property and $107,350 in the Granduc Project for a total of $1,134,783.

The San Ramon Claim Group, Silver Project, Mexico	$ 448,000
The Elmtree Gold Project, New Brunswick, Canada	
Opening Balance	$ 635,067
Acquisition Costs	50,000
Exploration Expenditure	
Assaying	27,095
Drilling	174,733
Field labour	27,184
Fuel and transportation	3,700
General expense	7,342
Professional and consulting fees	100,744
Site support and supplies	10,886
Travel and accommodations	5,466
Total	$ 1,042,217
The Murphy Claims, New Brunswick, Canada	
Opening Balance	$ 17,300
Assaying	577
Professional and consulting fees	2,454
Total	$ 20,331
The Horseshoe Property, British Columbia, Canada	
Acquisition costs	$ 82,674
Assaying	473
General expense	18
Mining duties, permits, fees	2,148
Professional and consulting fees	12,753
Site support and supplies	3,714
Travel and accommodations	3,145
Total	$ 104,925
The Granduc Project, British Columbia, Canada	
Acquisition costs	$ 70,000
Professional and consulting fees	9,350
NI 43-101	28,000
Total	$ 107,350
Total Interest in mineral properties	**$ 1,722,823**

SELECTED ANNUAL AND QUARTERLY FINANCIAL INFORMATION

Results of operations for the three months period ended June 30, 2010 and June 30, 2009

Net loss
Net Loss for the three months period ended June 30, 2010 was $481,477 or $0.01 per share as compared to June 30, 2009 of $267,320 or $0.01 per share.

Revenue
As at June 30, 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 $671 for the three months period ended June 30, 2009.

Expenses
Expenses for the three months period ended June 30, 2010 totalled $481,477 (June 30, 2009 - $267,320). These expenses are made up of stock based compensation $272,800 (June 30, 2009 - $60,000), consulting and management fees $77,559 (June 30, 2009 - $65,250), professional fees of $86,162 (June 30, 2009 - $102,064), office and general of $36,885 (June 30, 2009 - $36,830), transfer, listing and filing fees of $6,272 (June 30, 2009 - $2,586) and amortization of assets of $449 (June 30, 2009 – $590). The changes in expense for the period are as follows:

- The Company granted 1,240,000 stock options during the period. The options were vested immediately therefore, the full value of stock-based compensation expense was charged
- Professional fees decreased by $15,902 when compared to prior period. The company incurred less legal and geological consulting fees in connection with due diligence procedures in current quarter.

Results of operations for the nine months period ended June 30, 2010 and June 30, 2009

Net loss
Net Loss for the nine months period ended June 30, 2010 was $715,355 or $0.02 per share as compared to June 30, 2009 of $576,164 or $0.02 per share.

Revenue
As at June 30, 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 $19,134 for the nine months period ended June 30, 2009.

Expenses
Expenses for the nine months period ended June 30, 2010 totalled $715,355 (June 30, 2009 - $595,298). These expenses are made up of stock based compensation $272,800 (June 30, 2009 - $60,000), consulting and management fees $194,679 (June 30, 2009 - $189,250), professional fees of $113,901 (June 30, 2009 - $223,181), office and general of $106,845 (June 30, 2009 - $102,947), transfer, listing and filing fees of $25,783 (June 30, 2009 - $18,116) and amortization of assets of $1,347 (June 30, 2009 – $1,804).

SELECTED ANNUAL AND QUARTERLY FINANCIAL INFORMATION (Continued)

Balance Sheet	Period end June 30, 2010	Year-end September 30, 2009
Current Assets	$ 324,438	$ 270,643
Current Liabilities	239,734	186,353
Working Capital	84,704	84,290
Total Assets	2,052,218	1,377,314
Shareholders' Equity	1,812,484	1,190,961
Deficit	7,096,090	6,380,735

Summary of Quarterly Results

The following table sets out key financial data (unaudited) on a quarter by quarter basis for the last eight quarters to the end of June 30, 2010.

Period	Revenue	Income (loss) for the period	Basic & Diluted Loss per Share
June 30, 2010	Nil	$(481,477)	$0.01
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

SELECTED ANNUAL AND QUARTERLY FINANCIAL INFORMATION (Continued)

CASH FLOWS, LIQUIDITY AND CAPITAL RESOURCES

Cash Flows for the three months period ended June 30, 2010 and June 30, 2009

Operating Activities
Cash provided in operating activities for the three months period ended June 30, 2010 was $107,503 as compared to cash used of $181,033 for the three month period ended June 30, 2009. This is attributable to decrease in net loss and an increase in non-cash working capital.

Investing Activities
Cash used in investing activities for the three month period ended June 30, 2010 was $114,550 as compared to $128,607 for the three month period ended June 30, 2009.

Financing Activities
There were no financing activities for the three month period ended June 30, 2010 and June 30, 2010.

Cash Flows for the nine months period ended June 30, 2010 and June 30, 2009

Operating Activities
Cash used in operating activities for the nine months period ended June 30, 2010 was $385,868 as compared to $503,893 for the nine months period ended June 30, 2009. This is attributable to decrease in net loss (normalized for non-cash stock based compensation expense) and an increase in non-cash working capital.

