CASTLE RESOURCES INC.
MANAGEMENT DISCUSSION & ANALYSIS

FOR THE YEAR ENDED SEPTEMBER 30, 2011

(Prepared by Management on January 20, 2012)

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, 2011 and related notes thereto. The discussion covers the year end 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 or development projects in British Columbia and New Brunswick, Canada. The Company's focus is on the Granduc Project, Elmtree Gold Project, and Horseshoe Project. The San Ramon Claim Groups has been optioned to MAG Silver Corp. Management's goal is to seek additional opportunities to continue to add value for shareholders.

HIGHLIGHTS FOR CASTLE RESOURCES

- Raised approximately $22,321,750 gross proceeds through two equity financings during the year
- Raised approximately $5,999,994 through equity financing subsequent to year-end
- Acquired 100% interest in the Granduc Copper Project
- Completed the First Option and therefore can earn a 60% interest in Stratabound's 100% owned Elmtree Gold Property.
- Appointment of Stephen Shefsky as Executive Chairman
- Appointment of Mike Sylvestre as President and CEO and director

HIGHLIGHTS FOR CASTLE RESOURCES (continued)

Raised approximately $22,321,750 gross proceeds through two equity financings

On October 7, 2010, the Company closed a brokered private placement comprised of 31,012,500 units at a price of $0.32 per unit for gross proceeds of $9,924,000 (each unit consists of one common share and one common share purchase warrant), and 1,100,000 flow-through shares at a purchase price of $0.36 per flow-through share for gross proceeds of $396,000. Each warrant is exercisable for one common share of the Company at $0.50 until October 7, 2012.

On February 18, 2011, the Company closed a brokered private placement offering. The Company issued 19,675,000 shares at a price of $0.61 each for gross proceeds of $12,001,750. In connection with the private placement, the Company paid cash commissions of 6% of the gross proceeds raised and also issued compensation warrants equal to 6% of the total number of shares issued. Each compensation warrant entitles the holder to exercise at a price of $0.61 to one common share of the Company, until February 18, 2013.

Raised approximately $5,999,994 through equity financing subsequent to year-end

On October 19, 2011, the Company closed a brokered private placement comprised of 9,523,800 flow-through shares at a price of $0.63 per share for gross proceeds of $5,999,994. In connection with the private placement, the Company paid cash commissions of 5% of the gross proceeds raised.

Acquired 100% interest in the Granduc Copper Project

The Granduc Mine is an historic past-producing copper mine with excellent infrastructure in place. On April 6, 2010, the Company signed a binding letter of intent ("LOI") with Bell Copper Corporation ("Bell Copper") to acquire up to a 90% interest in the Granduc Mine and surrounding areas. On July 16, 2010, the Company and Bell Copper entered into an option agreement. On October 15, 2010, the Company acquired a 100% interest in the Granduc Project. 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 of the Company for an aggregate acquisition price of $4,500,000 and 3,000,000 common shares of the Company.

Completed the First Option and therefore can earn a 60% interest in Stratabound's 100% owned Elmtree Gold Property

As of September 30, 2011, the Company successfully completed the conditions to satisfy Option one of the agreement with Stratabound and thus can acquired a 60% undivided interest in Elmtree. The Company may notify Stratabound of this in the second quarter of 2012 and will enter into option agreement negotiation as soon as possible.

Appointment of Stephen Shefsky as Executive Chairman

On July 1, 2011, the Company announced the appointment of Mr. Stephen Shefsky as Castle's Executive Chairman. Mr. Shefsky has resigned from his prior post as Chief Executive Officer which he served since February 19, 2008.

Appointment of Mike Sylvestre as President and CEO and director

On July 1, 2011, the Company announced the appointment of Mr. Mike Sylvestre as Chief Executive Officer. Mr. Sylvestre retained his role as President of the Company but will resign from his prior post as Chief Operating Officer.

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 Keystone mineral claims, payable to Keystone Gold Inc. The NSR can be purchased by the Company and Bell Cooper for $500,000 for the first one percent (1%) and $1 million for the remaining one percent (1%), based on their ownership percentages.

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. During the year, the Company paid $25,000 cash and 50,000 common shares (value at $22,500).

Included in prepaid expenses is $300,000 drilling deposit.

