CASTLE RESOURCES INC.

MANAGEMENT DISCUSSION & ANALYSIS

FOR THE THREE AND NINE MONTHS PERIOD ENDED

JUNE 30, 2013

(Prepared by Management on August 7, 2013)

INTRODUCTION

The following discussion and analysis is a review of the operations, current financial position and outlook for Castle Resources Inc. (the "Company" or "Castle") and should be read in conjunction with the condensed interim consolidated financial statements for the three and nine months period ended June 30, 2013 and related notes thereto. The discussion covers the period-end up to the date of the filing of this MD&A. The Company's reporting currency is the Canadian dollar and all amounts in this MD&A are expressed in Canadian dollars. Those condensed interim consolidated financial statements are prepared in accordance with International Financial Reporting Standings ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). Readers are encouraged to read the Company's public information filings on Sedar at www.sedar.com

FORWARD-LOOKING INFORMATION

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

DESCRIPTION OF THE BUSINESS

Overview

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

MINERAL EXPLORATION ACTIVITIES

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

On October 15, 2010, the Company acquired a 100% interest in the Granduc Claims ("The Granduc property"). The acquisition supersedes the option agreement dated July 16, 2010. Pursuant to the agreement, the Company paid Bell Copper an additional $2,000,000 and issued an additional 2,750,000 common shares (issued in October 2010 with a value of $1,375,000) of the Company for an aggregate acquisition price of $4,500,000 and 3,000,000 common shares of the Company.

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

MINERAL EXPLORATION ACTIVITIES (continued)

The Granduc property is also subject to a 1.5% NSR in respect to the Teuton mineral claims and the Bell Mineral claims, payable to Teuton Resources Corporation ("Teuton"). The Company will also make annual payments of $25,000 and $25,000 worth of common shares (based on the average price of the shares over the previous 10 trading days prior to issuance) to Teuton, with respect to the amounts owed to Teuton, until the Teuton mineral claims cease or are put into commercial production. The Company paid $75,000 cash and 220,069 common shares.

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

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

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

The Company completed just over 30,000 metres of drilling in 54 holes by early October 2011. Highlights of the 2011 drilling results:

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

MINERAL EXPLORATION ACTIVITIES (continued)

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

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

The Company completed just over 22,000 metres of drilling in 40 holes testing the southern extension of the Main Zone as well as expanding the North Zone

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

Highlights of the 2012 drilling results:

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

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

MINERAL EXPLORATION ACTIVITIES (continued)

In December 2012, an updated resource estimate was published by Tetra Tech.

The results are as follows:

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

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

On February 28, 2013, the Company published a Preliminary Economic Assessment of the Granduc Copper Project (see PR Feb 28, 2013). The PEA was filed on SEDAR on April 15, 2013

Highlights are as follows:

- Base Case (defined below) initial estimated CAPEX of $494 million including a 16.3% contingency of $69 million with estimated sustaining capital of $239 million over a 15 year mine life
- Base Case pre-tax NDV 8% from a discounting start date of Q1 2016 is $489 million with a pre-tax IRR of 20.9%; post-tax NDV 8% of $319 million with a post-tax IRR of 17.8%. Changing the discounting start date to Q1 2013 results in a NPV 8% of $388 million pre-tax and $253 million post-tax, but does not impact the IRR.
- Life of Mine average operating cash flow is $142 million per year; Peak Life of Mine (Years 2-8 inclusive) is $164 million per year
- The project evaluation assumes flat long term metal prices equal to the rolling three year average of $3.65/lb Cu, $28/oz Ag and $1480/oz Au. The benchmark magnetite prices used is $122/tonne. The assumed exchange rate is C$1.00 = US$0.99.
- The resource used is 11.32 million tonnes in the measured & indicated category grading 1.47% Cu, 0.17 g/t Au and 12.4 g/t Ag and 44.63 million tonnes in the inferred category grading 1.43% Cu, 0.19 g/t Au & 10.7 g/t Ag
- Peak Life of Mine (Years 2 – 8 inclusive) annual payable production is forecasted at 72 million lbs of copper, 811 koz silver, 9.5 koz gold and 251,000 tonnes of magnetite
- 8,500 tonnes/day underground mining operation
- Base Case gross cash operating costs of $2.04/lb payable Cu and net cash costs inclusive of by-product credits) of $1.37/lb payable Cu.

