Castle Mountain Mining Company Limited
Management's discussion and analysis
For the three and nine months ended September 30, 2014 and 2013

FORWARD-LOOKING STATEMENT

The following discussion of the results of operations, financial condition and cash flows of Castle Mountain Mining Company Limited and its wholly-owned subsidiaries (collectively the "Company") was prepared as at November 28, 2014 and should be read in conjunction with the Company's interim unaudited consolidated financial statements for the three and nine months ended September 30, 2014 and 2013, and the Company's consolidated financial statements for the years ended December 31, 2013 and 2012, prepared in accordance with International Financial Reporting Standards ("IFRS"). All amounts disclosed are in Canadian dollars unless otherwise stated.

Forward-Looking Statements

Statements contained in this Management Discussion and Analysis that are not historical facts are "forward-looking information" or "forward-looking statements" (collectively, "Forward-Looking Information") within the meaning of applicable Canadian securities legislation and the United States Private Securities Litigation Reform Act of 1995. Forward Looking Information includes, but is not limited to, disclosure regarding the drilling program; the timing and costs of future development and exploration activities on the Company's properties; success of development and exploration activities; time lines for technical reports and further studies, including a prefeasibility or feasibility study; and planned exploration and development of properties and the results thereof. In certain cases, Forward-Looking Information can be identified by the use of words and phrases such as "plans", "expects" or "does not expect", "is expected", budget", "scheduled", "suggest", "optimize", "estimates", "forecasts", "intends", "anticipates", "potential" or "does not anticipate", believes", "anomalous" or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved". In making the forward-looking statements in this Management's Discussion and Analysis, the Company has applied several material assumptions, including, but not limited to, that the current development, exploration and other objectives concerning the Castle Mountain Project can be achieved and that its other corporate activities will proceed as expected; that the current price and demand for gold will be sustained or will improve; that general business and economic conditions will not change in a materially adverse manner and that all necessary governmental approvals for the planned exploration on the Castle Mountain Project will be obtained in a timely manner and on acceptable terms; the continuity of the price of gold and other metals, economic and political conditions and operations. Forward-Looking Information involves known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the Forward-Looking Information. Such risks and other factors include, among others, risks inherent to the preliminary nature of the preliminary economic assessment, risks related to permitting, water availability, operating cost overruns, and capital cost overruns; risks related to a sustained and significant reduction in gold prices; risks that the metallurgical performance of different process feeds are not as anticipated; risks related to the availability of financing on commercially reasonable terms and the expected use of proceeds; operations and contractual obligations; changes in development and exploration programs based upon results of exploration; availability of third party contractors; availability of equipment; failure of equipment to operate as anticipated; accidents, effects of weather and other natural phenomena and other risks associated with the mineral exploration industry; environmental risks, including environmental matters under U.S. federal and California rules and regulations; impact of environmental remediation requirements and the terms of existing and potential consent decrees on the Company's planned development and exploration on the Castle Mountain Project; certainty of mineral title; community relations; delays in obtaining governmental approvals or financing; the Company's dependence on one mineral project; the nature of mineral development, exploration and mining and the uncertain commercial viability of certain mineral deposits; the Company's lack of operating revenues; governmental regulations and the ability to obtain necessary licenses and permits; risks related to mineral properties being subject to prior unregistered agreements, transfers or claims and other defects in title; currency fluctuations; changes in environmental laws and regulations and changes in the application of standards pursuant to existing laws and regulations which may increase costs of doing business and restrict operations; risks related to dependence on key personnel; and estimates used in financial statements proving to be incorrect; as well as those factors discussed in the Company's public disclosure record and annual information form for the year ended December 31, 2013 which is available on SEDAR at www.sedar.com. Although the Company has attempted to identify important factors that could affect the Company and may cause actual actions, events or results to differ materially from those described in Forward-Looking Information, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that Forward-Looking Information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on Forward-Looking Information. Except as required by law, the Company does not assume any obligation to release publicly any revisions to Forward-Looking Information contained in this Management's Discussion and Analysis to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

OVERVIEW

Castle Mountain Mining Company Limited ("Castle Mountain" or the "Company") was incorporated under the Business Corporations Act (Ontario) on December 16, 2009 and commenced activities as a capital pool company on January 29, 2010 under the name of Foxpoint Capital Corp. On April 25, 2013, the Company completed its Qualifying Transaction (the "Transaction") by way of amalgamation, with a subsidiary of the Company and Telegraph Gold Inc. ("Telegraph"). At the time of the Transaction, the Company changed its name from Foxpoint Capital Corp. The registered head office is 200-83 Yonge Street, Toronto, Ontario, Canada.

Subject to certain obligations, the Company has 100% of the right, title and beneficial interest in and to the Castle Mountain Venture, a California general partnership, which owns the Castle Mountain property in San Bernardino County, California. The Castle Mountain heap leach gold mine produced over one million ounces of gold from 1992 to 2001, when mining was suspended due to low gold prices.

The Castle Mountain Venture land holdings (7,458 acres total) include patented claims (1,298 acres), and unpatented claims (6,160 acres).