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

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

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

On June 7, 2011, the Company launched a 30,000 m drilling program designed to expand the extents of the known mineralization. The Company completed just over 30,000 metres of drilling in over 58 holes by early October, 2011.

MINERAL EXPLORATION ACTIVITIES (continued)

Highlights of the 2011 drilling results include:

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**

Castle will also undertake an updated MRI and a preliminary economic assessment in Q2 2012.

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.

On August 16, 2011, the Company acquired a single mining claim at the east end of the Tide tunnel entrance from Frank Kamermans. Due date on the claim was December 13, 2011. Upon completion of title transfer to CRI, the claim was renewed for 1 year until 2012. This claim is staked over the tide tunnel between other mining claims controlled by Castle. This claim is in good standings until September 22, 2012.

The Elmtree Gold Project, New Brunswick, Canada

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

MINERAL EXPLORATION ACTIVITIES (continued)

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

In late November 2009, Castle commissioned Micon International Consultants to perform a Preliminary Economic Assessment (PEA) on the possibility of extracting the high grade gold portion of the WGZ. On April 23, 2010, the Company announced the filing of positive preliminary economic assessment ("PEA") on SEDAR for the Elmtree Gold Property. Management commissioned the Micon PEA to determine baseline economics of the Elmtree project. As stated in Castle's news release on March 5, 2010, the PEA indicates a pre-tax IRR of 25% using $900 Au/oz and a pre-tax IRR of 63% using $1,100 Au/oz, based on open pit mining and toll-milling of 1.117 million tonnes with an average gold grade of 2.41 g/t Au, a stripping ratio of 6.3 (W/O), and assumes a 90% Au recovery into a concentrate for sale to a nearby smelter.

In June 2010, the Company commissioned Micon International to initiate a feasibility study on the WGZ and Stantec Consulting to undertake an environmental review towards the permitting process towards mining the WGZ. As of August 8, 2011, the feasibility study is still ongoing but the comprehensive environmental assessment has been put on hold until the feasibility study is completed. Due to unforeseen requirements of the Federal government for additional environmental studies, the environmental assessment has been postponed until the full impact of such studies is understood and the feasibility study is completed. The feasibility study was completed in late November and was delivered to Castle for review.

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

As of September 30, 2011, Castle's expenditures on Elmtree totalled over 2.5 million dollar ($2,468,827 plus 10% administrative costs), meaning that the Company successfully completed the conditions to satisfy Option one of the agreement with Stratabound and thus acquired a 60% undivided interest in Elmtree. The Company may notify Stratabound of this in Q2 of 2012 and will enter into option agreement negotiation as soon as possible.

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.

MINERAL EXPLORATION ACTIVITIES (continued)

Horseshoe Property, British Columbia, Canada (continued)

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

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

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

While anomalous gold was found through diamond drilling on the High-Grade vein showing that can be correlated to anomalous gold surface sample locations, it is evident from the results that the occurrence of gold in this area is spotty and would require significant detailed work in order to advance the property. On this basis, it is recommended that the property be returned to the claim holders and Castle does not pursue further interest in the Horseshoe property at this time.

The San Ramon Claim Group, Zacatecas, Mexico

Overview
In 2006, Castle acquired the San Ramon project within Mexico's renowned Zacatecas Silver District. The project is composed of eight concessions totaling 312.2 hectares, approximately five kilometers northeast of the city of Zacatecas. The property is adjacent to Capstone Mining Corporation's recently commissioned Cozamin Mine.

The principal mine workings within the property are located in two main zones in its northern portion, San Ramon and Los Gatos, which cover approximately 300 meters of the La Platosa and Vetadel Alto veins. The San Ramon mine workings include the San Ramon and Azul shafts, each approximately 95 meters deep with four subsurface levels. Historical reports indicate that approximately 20,000 tons of ore grading 1.0 to 2.0 grams per ton (g/t) gold and 400 to 600 g/t of silver were extracted at San Ramon. The Azul shaft was refurbished in 2003 and was used to dewater the mine workings for mapping and sampling purposes.

Historical resource estimates credit the property with 640,000 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 BehreDolbear in accordance with NI 43-101. It was designed to verify and expand the historical resource estimates and includes plans for surface mapping, sampling, and drilling programs.