MINERAL EXPLORATION ACTIVITIES (continued)

During the nine months period ended June 30, 2013, the Company capitalized an additional $2,301,196 in interest in mineral properties. The capitalized cost for each property is detailed in the following table.

The Granduc Project, British Columbia, Canada

Acquisition costs	$ 6,105,478
Exploration Expenditure	
Assaying	710,020
Drilling	10,705,050
Equipment and rental	4,364,629
Field labour	1,858,774
Fuel and transportation	6,444,548
General expense	563,096
Laboratory	163,394
Mapping	44,871
Environmental	14,932
Professional and consulting fees	10,913,432
Stock based compensation	60,372
Site support and supplies	4,892,746
Technical report	70,181
Travel and accommodations	662,995
Utilities	2,089
Less: refundable exploration tax credit	(5,132,795)
Balance at June 30, 2013	$42,446,881

The Elmtree Gold Project, New Brunswick, Canada

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

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

In addition to the receipt of WRW common shares, the Company will also receive:

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

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

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

On April 25, 2013, Winston directors approved a share consolidation of its common share on the basis of one (1) new common share for twenty (20) common shares effective May 15, 2013. Following consolidation and subject to rounding, Castle now has 900,000 of the 3,303,974 common shares issued and outstanding in Winston Resources Inc.

RESULTS OF OPERATIONS AND CASH FLOWS

Revenue

For the three months period ended June 30, 2013, the Company generated interest revenue of $nil (June 30, 2012 - $14,368). This is from interest income on receivables due from Winston Resources Inc. The Company is in the development stage and therefore did not have revenues from operations. For the three months period ended June 30, 2013, the Company generated dividend income of $1,181,889 (June 30, 2012 - $nil). This is from the receipt of 7,003,891 common shares of GreenBank Capital Inc., 562,500 common shares of CNRP Mining Inc., 720,000 common shares of Zara Resources Inc. and 720,000 common shares of Hadley Mining Inc. as a dividend in kind.

Year to date interest revenue was $15,852, reflecting a decrease of $9,301 from the same period in 2012. Year to date dividend income was $1,181,889 reflecting an increase of $1,181,889 from the same period in 2012.

Expenses

For the three months period ended June 30, 2013, the Company recorded total expenses of $1,449,464 (June 30, 2012 - $371,845). The reasons for the increase in expenses are as follows:

- Consulting and management fees increased to $867,031 (June 30, 2012 - $103,943). In prior years, the Company has capitalized a percentage of certain management salaries which are directly attributable to the Granduc Project. However, in the current year, 100% of the aforementioned salaries have been expensed rather than capitalized due to significantly reduced exploration activities on the Granduc project since September 2012. Additionally, a VP of Environment and Permitting was hired in May 2012.

- The professional fees decreased to $22,205 (June 30, 2012 - $62,902). This is mainly due to the decrease of legal fees of approximately $46,000 and a decrease of consulting fees of approximately $6,000, offset by an increase in accounting and audit fees of approximately $12,000.

- The stock based compensation expense increased to $399,552 (June 30, 2013 - $nil). This is due to 7,542,000 stock options being granted in April 2013 to certain employees, consultants, officers and directors of the Company

Year to date expenses was $2,469,275, reflecting an increase of $1,396,977 from the same period in 2012. The largest component of this increase in expenses is consulting and management fees of $1,319,830 as compared to $331,401 in the comparative period in 2012. The Company has reclassified $667,953 in management fees from exploration and evaluation to management fees. This is due to the fact that a percentage of certain management salaries have been expensed rather than capitalized due to reduced exploration activities on the Granduc project since September 2012.The second largest increase is in stock based compensation of $399,552 as compared to $nil in the same period in 2012. During the nine months ended June 30, 2013, the Company granted an aggregate of 7,542,000 stock options to employees, consultant, officers and directors of the Company. No stock options were granted in the same period in 2012.