Castle Mountain Mining Company Limited, through its wholly owned subsidiaries including Castle Mountain Venture, is focused on the exploration and, if warranted, development of gold deposits in San Bernardino County, California. The principal zones gold mineralization identified to date within the Project are below and surrounding historically mined pits on the property including the Oro Belle-Hart Tunnel, Jumbo, and Lesley Anne-Jumbo South Pits, as well as in the South Domes area.

The Company's common shares trade on the TSX Venture exchange under the symbol "CMM" and on the OTCQX under the ticker "CTMQF".

Canadian dollars	As at September 30, 2014	As at December 31, 2013
Statements of financial position		
Cash and cash equivalents and short-term investments	$ 6,819,780	$ 5,275,352
Total current assets	$ 6,901,099	$ 5,400,770
Total assets	$ 14,880,164	$ 13,292,862
Total current liabilities	$ 558,901	$ 739,911
Total liabilities	$ 5,087,780	$ 4,575,652
Total equity attributed to common shareholders	$ 9,792,384	$ 8,717,210
Total liabilities and equity	$ 14,880,164	$ 13,292,862

Candian dollars	For the three months ended September 30,		For the nine months ended Septmeber 30,	
Statements of Operations	2014	2013	2014	2013
Exploration expenditures	$ (1,522,522)	$ (462,184)	$ (2,457,955)	$ (2,749,402)
Reverse take over	-	-	-	(3,264,226)
Share-based payment expense	(196,184)	(57,278)	(559,079)	(391,840)
Salaries	(195,122)	(196,972)	(576,716)	(411,791)
Depreciation	(5,657)	(3,210)	(13,562)	(9,630)
Professional and consulting fees	(38,533)	(13,140)	(183,036)	(111,510)
Filing fees and regulatory costs	(25,685)	(3,392)	(55,781)	(65,321)
Travel	(44,510)	(33,287)	(66,787)	(77,292)
Technology and telecommunications	(3,326)	(6,913)	(34,193)	(33,063)
Office and sundry expenses	(18,422)	(15,649)	(47,414)	(26,852)
Other operating costs	(22,000)	(21,257)	(47,500)	(57,297)
Other income (expense)	(244,548)	(205,701)	(694,756)	(561,551)
Net loss	$ (2,316,509)	$ (1,018,983)	$ (4,736,779)	$ (7,759,775)
Net loss per share attributed to common shareholders				
Basic	$ (0.03)	$ (0.02)	$ (0.07)	$ (0.24)
Diluted	$ (0.03)	$ (0.02)	$ (0.07)	$ (0.24)

HIGHLIGHTS

- For the three months ended September 30, 2014, the Company recorded a net loss of $2,316,509 or $0.03 per share compared with a loss of $1,018,983 or $0.02 per share for three months ended September 30, 2013. For the nine months ended September 30, 2014, the Company recorded a net loss of $4,736,779 or $0.07 per share compared with a loss of $7,759,775 or $0.24 per share for nine months ended September 30, 2013.

- At September 30, 2014, the Company had cash and cash equivalents and short-term investments of $6,819,780.

- On June 27, 2014, the Company completed a public offering of 8,855,000 units (the "Units"), at a price of $0.65 per Unit for gross proceeds to the Company of $5,755,750.

- On April 24, 2014, the Company announced the results of its Preliminary Economic Assessment ("PEA"), see below for additional details.

- The Company has recommenced drilling and has selected M3 Engineering and Technology Corp. to be the lead consultant on the feasibility study for its Castle Mountain Project and has appointed Warren Woods as Vice President Operations, and Chief Operating Officer, effective August 1, 2014.

- On September 8, 2014, the Company announced that Mark Wayne was appointed Chairman following the resignation of Robert Buchan.

- On November 4, 2014, the Company qualified to begin trading on the OTCQX. The Company's ticker is CTMQF.

RESULTS OF OPERATIONS

During the second quarter of 2014, the Company commenced drilling at the Castle Mountain Mine. Drilling was recently completed with the program consisting of 1,196 metres of PQ-sized core and 2,140 metres of HQ-sized core and 6,922 metres of reverse circulation drilling. Drilling has been focussed on the Oro Belle, Jumbo and JSLA pits and the immediate areas surrounding them with the goal of supporting the data which will be incorporated into the Company's feasibility study. During the first quarter of 2014, the Company focussed on completing its PEA, the results of which are detailed below.

During the three and nine months of 2013, the Company commenced its first drill program at Castle Mountain.

Exploration expenditures for the three months ended September 30, 2014, and 2013 were $1,522,522 and $462,184, respectively. During the nine months ended September 30, 2014 the Company incurred exploration expenditures of $2,457,955 compared with $2,749,402 for the nine months ended September 30, 2013.

The increase during the third quarter of 2014 compared with the third quarter of 2013 was due to the fact that during 2014, the Company was in the middle of an on-going drill program, whereas in the third quarter of 2013 the Company was completing its Phase I drill program.

During the nine months ended September 30, 2014, exploration expenditures were lower compared with the nine months ended September 30, 2013 as the Company during the first part of 2014 was not actively drilling and was in the process of completing its PEA.

A breakdown of the Company's exploration expenditures is noted in the table below.