Exploration Program

In early September 2008, a detailed mapping and sampling program was undertaken on the Evelin claims transecting the vein/breccia zones that returned anomalous results from an earlier prospecting program. Exploration activity was halted on the San Ramon property in January, 2009.

MINERAL EXPLORATION ACTIVITIES (continued)

Option to MAG Silver Corp ("MAG Silver")

On July 15, 2009, the Company optioned 100% of the San Ramon claim group to MAG Silver. To earn their interest in the San Ramon property, MAG Silver has committed to exploration expenditures of US$500,000 in the first year of the option, US$500,000 in the second year of the option, US$1,000,000 in the third year of the option and US$1,250,000 in the fourth year of the option for total of US$3,250,000. Following commercial production, Castle will retain a 1.5% NSR in the project. In addition, MAG Silver has agreed to the following payment schedule; US$75,000 upon signing of the option agreement and US$750,000 by the fifth anniversary of the agreement. As of January 20, 2012, MAG Silver continues to option the San Ramon property and conduct exploration work.

INTEREST IN MINERAL PROPERTIES

During the year, the Company capitalized an additional $18,080,838 in interest in mineral properties for an aggregated balance of $24,517,819. The capitalized cost for each property is detail in the following table.

The Granduc Project, British Columbia, Canada

Acquisition costs	$ 6,120,500
Exploration Expenditure	
Assaying	313,844
Drilling	5,894,712
Equipment and rental	555,685
Field labour	1,177,399
Fuel and transportation	3,445,080
General expense	226,034
Laboratory	38,198
Mapping	8,105
Professional and consulting fees	5,198,926
Site support and supplies	1,500,653
Travel and accommodations	344,566
Utilities	50,252
Less: refundable exploration tax credit	(3,805,622)
Balance at September 30, 2011	$21,068,332

The Elmtree Gold Project, New Brunswick, Canada

Acquisition Costs	$ 215,945
Exploration Expenditure	
Assaying	120,542
Drilling	741,836
Field labour	91,831
Fuel and transportation	29,820
General expense	72,663
Mining duties, permits, fees and taxes	12,380
Professional and consulting fees	1,049,101
Site support and supplies	82,526
Travel and accommodations	52,183
Balance at September 30, 2011	$ 2,468,827

INTEREST IN MINERAL PROPERTIES (continued)

The Horseshoe Property, British Columbia, Canada

Acquisition costs	$ 216,674
Exploration Expenditure	
Assaying	473
Drilling	95,333
Equipment and rental	5,715
General expense	18
Mining duties, permits, fees	27,235
Professional and consulting fees	58,483
Site support and supplies	8,885
Travel and accommodations	118,837
Balance at September 30, 2011	$ 531,653
The San Ramon Claim Group, Silver Project, Mexico	$ 449,007
Total interest in mineral properties	**$ 24,517,819**

SELECTED HISTORICAL FINANCIAL DATA

The following table provides selected annual audited financial information that should be read in conjunction with the Audited Financial Statements and Notes of the Company for the applicable period, which have been prepared in accordance with Canadian GAAP.

	2011	**2010**	**2009**	**2008**	**2007**
For the Year Ended September 30,	**$**	**$**	**$**	**$**	**$**
Interest income	118,787	-	19,134	29,920	27,500
Net loss and comprehensive loss for the year	4,261,579	1,083,344	4,637,278	864,296	695,822
Loss per share (basic & diluted)	0.05	0.03	0.17	0.04	0.06
Interest in mineral properties	24,517,819	6,436,981	1,100,367	4,094,337	3,619,612
Total assets	32,930,363	7,641,260	1,377,314	6,023,858	4,596,507
Total long-term liabilities	2,069,411	1,783,590	-	81,000	81,000
Shareholders’ equity	25,412,531	3,371,619	1,190,961	5,839,739	4,215,159

RESULTS OF OPERATIONS AND CASH FLOWS

Revenue
The Company is in the development stage and therefore did not have revenues from operations. Interest income for the year ended September 30, 2011 was $118,787 (September 30, 2010 - $Nil).

As at September 30, 2011, the Company held approximately $2,000,000 in cashable GICs at an average interest rate of 1.00%. Year-to-date interest income was $116,772 (September 30, 2010 - $Nil).

Net loss and comprehensive loss
For the year ended September 30, 2011, the Company recorded a net loss and comprehensive loss of $4,261,579 (September 30, 2010 - $1,083,344) with basic and diluted loss per share of $0.05.