Net loss and comprehensive loss
For the three months period ended June 30, 2013, the Company recorded comprehensive loss of $1,377,149 (June 30, 2012 – income of $1,373,067) with basic and diluted loss per share $0.01 (June 30, 2012 – earnings per share of $0.01).

Year to date net loss and comprehensive loss was $4,200,655, reflecting an increase of $5,039,497 from the same period of 2012. The increase in net loss is mainly attributable to increase in unrealized loss on investment of approximately of $3,200,139. The Company recorded dividend income of $1,181,889 from the receipt of 7,003,891 common shares of GreenBank Capital Inc., 562,500 common shares of CNRP Mining Inc., 720,000 common shares of Zara Resources Inc. and 720,000 common shares of Hadley Mining Inc. as a dividend in kind. Net loss before non-recurring items (unrealized loss, dividend income and gain on sale of property and write-down) was $2,182,405.

Cash Flows

Operating Activities
Year to date cash used in operating activities was $5,289,653, reflecting an increase of $1,287,114 from the same period in 2012. The Company financed approximately $3,446,931 in working capital as compare to $3,078,519 in the comparative period in 2012.

Investing Activities
Year to date cash used in investing activities was $2,108,068, reflecting a decrease of $9,517,982 from the same period of 2012. The Company has significantly reduced exploration activities on the Granduc project since September 2012.

Financing Activities
Year to date cash generated in financing activities was $7,074,898, reflecting a decrease of $9,591,211from the same period of 2012.

SUMMARY OF QUARTERLY RESULTS

Quarter ended	June 30, 2013 $	March 31, 2013 $	December 31, 2012 $	September 30, 2012 $
Net loss (income) and comprehensive loss (income) for the period	1,377,149	1,450,866	1,372,641	4,494,042
Basic and diluted loss (income) per share	0.01	0.01	0.01	0.03
Expenses	1,449,464	626,840	392,972	350,458
Exploration and evaluation assets	42,466,811	42,494,066	41,179,825	40,029,762
Working capital (deficiency)	2,283,931	2,958,506	2,989,755	(611,936)
Write-down of exploration and evaluation assets	-	-	-	-
Interest income	-	13,651	2,201	7,420

Quarter ended	June 30, 2012 $	March 31, 2012 $	December 31, 2011 $	September 30, 2011 $
Net loss (income) and comprehensive loss (income) for the period	(1,373,068)	392,843	141,380	188,978
Basic and diluted loss (income) per share	(0.01)	0.00	0.00	0.00
Expenses	371,845	447,273	253,178	234,359
Exploration and evaluation assets	33,267,734	30,703,245	29,124,873	24,368,649
Working capital	6,441,520	11,338,673	2,811,592	2,428,085
Interest income	449,007	179	10,606	29,535
Share-based compensation	14,368	-	-	58,705

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

LIQUIDITY

At June 30, 2013, the Company had cash and cash equivalents of $533,662 and working capital of $2,283,931. Included in amounts receivable is $1,817,000 in BC refundable exploration tax credits and approximately $23,278 GST/HST receivable. The Company received $1,587,000 in BC refundable exploration tax credit refunds and GST/HST refund of $23,278 subsequent to period-end.

FINANCIAL MEASURES

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

	June 30, 2013	September 30, 2012
Current Ratio	4.09	0.90
Working Capital (deficiency)	2,283,931	(611,936)
Cash and cash equivalents	533,662	856,485

CAPITAL RESOURCES

The following is a summary of the Company's outstanding share, warrant and stock option data as of June 30, 2013 and August 7, 2013.

Common shares

At June 30, 2013, the Company had issued and outstanding 191,989,892 common shares. At August 7, 2013, the Company common shares outstanding are unchanged.

Stock options

At June 30, 2013, a total of 16,722,000 stock options are issued and outstanding with expiry dates ranging from June 1, 2014 through to April 23, 2018. All stock options entitle the holder to purchase common shares of the Company.