	For the three months ended September 30,		For the nine months ended September 30,	
	2014	2013	2014	2013
Personnel, contractor and consultant costs	$ 631,147	$ 170,671	$ 1,206,813	$ 415,847
Site administration	51,380	116,126	102,390	350,542
Drilling, assaying, field activities and property costs	839,995	175,387	1,148,752	2,194,258
Recovery of expenses	-	-	-	(211,245)
	$ 1,522,522	$ 462,184	$ 2,457,955	$ 2,749,402

Included in the personnel, contractor and consultant costs are costs related paid in relation to the completion of the PEA and the feasibility study, which accounts for the significant increase in 2014 over 2013. The recovery of expenses relates to the settlement of an agreement reached with a vendor who was contracted to perform work on the Telegraph Claims.

On April 24, 2014, the Company announced the receipt of its PEA[i]. The study was completed by RPA Inc. with the collaboration of David Penswick, P. Eng., and the Castle Mountain technical team. The PEA considered a base case and two sensitivity cases summarized in Table 1 below:

Table 1 – Project Summary

		Static	Base	Unconstrained
Recovered Au	000 oz	832	2,994	3,490
Annual Au	000 oz	119	176	291
All-In Sustaining Costs [2]	US$/oz	$919	$949	$801
Initial Capex	US$ MM	$98	$98	$421
Pre-Tax NPV 5% [1]	US$ MM	$173	$499	$831
Pre-Tax IRR [1]		38.9%	27.5%	29.1%
Post-Tax NPV 5% [1]	**US$ MM**	**$122**	**$352**	**$576**
Post-Tax IRR [1]		**29.7%**	**20.1%**	**21.7%**

Notes:

1. Assumes flat long term Au price of $1300/oz
2. All in Sustaining Costs is a non-GAAP measure presented as per WGC guidelines - includes allowance of $2 million per annum for corporate G&A. See Non-GAAP Measures.

The economic analysis contained in the PEA is based, in part, on Inferred Resources, and is preliminary in nature. Inferred Resources are considered too geologically speculative to have mining and economic considerations applied to them and to be categorized as Mineral Reserves. There is no certainty that economic forecasts on which the PEA is based will be realized.

Summary of Study

The PEA considered three cases:

- Base Case: This scenario is based on a low capital start-up with a subsequent capital investment and expansion to 8.1 Mtpa in year three of operation. The Base Case remains within the boundaries of the 3,910 acre Environmental Impact Statement (EIS), but requires an amendment of the current mine and operations plan during operations.
- Static Case: This scenario is limited to the current mine and operations plan, which provides for a disturbance area of 1,375 acres. It is based on a low initial capital requirement for 6.4 Mtpa of leaching, no expansion capital, and no amendments to the current mine permit.
- Unconstrained Case: This Scenario is unconstrained by either capital or the current mine and operations plan. The Unconstrained Case assumes an amendment of the mine permit to 18 Mtpa before the commencement of production. This case remains within the boundaries of the 3,910 acre EIS/EIR. This case includes increased capital spending in order to minimize the operating cost structure.

Table 2 – Summary Metrics for PEA Cases

		Static	Base	Unconstrained
Process Feed	000 tonnes	40,240	132,137	209,271
Waste	000 tonnes	173,530	912,135	835,001
Strip Ratio	waste : ore	4.31	6.90	3.99
Grade	g/t	0.84	0.85	0.62
Contained Au	000 oz	1,082	3,599	4,166
Recovered Au	000 oz	832	2,994	3,490
Recovery [1]		76.9%	83.2%	83.8%
Mine Life [2]	years	7	17	12
Annual Au	000 oz	119	176	291
All-In Sustaining Costs [3]	$/oz	$919	$949	$801
Initial Capex	$ MM	$98	$98	$421
Expansion Capex	$ MM	$0	$173	$0
Sustaining Capex	$ MM	$90	$250	$339
Closure[4]	$ MM	$6	$22	$30
Total Investment	$ MM	$194	$543	$790
Pre-Tax NPV 0% [5]	$ MM	$239	$953	$1,366
Pre-Tax NPV 5% [5]	$ MM	$173	$499	$831
Pre-Tax IRR [5]		38.9%	27.5%	29.1%
Post-Tax NPV 0% [5]	$ MM	$177	$728	$1,012
Post-Tax NPV 5% [5]	**$ MM**	**$122**	**$352**	**$576**
Post-Tax IRR [5]		**29.7%**	**20.1%**	**21.7%**
Simple Payback - Initial Capital [5]	months	31	31	59
Simple Payback - Expansion Capital [5]	months	n/a	46	n/a

1. Includes recovery of 76.9% for crushed leach material and 95% for milled material
2. Excludes 3 years of rinsing pads following completion of mining activities
3. All in Sustaining Costs is a non-GAAP measure presented as per WGC guidelines - includes allowance of $2m pa for corporate G&A. See Non-GAAP Measures
4. Net of salvage values of $2.7m (Static), $4.8m (Base) and $6.9m (Unconstrained)
5. Assumes flat long term Au price of $1300/oz

The information presented above is based on preliminary mine designs and processing criteria drawn from previous operating performance. Mineral Resources are based on NI 43-101 Mineral Resource estimate filed by the Company on SEDAR on December 11, 2013. Financial returns have been forecasted using an assumed long term gold price of $1300/oz. All currency amounts in tables 1 and 2 and associated footnotes are denominated in US dollars ($) unless otherwise noted.