Investing Activities

Cash used in investing activities for the nine months period ended June 30, 2010 was $616,669 as compared to $244,269 for the nine months period ended June 30, 2009. The Company increased exploration works on the Elmtree Gold Project and incurred initial acquisition costs on the Granduc Project.

Financing Activities

On October 16, 2009 the Company completed a brokered private placement of 4,003,666 units at $0.12 per unit for gross proceeds of $480,440. There were no financings for the three month ended December 31, 2008.

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 (Continued)

LIQUIDITY

At June 30, 2010, the Company had cash and cash equivalents of $155,003 and working capital of $84,704. 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 June 30, 2010.

FINANCIAL MEASURES

The Company uses the following key financial measures to assess its financial condition and liquidity:

	June 30, 2010	**June 30, 2009**
Current Ratio	1.35	13.38
Working Capital	126,675	1,060,241
Cash and cash equivalents	155,003	654,298

CAPITAL RESOURCES

The following is a summary of the Company's outstanding share data as of June 30, 2010 and August 11, 2010.

Common shares

At June 30, 2010, the Company had issued and outstanding 39,217,687 common shares (September 30, 2009 - $26,684,521). As of August 11, 2010, the Company has 46,617,687 issued and outstanding common shares

Stock options

At June 30, 2010, a total of 3,590,000 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 $0.18. All stock options entitle the holder to purchase common shares of the Company. On July 16, 2010, the Company granted 500,000 additional stock options. As of August 11, 2010, the Company has 4,090,000 issued and outstanding stock options.

Warrants

At June 30, 2010, a total of 6,291,626 warrants and compensation 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. As of August 11, 2010, the Company has 17,305,726 issued and outstanding warrants, including 300,000 standby warrants and 3,600,000 draw down warrants.

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 nine months period, rent of approximately $24,104 (June 30, 2009 - $26,740) charged by this corporation was included in office and general expenses.

During the nine months period, the Company incurred consulting fees and management fees of approximately $195,750 (June 30, 2009 - $197,250) paid to certain directors and officers of the Company.

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

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

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.

RECENT ACCOUNTING PRONOUCEMENT NOT YET ADOPTED (Continued)

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 $9,000 all of which are due within one year.

SUBSEQUENT EVENTS

Private Placement
On July 16, 2010, The Company closed a non-brokered private placement comprised of 6,050,000 units (the "Units") at a price of $0.20 each for gross proceeds of $1,210,000, with each Unit consisting of one common share and one common share purchase warrant and 1,350,000 flow through units (the FT Units") at a purchase price of $0.23 per FT Unit for gross proceeds of $310,500, with each FT Unit consisting of one common share and one-half of one common share purchase warrant. Each Warrant from the Units is exercisable for 1 common share of Castle at $0.30 until January 31, 2012, and each Warrant from the FT Units is exercisable for 1 common share of Castle at $0.33 until January 31, 2012.

In connection with the private placement, the Company paid eligible persons (the "Finders") a cash fee of 6% of the gross proceeds raised through each Finder under the offering and also issued compensation warrants (the "Compensation Warrants") equal to 6% of the total number of Units or FT Units issued through each Finder under the Offering. Each Compensation Warrant entitles the holder upon exercise at $0.30 to 1 common share and 1 Warrant of Castle, until January 31, 2012. On closing, the Company paid an aggregate amount of $80,250 in cash fees to the Finders and issued an aggregate of 389,100 Compensation Warrants to the Finders.

SUBSEQUENT EVENTS (Continued)

Debt Facility

The Company also entered into certain debt arrangements (the "Debt Facility"), which has provided a further $2.2 million in gross proceeds that have been drawn down, and an additional $1.1 million facility that is available. The Debt Facility provides for a term of 5 years, and Castle may prepay any amount of the debt after 1 year from its advance. As partial consideration for the Debt Facility, the Company has issued a total of 300,000 [+150,000] warrants for a standby fee (the "Standby Warrants"), with each Standby Warrant exercisable at $0.20 per common share in the capital of Castle for 2 years. In addition, Castle has issued 3,600,000 warrants (the "Draw Down Warrants") on draw down of the $2.2 million facility Each Draw Down Warrant is exercisable at $0.25 per common share in the capital of Castle for a period of 5 years. An additional 1,800,000 Draw Down Warrants are issuable if Castle draws down on the $1.1 million facility.

Proceeds from the Offering and Debt Facility have been used to purchase the option on the Granduc, and will be used to further finance the Company's exploration and development projects and for general working capital. All securities issued pursuant to the Offering, including the securities comprising the Units, FT Units and Compensation Warrants issued to the Finders, and the securities issued in conjunction with the Debt Facility including the Standby Warrants and the Draw Down Warrants are subject to a four (4) month statutory hold commencing from closing.

RISKS AND UNCERTAINTIES

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

No History of Profitability

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

Government Regulations

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

RISKS AND UNCERTAINTIES (Continued)

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

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

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

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

RISKS AND UNCERTAINTIES (Continued)

Mining Risks and Insurance

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

Capital Investment

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

Conflicts of Interest

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

INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for the design of internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the consolidated financial statements in accordance with accounting principles generally accepted in Canada. Based on a review of its internal control procedures at the end of the 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 June 30, 2010 that have materially affected, or are reasonably likely to materially affect the Company's internal control over financial reporting.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The information provided in this report, 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.