Warrants

At June 30, 2013, a total of 14,902,261 warrants and brokers' warrants were outstanding, with each warrant entitling the holder to purchase one common share of the Company with expiry dates ranging from March 29, 2014 through to July 14, 2015. At August 7, 2013, the Company outstanding warrants are unchanged.

OUTLOOK AND CAPITAL REQUIREMENTS

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

RELATED PARTIES TRANSACTIONS

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

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

RELATED PARTY TRANSACTIONS (continued)

Key Management Compensation

	Nine months ended June 30, 2013	Year ended September 30, 2012
Exploration and evaluation assets	$ 302,414	$ 567,723
Consulting fees	493,835	563,229
Directors' fees	15,483	31,365
	$ 811,732	$ 1,162,317

COMMITMENTS AND CONTINGENCIES

Management Contracts
The Company is party to certain management and employee contracts. These contracts contain clauses requiring additional payments of up to $2,210,000 be made upon the occurrence of certain events such as a change of control. As the likelihood of these events taking place is not determinable, the contingent payments have not been reflected in these condensed interim consolidated financial statements. Minimum management contract commitments remaining under these contracts are approximately $1,010,000, due within one year.

Premise Lease
The Company is subject to a lease commitment and is committed to expenditures approximately of $120,456 in fiscal year 2013.

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

Flow-through Spending
Pursuant to the terms of the flow-through share agreements, the Company is in the process of complying with its flow-through contractual obligation with subscribers with respect to the Canadian Federal Income Tax requirements.

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

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

COMMITMENTS AND CONTINGENCIES (continued)

In October 2012, the Company raised $1,717,275 through the issuance of flow-through shares and it required to spend such funds on qualified exploration expenditures by December 31, 2013. At June 30, 2013, the Company has met this spending requirement.

In March 2013, the Company raised $900,007 through the issuance of flow-through shares and is required to spend such funds on qualified exploration expenditures by December 31, 2014. As at June 30, 2013, the Company spent approximately $579,252 of this spending requirement.

In June 2013, the Company raised $200,000 through the issuance of flow-through shares and is required to spend such funds on qualified exploration expenditures by December 31, 2014. As at June 30, 2013, the Company has not completed any of this spending requirement.

TRENDS

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

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

RECENT ACCOUNTING PRONOUNCEMENTS

IFRS 7 Financial Instruments: Disclosures ("IFRS 7")
IFRS 7 was amended by the IASB in December 2011 to provide additional information about offsetting of financial assets and financial liabilities. Additional disclosures will be required to enable users of financial statements to evaluate the effect or potential effect of netting arrangements on the entity's financial position. The amendments are effective for annual periods beginning on or after October 1, 2013. The Company is currently assessing the full impact of IFRS 7.

IFRS 9 Financial Instruments: Classification and Measurement ("IFRS 9")
IFRS 9 was issued in November 2009. This standard is the first step in the process to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. The standard is not applicable until October 1, 2015 but is available for early adoption. The Company has yet to assess the full impact of IFRS 9.

IFRS 10 Consolidated Financial Statements ("IFRS 10")
IFRS 10 was issued by the IASB in May 2011. IFRS 10 establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. IFRS 10 replaces the consolidation requirements in SIC-12 Consolidation—Special Purpose Entities and IAS 27 Consolidated and Separate Financial Statements and is effective for annual periods beginning on or

RECENT ACCOUNTING PRONOUNCEMENTS (continued)

after October 1, 2013. Earlier application is permitted. In October 2012, the IASB amended IFRS 10 to require investment entities to measure subsidiaries at fair value through profit or loss. The amendment is effective for annual periods beginning on or after October 1, 2014. Earlier application is permitted. The Company has yet to assess the full impact of IFRS 10.

IFRS 11 Joint Arrangements ("IFRS 11")
IFRS 11 was issued by the IASB in May 2011. IFRS 11 provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form. The standard addresses inconsistencies in the reporting of joint arrangements by requiring a single method to account for interests in jointly controlled entities. IFRS 11 supersedes IAS 31 Interests in Joint Ventures and SIC-13 Jointly Controlled Entities - Non-Monetary Contributions by Venturers, and is effective for annual periods beginning on or after October 1, 2013. Earlier application is permitted. The Company is currently assessing the full impact of IFRS 11.