Opportunities to Improve Results

Opportunities to improve upon the results presented above that will be investigated as the project is advanced include:

- A significant tonnage of material currently classified as waste within the pit shells has, in fact, not yet been drilled. The presence of mineralization in these areas has the potential to increase the tonnage of mineralization included in the mine plan and/or materially reduce the strip ratio.
- The historic cut-off of approximately 0.5 g/t is well above the current cut-off of 0.24 g/t for the Base Case (and 0.13 g/t for the Unconstrained Case). Material below the historic cut-off was used to backfill the JSLA Pit and will be excavated early in the mine plan. There is potential to process and economically recover gold from this material, which is currently classified as waste.
- It may be possible to recover additional gold from the existing leach pad. There are plans to test this, with a focus on the cells that were developed initially, where higher grade material was not milled or treated with the gravity circuit. In addition, it may be possible to use the leached material as construction aggregate – particularly for lining the new leach pads – and thus reduce capital expenditures.
- It may be possible to steepen wall slopes beyond the 48° overall slope angles that have been assumed, which would reduce the stripping ratio. The previously mined pits achieved inter-ramp slope angles well in excess of 50° throughout the majority of pits and most walls remain in excellent condition, more than 13 years later. Geotechnical studies have been planned for the next round of work.

Risks associated with the project

- **The metallurgical performance of different process feeds**. The Base Case mine plan includes processing of 3,599 koz contained gold. Of this total, 1,791 koz (50%) is located within the Jumbo, Oro-Belle and JSLA pits previously mined and above the deepest horizon of historic activity, 158 koz (4%) is located within the same pits but below the deepest horizon of historic activity, 482 koz (13%) is located within the Hart Tunnel pits that are immediately adjacent to the three previously mined pits and the remaining 1,188 koz (33%) is located within the South Domes pit that is offset from the other five by approximately 500 m. There is some confidence that the 50% of material located in the pits and horizons mined previously will perform similar to material processed previously. There is less confidence regarding the metallurgical performance of the remaining material. The next round of work will include metallurgical testing that aims to improve the confidence in recovery estimates for all material planned to be processed.
- **A sustained and significant reduction in gold prices**. As noted above, financial returns are sensitive to the gold price. To an extent, downside risk is mitigated by the plan that includes mining of six discrete pits, which provides operators with considerable flexibility in responding to short term fluctuations in price. The NPV 5% breakeven price is $1,050/oz.
- **Capital cost overruns**. As with all mining projects, financial returns are sensitive to capital costs. For Castle Mountain, risks associated with capital costs are mitigated by the relative simplicity of the design (the initial project intends to essentially replicate the previous successful design). Risks associated with capital costs are also mitigated by the permitting status – subject to obtaining the requisite project finance, construction will be able to start in the near term - and the current non-inflationary environment within the mining industry.
- **Operating cost overruns**. The project is more sensitive to operating costs. For Castle Mountain, risks associated with operating costs are mitigated by following the historic design, which proved the viability of operating concepts. Risk will be further mitigated by the current non-inflationary environment within the mining industry and expected short path to production. In particular, it is expected that skilled personnel are available to staff the project.
- **Water**. Historically the operation successfully processed approximately 3.6 million tons per year over a ten year period with continued leaching for several years after mining ceased. This PEA projects a

higher processing rate which will require more water and the work has not yet been done to show there is enough water for the projected rate. The Company plans to start hydrogeological work on the project in the very near term.

- **Permitting.** While the Company has the key Mining and Reclamation permit required for operation, other permits are still required. There are no assurances that these permits will be granted. The Base and Unconstrained Cases also envision using land which while inside the approved EIS/EIR boundary is outside of the area currently permitted for disturbance. There are no assurances the Company will be able to amend the Mine Plan to include additional areas of disturbance.
- **Mineral Resources.** This PEA is based on MI&I Resources, there are no assurances that this material will all be converted to Reserves **Further risk factors** are set out in the Company's continuous disclosure documents filed on SEDAR.

On August 20, 2014, the Company announced the results of the first three holes of its Phase 2 drill program.

The drill holes, results of which are presented below, targeted areas of known mineralization to supply material for the Company's ongoing metallurgical test program and associated feasibility study.

Drill Hole	Location	Interval (metres)	From (metres)	To (metres)	Au (g/t)	Cyanide Recovery Au (g/t)	Au/CN* Ratio
CMM-012	Jumbo Pit	42.7	232.9	275.5	0.53	0.45	75.0%
CMM-013	Jumbo Pit	19.8 53.3 48.9	0 175 233.6	19.8 228.3 282.5	0.42 0.59 0.54	0.40 0.44 0.45	95.9% 77.8% 72.0%
CMM-014 Including	JSLA Pit	102.1 48.8	94.2 147.5	196.3 196.3	7.46 14.69	4.47 8.46	78.1% 73.9%

* Au fire assays below 0.20 g/t were not analyzed for cyanide solubility and were not included in the calculation of the Cyanide Recovery average grade or Au/CN ratio.

Drill hole CMM-014 targeted the highwall of the JSLA Pit, an area currently being considered for the initial phase of mining, given above average gold grades, and relatively low strip requirements. Drill holes CMM-012 and CMM-013 targeted material below, and adjacent to the Jumbo Pit, and in doing so, generated above cut-off grade results in areas currently being categorized as waste material in the PEA-based mine plan.