Fourth quarter net loss and comprehensive loss was $188,978, reflecting a decrease of $179,011 from the same period in 2010.

Net loss and comprehensive loss is reduced by $100,000 (September 30, 2010 - $77,000) future income tax recovery. The future income tax recovery relates to the $396,000 flow-through shares issued in connection with the October 7, 2010 private placement. As the flow-through triggers the "more likely than not" test for future realization of some of these assets to be met (to the amount of the expected future income tax liability), certain assets can be valued at the date the flow-through funds are raised in anticipation of future renunciation.

Expenses
The Company recorded $4,496,213 in total expenses for the year ended September 30, 2011 as compared to $1,140,013 in the comparative period in 2010. The reasons for the increase in expense are as follows:

- The stock-based compensation for the year ended September 30, 2011 increased to $3,274,005 as compared to $445,800 at September 30, 2010. The Company granted 5,890,000 stock options during the year as compared to 2,040,000 in the prior year. Of the 5,890,000 stock options granted, approximately 5,873,000 vested immediately. This resulted in $3,274,005 charged to expense.

- Interest and financing fees increased to $286,058 for the year ended September 30, 2011 as compared to $47,790 for the same period in 2010. In 2010 fiscal year, the Company entered into a 5-year, non-revolving term loan facility in the principal amount of $2,200,000 with interest payable at the rate of 5% in the first 12 months and 9% in the following 48 months. The Company issued 3,600,000 drawdown warrants (valued at $216,000) and 300,000 standby warrants (valued at $15,000).The value of the warrants and the discount was recorded against the debenture to be accreted over the term of the debenture.

- Consulting and management fees for the year ended September 30, 2011 was $469,219 (September 30, 2010 - $360,479) due to the increased in the number of salary employees and consultants.

- Due to rapid growth of the business, professional fees increased to $163,210 (September 30, 2010 - $109,083) for the year ended September 30, 2011. Office and general expense for the year ended September 30, 2011 have also increased to $257,473 (September 30, 2010 - $143,915). One of the major components of office and general increase was the increase in rent.

RESULTS OF OPERATIONS AND CASH FLOWS (continued)

Fourth quarter expenses were $218,512, reflecting a decrease of $206,146 from the same period in 2010. This is mainly due to decrease of stock-based compensation expenses and consulting and management fee in the fourth quarter of 2011.

The above mentioned stock-based compensation expense and the interest and financing fees expense of are non-cash expenses which are added back in the cash flows statement under operating activities.

Cash Flows

Operating Activities

Operating activities used $2,176,491 of cash flow for the year ended September 30, 2011, representing an increase of $1,070,570 compared to the same period in 2010. This is mainly due to the increase expenses in 2011.

Fourth quarter cash used in operations was $679,919, reflecting a decrease of $40,134 from the same period in 2010.

Investing Activities

Cash used in investing activities of $16,749,968 for the year ended September 30, 2011, an increase of $13,279,589 compared to the same period in 2010. This is mainly due to the increase in exploration activities on the Granduc Project and the Elmtree Gold Project.

Fourth quarter cash used by investing was $9,493,618, reflecting an increase of $6,639,908 from the same period in 2010.

Financing Activities

Financing activities generated $21,673,154 of cash flow for the year ended September 30, 2011, representing an increase of $17,120,573 compared to the same period in 2010. The Company raised $22,321,750 thru two private placements during the year. The Company received $1,070,770 on the exercise of warrants and $1,110 on the exercise of broker warrants.

Fourth quarter cash received by financing was $115,160, reflecting a decrease of $3,405,083 from the same period in 2010.

SELECTED ANNUAL AND QUARTELY FINANCIAL INFORMATION

SUMMARY OF ANNUAL RESULTS

Balance Sheet	Year-end September 30, 2011	Year-end September 30, 2010	Year-end September 30, 2009
Current Assets	$ 7,876,505	$ 968,442	$ 270,643
Current Liabilities	5,448,420	2,485,851	186,353
Working Capital	2,428,085	(1,517,409)	84,290
Total Assets	32,930,363	7,641,260	1,377,314
Shareholders' Equity	25,412,531	3,371,819	1,190,961
Deficit	11,725,658	7,464,079	6,380,735

SUMMARY OF QUARTERLY RESULTS

The following table sets out selected quarterly financial information of Morumbi Oil & Gas Inc. derived from unaudited interim financial statements prepared by management in accordance with Canadian GAAP.