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

IFRS 13 – Fair Value Measurement
IFRS 13 Fair Value Measurement was issued by the IASB in May 2011. IFRS 13 provides a consistent and less complex definition of fair value, establishes a single source of guidance for determining fair value and introduces consistent requirements for disclosures related to fair value measurement. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. The standard is effective for annual periods beginning on or after October 1, 2013. Earlier application is permitted. The Company is currently assessing the full impact of IFRS 13.

IAS 12 – Income Taxes ("IAS 12")
IAS 12 was amended by the IASB in December 2010 in certain areas applicable to the measurement of deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model. The amendment states that an entity may presume, for purposes of calculating deferred income taxes associated with temporary differences relating to investment properties, that the carrying amount of an investment property is recovered entirely through its sale, as opposed to presuming that the properties are held with the objective to consume substantially all of the economic benefits of the investment property over time. This amendment replaces SIC-21 and is effective for annual periods beginning on or after October 1, 2012. Earlier application is permitted. The Company is currently assessing the full impact of IAS 12.

IFRIC Interpretation 20, Stripping Costs in the Production Phase of a Surface Mine ("IFRIC 20")
IFRIC 20 was issued by the IFRIC in October 2011. IFRIC 20 applies to all types of natural resources that are extracted using the surface mining activity process. IFRIC 20 may represent a change in accounting practice for some Canadian mining entities. Specifically, IFRIC 20 permits capitalization of stripping costs if all of the following three criteria are met:
• probability of future economic benefit (improved access to the ore body) flowing to the entity;

RECENT ACCOUNTING PRONOUNCEMENTS (continued)

• identifiability of the component of the ore body for which access has been improved; and
• measurability of the costs associated to the stripping activity.

Furthermore, where the costs of the stripping activity asset and of the inventory produced are not separately identifiable, IFRIC 20 provides a more detailed cost allocation guidance based on a relevant production measure that allows allocation between inventory produced and the stripping activity asset.

IFRIC 20 is effective for annual periods beginning on or after October 1, 2013. Early application is permitted. The Company is currently assessing the full impact of IFRIC 20.

USE OF FINANCIAL INSTRUMENTS

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

RISKS AND UNCERTAINTIES

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

Capital Investment

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

Government Regulations

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

Market Fluctuation and Commercial Quantities

The market for minerals is influenced by many factors beyond the control of the Company such as changing production costs, the supply and demand for minerals, the rate of inflation, the inventory of mineral producing companies, the international economic and political environment, changes in international investment patterns, global or regional consumption patterns, costs of substitutes, currency availability and exchange rates, interest rates, speculative activities in connection with minerals, and increased production due to improved mining and production methods. The metals industry in general is

RISKS AND UNCERTAINTIES (continued)

intensely competitive and there is no assurance that, even if commercial quantities and qualities of metals are discovered, a market will exist for the profitable sale of such metals. Commercial viability of precious and base metals and other mineral deposits may be affected by other factors that are beyond the Company's control including particular attributes of the deposit such as its size, quantity and quality, the cost of mining and processing, proximity to infrastructure and the availability of transportation and sources of energy, financing, government legislation and regulations including those relating to prices, taxes, royalties, land tenure, land use, import and export restrictions, exchange controls, restrictions on production, as well as environmental protection. It is impossible to assess with certainty the impact of various factors which may affect commercial viability so that any adverse combination of such factors may result in the Company not receiving an adequate return on invested capital.

Development Stage Corporation & Exploration Risks

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

Foreign Operations

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

Environmental Protection

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

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

RISKS AND UNCERTAINTIES (continued)

available for acquisition of mineral prospects or exploration and development and would have a material adverse effect on the financial position of the Company.

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

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

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

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

CHANGES TO INTERNAL CONTROL OVER FINANCIAL REPORTING

There have been no significant changes to the Company's internal control over financial reporting that occurred during the most recent period ended June 30, 2013 that have materially affected, or are reasonably likely to materially affect the Company's internal control over financial reporting.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

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

Additional Information

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