Core underwent cyanide solubility testing as the first phase of an extensive metallurgical test program, and showed notably high recoveries in the high grade samples. These tests are being followed up with further studies including column tests that are currently underway.

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[i] The details regarding the PEA were extracted from the Company's press release on April 24, 2014, for more details please see the Company's press release available on the Company's website and the Company's Technical Report filed on www.sedar.com.

Reverse take over

On April 25, 2013, the Company completed its Qualifying Transaction by way of amalgamation, with a subsidiary of the Company and Telegraph. As the former Telegraph shareholders ended up owning the majority of the Company upon completion of the Transaction, the transaction was deemed to be a reverse takeover.

In accordance with IFRS 3, Business Combination, the substance of the transaction is a reverse takeover of a non-operating company. The transaction does not constitute a business combination as the Company does not meet the definition of a business under the standard. As a result, the transaction is accounted for as a capital transaction with Telegraph being identified as the acquirer and the equity consideration being measured at fair value.

Transactions costs incurred prior to January 1, 2013, have been expensed in the statement of loss and comprehensive loss.

Share-based payment expense

During the three and nine months ended September 30, 2014, the Company incurred share-based payment expense of $196,184 and $559,079, respectively compared with share-based payment expense of $57,278 and $391,840, respectively, for the three and nine months ended September 30, 2013. The increase was due to the recognition of share-based payments expense for options that were granted during 2014.

Salaries

For the three months ended September 30, 2014, salaries expense was $195,122 compared with $196,972 for the three months ended September 30, 2013. Salaries expense for the nine months ended September 30, 2014 was $576,716 compared with $411,791 for the nine months ended September 30, 2013. Salaries expense was higher in the current year period compared with the prior year period due to a higher headcount as the Company had hired additional employees as part of the reverse take over, described above.

Depreciation

The Company recorded depreciation of $5,657 and $13,562, respectively, for the three and nine months ended September 30, 2014 compared with $3,210 and $9,630, respectively for the three and nine months ended September 30, 2013. Depreciation was higher for the three and nine months ended September 30, 2014, as a result of the purchase of a vehicle during the early part of 2014.

Professional and consulting fees

For the three months ended September 30, 2014, professional fees were $38,533 compared with $13,140 for the three months ended September 30, 2013. Professional fees were $183,036 for the nine months ended September 30, 2014 compared with $111,510 for the nine months ended September 30, 2013. The increase in professional fees is due to a higher level of corporate activity for during 2014.

Filing fees and regulatory costs

For the three months ended September 30, 2014, filing fees and regulatory costs were $25,685 and $3,392, for the three months ended September 30, 2013. During the nine months ended September 30, 2014, the Company incurred $55,781 in filing fees and regulatory costs compared with $65,321 for the nine months ended September 30, 2013. Filing fees and regulatory costs in 2013 reflects costs associated with the Company’s reverse take-over and listing on the TSX Venture Exchange.

Travel

The Company incurred travel costs of $44,150 for the three months ended September 30, 2014, higher than the travel costs of $33,287 for the three months ended September 30, 2013 due to additional trips to site. Travel costs were $66,787 for the nine months ended September 30, 2014 compared with $77,292 for the nine months ended September 30, 2013. Travel expenses were lower in the current year period as the Company was not actively drilling and as a result there were fewer trips to site.

Technology and telecommunications

Technology costs of $3,326 for the three months ended September 30, 2014 was largely lower than the $6,913 of technology costs for the three months ended September 30, 2013. Technology and telecommunication costs were $34,193 and $33,063, largely consistent, for the nine months ended September 30, 2014 and 2013, respectively

Office and sundry expenses and other operating costs

Other operating costs include the cost of supplies, rent and miscellaneous items. These amounts were higher for the three and nine months ended September 30, 2014 compared with the same periods in 2013 as a result of an increase in corporate activity.

Other income (expense)

Other income (expense) was higher for the three and nine months ended September 30, 2014 compared with the three and nine months ended September 30, 2013, primarily as a result of the accretion on the Company's long-term liability.

Net loss

For the three months ended September 30, 2014, the Company recorded a net loss of $2,316,509 or $0.03 per share compared with a loss of $1,018,983 or $0.02 per share for three months ended September 30, 2013. For the nine months ended September 30, 2014, the Company recorded a net loss of $4,736,779 or $0.07 per share compared with a loss of $7,759,775 or $0.24 per share for nine months ended September 30, 2013.

OUTLOOK

At the time of filing of this quarterly report the gold price has been extremely volatile and gold equities have been sharply depressed. In this difficult environment Management, under the guidance of the Board of Directors of the Company, are reassessing our plans with a view to preserving financial flexibility.