Quarter ended	September 30, 2011 $	June 30, 2011 $	March 31, 2011 $	December 31, 2010 $
Net loss and comprehensive loss for the period	188,978	244,996	2,204,876	1,622,729
Basic and diluted loss per share	0.00	0.00	0.03	0.02
Expenses	218,512	295,672	2,230,855	1,735,327
Interest in mineral properties	24,517,819	15,104,435	11,897,793	11,307,531
Working capital (deficiency)	2,428,085	12,055,027	15,323,777	4,607,523
Stock-based compensation	58,705	-	1,697,200	1,518,100
Interest income	29,535	50,675	25,979	12,598

Quarter ended	September 30, 2010 $	June 30, 2010 $	March 31, 2010 $	December 31, 2009 $
Net loss and comprehensive loss for the period	367,989	481,477	113,341	120,537
Basic and diluted loss per share	0.01	0.01	0.00	0.00
Expenses	424,658	481,477	113,341	120,537
Interest in mineral properties	6,436,981	1,722,823	1,558,831	1,459,455
Write-down of mineral properties	20,331	-	-	-
Working capital (deficiency)	(1,517,409)	84,704	420,985	83,366
Stock-based compensation	173,000	272,800	-	-

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 September 30, 2011, the Company had cash and cash equivalents of $2,848,178 and working capital of $2,428,085. Included in amounts receivable are $3,425,522 BC refundable tax credits and $1,466,530 GST/HST receivable. The Company received approximately $1,284,000 GST/HST refund subsequent to year-end. The Company anticipate the receiving of BC tax credit in the second quarter of 2012.

October 19, 2011, the Company raised $5,999,994 financing thru the issue of 9,523,800 flow-through shares at a price of $0.63 per share. The Company has been successful in accessing the equity market, while there is no guarantee that this will continue to be available, management has no reason to expect that this capability will diminish in the near term.

FINANCIAL MEASURES

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

	September 30, 2011	**September 30, 2010**
Current Ratio	1.45	0.38
Working Capital (Deficiency)	2,428,085	(1,517,409)
Cash and cash equivalents	2,848,178	101,483

CAPITAL RESOURCES

The following is a summary of the Company's outstanding share, warrant and stock option data as of September 30, 2011 and January 20, 2012.

Common shares

At September 30, 2011, the Company had issued and outstanding 106,174,537 common shares. The Company issued 9,523,800 common shares on October 19, 2011 private placement. The Company also issued 51,021 to Teuton Resources Corporation and further issued 30,000 common shares on the exercise of warrants subsequent to year-end. At January 20, 2012, the Company had issued and outstanding 115,779,358 common shares.

Stock options

At September 30, 2011, a total of 10,010,000 stock options are issued and outstanding with expiry dates ranging from March 28, 2012 through to August 2, 2016. All stock options entitle the holder to purchase common shares of the Company. There were no stock options issued or exercised between October 1, 2011 and January 20, 2012

Warrants

At September 30, 2011, a total of 27,543,175 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 January 31, 2012 through to July 14, 2015. Subsequent to year-end, 30,000 warrants were exercised at a price of $0.30. At January 20, 2012, the Company had 27,513,175 warrants issued and outstanding.

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

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 year ended September 30, 2011, rent of approximately $68,438 (September 30, 2010 - $37,387) charged by this corporation was included in office and general expenses.

During the year, the Company incurred consulting fees and management fees of approximately $763,000 (September 30, 2010 - $382,309) paid to certain directors and officers of the Company.

SUBSEQUENT EVENT

Private Placement

On October 19, 2011, the Company closed a brokered private placement comprised of 9,523,800 flow-through shares at a price of $0.63 per share for gross proceeds of $5,999,994. In connection with the private placement, the Company paid cash commissions of 5% of the gross proceeds raised.

Horseshoe Property

On December 5, 2011, the Company terminated further exploration work on the Horseshoe Property with all obligations from that date being terminated and no interest earned or retained. The Company write-down approximately $531,000 costs capitalized in this property in Q1 2012.

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.

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 end beginning September 30, 2011.