Quarterly review

Summarized quarterly information for the past eight quarters is as follows:

Three Month Periods Ended	Net Revenues ($)	Total assets ($)	Net loss attributable to common shareholders	
			Total ($)	Per Share ($)
2014 – September 30	-	14,880,164	(2,316,509)	(0.03)
2014 – June 30	-	16,505,309	(1,398,525)	(0.02)
2014 – March 31	-	12,181,284	(1,021,745)	(0.02)
2013 – December 31	-	13,292,862	(1,646,414)	(0.03)
2013 – September 30	-	9,871,213	(1,018,983)	(0.02)
2013 – June 30	-	10,404,057	(5,406,197)	(0.14)
2013 – March 31	-	12,586,391	(1,334,595)	(0.03)
2012 – December 31	-	14,430,045	(4,190,471)	(0.09)

The Company's quarterly results have been impacted by the level of exploration activity taken.

Impacting results for the third quarter of 2014 was exploration costs as the Company was in the process of its Phase II drilling campaign. The net loss in the first and second quarters of 2014 reflects a lower level of exploration as the Company was not actively drilling and focussed on the completion of the PEA.

Impacting results for the fourth quarter of 2013, was share-based payment expense, salaries and professional fees.

Impacting results for the second quarter of 2013 was the costs incurred related to the Qualifying Transaction. Additionally, exploration expenditures incurred at the Castle Mountain project are reflected in the quarterly results for 2013.

The net loss attributable to common shareholders for the quarters prior to June 30, 2013, have been revised as a result of the change in accounting policy with respect to exploration and evaluation expenditures.

The Company's total assets increased from December 31, 2013, largely the result of the proceeds raised from the issuance of units in June of 2014.

Liquidity and Capital Resources

As at September 30, 2014, the Company had cash and cash equivalents and short-term investments of $6,819,780 compared with $5,275,352 at December 31, 2013.

The Company's primary source of additional liquidity is financing transactions. The Company's primary use of cash to September 30, 2014 included exploration and evaluation expenses as well as general and administrative expenses.

At September 30, 2014, the Company had a positive working capital balance of $6,342,198 compared with $4,660,859 at December 31, 2013. While the cash requirements are largely dependent on the Company's level of activity, the Company believes it has sufficient cash on hand to meet its obligations for the next twelve months. Should activity increase, the Company may seek additional funds through financing transactions. It is not possible to predict whether financing efforts will be successful or sufficient in the future.

Operating Activities

For the nine months ended September 30, 2014 and 2013, the cash used in operating activities was $3,613,373 and $5,112,326, respectively. The primary use of cash was exploration, general and administrative and other operating expenses incurred. Additionally, during the nine months ended September 30, 2014, the Company had a reduction in accounts and other payables of $187,506 compared with $1,302,270 for the nine months ended September 30, 2013. The decrease in cash used in operating activities compared with the same period in 2013, was largely the result of a lower level of exploration activity as well as a lower amount paid for payables.

Investing Activities

During the nine months ended September 30, 2014, the Company invested $45,470 in equipment and acquired claims, which were previously leased in the amount of $55,065. During the nine months ended September 30, 2013, the Company invested $134,052 in the form of a reclamation bond. This was offset to some extent by $71,122 of cash acquired as a result of the reverse take-over.

Financing Activities

During the nine months ended September 30, 2014, the Company generated $5,252,874 in net proceeds as a result of the issuance of units. Additionally, the Company received $74,688 as a result of the exercise of options. During the nine months ended September 30, 2013 a total of $110,957 was received as a result of additional capital that was contributed.

Outstanding Share Data

As at November 28, 2014, the Company had 71,891,418, common shares issued and outstanding. Additionally, the Company had 6,533,750 stock options and 4,927,500 common share purchase warrants outstanding. If all warrants and options, were exercised and issued, it would bring the fully diluted issued common shares to a total of 83,352,668 and would generate cash of approximately $8.4 million.

Share capital and warrants

On June 27, 2014, the Company completed a public offering (the "Offering") of 8,855,000 units (the "Units"), at a price of $0.65 per Unit for gross proceeds to the Company of $5,755,750.

Each Unit consists of one common share (a "Common Share") and one half of one Common Share purchase warrant (a "Warrant") of the Company. Each Warrant expires twenty four (24) months from the date of issuance and will entitle the holder thereof to purchase one Common Share (a "Warrant Share") at a price of $1.00 per Warrant Share. A breakdown of the net proceeds from the Offering is noted in the table below.

8,855,000 units issued	$	5,755,750
Fair value of warrants		(756,517)
Transaction costs		(577,564)
Total	$	4,421,669

During the three and nine months ended September 30, 2014, the Company issued 56,250 and 331,250 shares were issued, respectively, as a result of the exercise of options.

During the nine months ended September 30, 2013, founders of Telegraph returned an aggregate of 2,500,000 common shares of the Company for no consideration. An adjustment of $776,156 was made to paid up capital. Additionally, as part of the Transaction, certain Telegraph shareholders contributed an additional $110,957 in the capital of the Company.

On June 2, 2014, the Company's shareholders approved the adoption of a shareholder rights plan agreement (the "Rights Plan"), entered into with Equity Financial Trust Company, as rights agent, effective December 3, 2013.

The Rights Plan was adopted to provide adequate time for the Board and the Company's shareholders to assess any unsolicited take-over bid (a "Bid") which might be received, to provide the Board with sufficient time to explore and develop alternatives for maximizing shareholder value and to provide the Company's shareholders with an equal opportunity to participate in the Bid and protect them from unfair or coercive tactics. The Rights Plan was not adopted as a result of any pending or suspected unsolicited Bid to acquire control of the Company.