The following information is presented in pursuant to the October 2008 recommendations of the Canadian Performance Reporting Board relating to pre-2011 communications about IFRS conversion and to comply with Canadian Securities Administrators Staff Notice 52-320, Disclosure of Expected Changes in Accounting Policies Relating to Changeover to International Financial Reporting Standards. This information is provided to allow investors and others to obtain a better understanding of our IFRS changeover plan and the resulting possible effect on our financial statement. Readers are cautioned, however that it may not be appropriate to use such information for any other purposes. This information also reflects the Company's most recent assumptions and expectations; circumstances may arise, such as changes in IFRS regulation or economic conditions, which could change these assumptions or expectations.

We have developed a plan for our changeover to IFRS comprised of three related phases:

- Review and Assessment
- Design
- Implementation

Phase 1: Review and Assessment Phase

The objective of this phase is to identify the required changes to our accounting policies and practices resulting from the changeover to IFRS to determine the scope of the work effort required for the Design and Implementation phases.

Phase 1 involves:

- A detailed review of all relevant IFRS standards to identify differences with our current accounting policies and practices
- The separate consideration of one-time accounting policy alternatives that must be addressed at the changeover date, and those accounting policy choices that will be applied on an ongoing basis in periods subsequent to the changeover to IFRS
- The prioritization of those differences that could have a more than inconsequential impact on our financial statements, business processes or IT systems

Phase 2: Design Phase

Phase 2 will result in the design and development of detailed solutions to address the differences identified in the first phase of our changeover plan. These solutions will result in certain necessary changes to our internal business processes and financial systems to comply with IFRS accounting and disclosure requirements.

Phase 2 activities include:

- The evaluation of accounting policy alternatives
- The investigation, development and documentation of solutions to resolve differences identified in Phase 1, reflecting changes to existing accounting policies and practices, business processes, IT systems and internal controls

INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

- The implementation of a change management strategy to address the information and training needs of internal and external stakeholders

Phase 3: Implementation Phase

In the third and final phase of our changeover plan, we will implement the changes to affected accounting policies and practices, business processes, systems and internal controls. These changes will be tested prior to the formal reporting requirements under IFRS to ensure all significant differences are appropriately addressed in time for the changeover.

Progress towards Completion of the Company's IFRS Changeover Plan

The Company has completed Phases 1 and Phase 2 of its changeover plan. The Company's changeover plan entails identifying the differences between Canadian GAAP and IFRS that impact our financial statements. Our analysis to date has determined that our accounting policies are largely aligned with IFRS requirements in many key areas. Appropriate resources have been identified to complete the changeover in a timely manner according to our plan milestones. We have also ensured training needs are met and will continue to be addressed throughout the changeover period. At this time the impact that the future adoption of IFRS will have on our financial position and results of operations is not reasonably determinable on a quantitative basis, however, such impact may be material. Additional information will be provided as we move towards the changeover date.

The Company has performed its review of IFRS based on standards applicable as of the date of this report. The International Accounting Standards Board ("ISAB") is still developing IFRS and may propose changes to the standards between the date of this report and the date the Company adopts IFRS. The Company's assessment of differences between Canadian GAAP and IFRS are based on its historical, current and expected business activities. Changes in business activities could also lead to unexpected differences to the Company's financial statements, notes and other disclosures as reported under Canadian GAAP and IFRS. The Company is tracking the differences between Canadian GAAP and IFRS on individual transactions throughout 2011 fiscal year. The Company has also analyzed the effect of changes in IFRS as they occur. The Company will continue to provide quarterly and annual updates on the IFRS Changeover Plan in future filings throughout the transition period.

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

In order to maintain the option agreement in good standing, the Company is required to conduct certain minimum levels of exploration activity. The exploration program concluded in 2010 more than satisfies the commitments established in the option agreement for the year.

FLOW-THROUGH SHARE SPENDING COMMITMENT

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**.** The Company raised $706,500 through the issuance of flow-through shares and is required to spend such funds on qualified exploration expenditures by December 31, 2011. At September 30, 2011, the Company has met the spending requirement. 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, 2011.

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

RISKS AND UNCERTAINTIES (continued)

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.

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

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

RISKS AND UNCERTAINTIES (continued)

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 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 year ended September 30, 2011 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 audited consolidated financial statements.

Additional Information

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