The Rights Plan is intended to encourage any Bid to satisfy certain minimum standards designed to promote fairness. If a Bid fails to satisfy these minimum standards, the Rights Plan provides that holders of the Company's common shares, other than the bidder, will be able to purchase additional common shares at a substantial discount to the market price.

Options

During the three months ended September 30, 2014, 56,250 options with an exercise price of $0.35 were exercised. Additionally, during the nine months ended September 30, 2014, a total of 275,000 options with an exercise price of $0.20 were exercised, respectively. A total of 37,500 options with an exercise price of $0.20 were exercised during the three and nine months ended September 30, 2013. During the three months ended September 30, 2014 a total of 50,000 options with an exercise price of $0.35 expired and during the nine months ended September 30, 2014, an additional 100,000 options with an exercise price of $0.20 expired.

On January 17, 2014, the Company issued a total of 800,000 options to directors, an officer, and consultants at an exercise price of $0.60 for a period of 5 years and vesting over a one year period. The grant date fair value of $295,200 was assigned to the stock options as estimated using the Black-Scholes valuation model with the following assumptions, expected dividend yield of 0%, a volatility of 75% based on comparable companies, a risk-free rate of return of 1.69% and an expected maturity of 5 years.

On February 24, 2014, the Company issued a total of 200,000 options to consultants at an exercise price of $0.89 for a period of 5 years and vesting over a one year period. The grant date fair value of $111,600 was assigned to the stock options as estimated using the Black-Scholes valuation model with the following assumptions, expected dividend yield of 0%, a volatility of 77% based on comparable companies, a risk-free rate of return of 1.70% and an expected maturity of 5 years.

On August 6, 2014, the Company issued a total of 870,000 options to officers and consultants at an exercise price of $0.68 for a period of 5 years and vesting over a one year period. The grant date fair value of $361,589 was assigned to the stock options as estimated using the Black-Scholes valuation model with the following assumptions, expected dividend yield of 0%, a volatility of 75%, based on comparable companies, a risk free rate of return of 1.30% and an expected maturity of 5 years.

Related Party Transactions

Compensation of Directors and management

Related parties include the Board of Directors, close family members and enterprises that are controlled by these individuals as well as certain persons performing similar functions.

In accordance with IAS 24, key management personnel are those 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.

For the three months ended September 30, 2014 and 2013 the Company paid $271,726 and $230,731, respectively, in salaries and consulting fees to Officers of the Company.

For the nine months ended September 30, 2014, the Company paid $719,283 and $475,071, respectively, in salaries and consulting fees to Officers of the Company.

A total of $183,895 and $50,158 in share-based payment expense was recognized in respect of options granted to Officers and Directors of the Company for the three months ended September 30, 2014 and 2013, respectively.

A total of $519,083 and $379,985 in share-based payment expense was recognized in respect of options granted to Officers and Directors of the Company for the nine months ended September 30, 2014 and 2013, respectively.

The Company has reimbursed a consultant and former Director of the Company for rent and other office costs incurred on the Company's behalf. For the three months ended September 30, 2014, and 2013, the total rent reimbursement was $20,300 and $9,000, respectively. A total of $45,800 and $27,000 was reimbursed for the nine months ended September 30, 2014 and 2013, respectively.

Commitments

Compliance with laws and regulations
The Company's exploration and evaluation activities are subject to various federal, provincial and state laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

Site preparation and drift rehabilitation
The Company had an agreement with J.S. Redpath Ltd. ("Redpath") to perform site preparation and drift rehabilitation on the Telegraph Site (the "Redpath Agreement"). Under the agreement, the Company would reimburse Redpath for all of the costs associated with the work, which includes a fixed fee of 11%, plus an overhead fee of 9.5% of actual costs as well as a general insurance fee of 1.5% of the invoiced expenditures applied after considering all costs including fees.

Due to the decision to stop exploration activities on the Telegraph Claims, the Company and Redpath entered into a settlement agreement dated effective February 22, 2013. The agreement set out the parties rights, responsibilities and obligations following the termination of the Redpath Agreement. The Company recognized a recovery of exploration costs of $211,245 during the nine months ended September 30, 2014.

Management Contracts
The Company has entered into a management contract with the CEO whereby upon the occurrence of a change of control, the Company is required to pay 24 months salary and a bonus equal to that of all bonuses received over the past 12 months. Additionally, the Company has entered into contracts with other officers whereby upon the occurrence of a change of a control and a triggering event the Company is required to pay up to a maximum of 18 months salary and a bonus equal to the bonus paid in the prior year. As a triggering event has not taken place, the contingent payments have not been reflected in these consolidated financial statements. The total owed to officers of the Company in the event of a change of

control and triggering event would be approximately $2.0 million. The Company has also entered into management contracts whereby the Company is committed to pay annual salaries in the amount of $1,165,000.

BUSINESS ENVIRONMENT AND RISKS

The Company has exposure to liquidity risk and foreign currency risk. The Company's risk management objective is to preserve and redeploy the existing treasury as appropriate and, ultimately protect shareholder value. Risk management strategies, as discussed below, are designed and implemented to ensure the Company's risks and the related exposure are consistent with the business objectives and risk tolerance.

Liquidity Risk: Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company manages its liquidity by ensuring that there is sufficient capital to meet short and long-term business requirements, after taking into account cash requirements from operations and the Company's holdings of cash, cash equivalents, and short-term investments. The Company also strives to maintain sufficient financial liquidity at all times in order to participate in investment opportunities as they arise, as well as to withstand sudden adverse changes in economic circumstances.

The Company's primary source of additional liquidity is financing transactions. The Company's primary use of cash to September 30, 2014 was exploration and evaluation expenses as well as general and administrative expenses.

Additionally, the Company has certain payments related to its agreement with Sprott, which can be settled at the Company's option in cash or shares.

Management forecasts cash flows for its current and subsequent fiscal years to predict future financing requirements. Future requirements may be met through a combination of credit and access to capital markets. The Company's cash requirements are dependent on the level of operating activity, a large portion of which is discretionary. Should management decide to increase its operating activity more funds than what is currently in place would be required. It is not possible to predict whether financing efforts will be successful or sufficient in the future. At September 30, 2014 the Company had $6,819,780, (December 31, 2013 - $5,275,352) in cash and cash equivalents and short-term investments.

Currency risk: The Company's expenditures are incurred in Canadian and US dollars. The results of the Company's operations are subject to currency transaction risk. The Company mitigates foreign exchange risk through forecasting its foreign currency denominated expenditures and maintaining an appropriate balance of cash in each currency to meet the expenditures. As the Company's reporting currency is the Canadian dollar, fluctuations in US dollar will affect the results of the Company.

Credit risk: Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. As at September 30, 2014, the Company's credit risk is primarily attributable to cash and short-term investments. At September 30, 2014, the Company's cash was held with reputable Canadian chartered banks.

Interest rate risk: Interest rate risk is the risk borne by an interest-bearing asset or liability as a result of fluctuations in interest rates. Financial assets and financial liabilities with variable interest rates expose the Company to cash flow interest rate risk. The Company's most significant interest rate risk arises from its investments in short-term investments. As at September 30, 2014, the Company had $521,158 (December 31, 2013 - $514,662) in a guaranteed investment certificate.

Other than previously noted there have been no changes to the Company's risks that have been disclosed in the Management's Discussion and Analysis and the Annual Information Form for the year ended December 31, 2013 available on www.sedar.com.

CRITICAL ACCOUNTING ESTIMATES AND ACCOUNTING CHANGES

The Company's interim unaudited condensed consolidated financial statements are prepared in accordance with International Financial Reporting Standards. In preparing these statements, management must make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. The estimates and assumptions are believed to be reasonable under the circumstances and are based on historical experience and current conditions. The use of other assumptions could result in different estimates, and actual results may vary from results based on these estimates. As events occur and additional information is obtained, these estimates may be subject to change. Estimates are deemed critical when the Company's financial condition or results of operations could be materially impacted by a change in estimate. The areas where management has made significant judgements include, but are not limited to, mineral interests, provision for income taxes, share-based payments, decommissioning liabilities, and long-term liability.

The Company's significant accounting policies and changes in accounting policies are discussed in its consolidated financial statements for the years ended December 31, 2013 and 2012.

DISCLOSURE CONTROLS AND PROCEDURES

Management is responsible for the design and effectiveness of disclosure controls and procedures to provide reasonable assurance that material information related to the Company, including its consolidated subsidiaries, is made known to the Company's certifying officers. The Company has considered the effectiveness of the Company's disclosure controls and procedures as at September 30, 2014 and have concluded that these controls and procedures are effective, given the Company's size. It should be noted that while the Company believes that the design of the Company's disclosure controls and procedures provide a reasonable level of assurance that they are effective, they do not expect that the disclosure controls and procedures or internal controls over financial reporting will prevent all errors and fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

INTERNAL CONTROLS 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 financial statements in accordance with International Financial Reporting Standards. Based on a review of its internal control procedures at the end of the period covered by this management's discussion and analysis, management believes, given the size of the Company, that its internal controls and procedures are appropriately designed as at September 30, 2014.

Non-GAAP Measures

"All-in sustaining costs" per ounce are presented in accordance with the guidance announced in 2013 from the World Gold Council, Castle Mountain believes this non-GAAP measure provides further transparency into costs associated with producing gold and will assist analysts, investors and other stakeholders of the Company in assessing the project's expected operating performance, ability to generate free cash flow and its overall value. This data is furnished to provide additional information and is a non-GAAP measure. All-in sustaining costs presented do not have a standardized meaning under GAAP and may not be comparable to similar measures presented by other mining companies. It should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP and is not necessarily indicative of operating costs presented under GAAP.

Sampling Procedures and Quality Assurance

The scientific and technical information regarding the results of the Phase 2 drill program in this MD&A has been reviewed and approved by Kevin Kunkel, CPG, Castle Mountain Project Manager, who is a Qualified Person as defined by NI 43-101. The exploration activities at Castle Mountain were carried out under the supervision of Mr. Kunkel.

All gold assays are by a 30 g Fire Assay charge followed by an atomic absorption finish (with a 0.0005 g/t lower reporting limit). Cyanide solubility assays are determined by agitating the sample in a dilute cold cyanide solution for 30 minutes. Samples reporting values > 10 g/t are re-analyzed using a 30 g Fire Assay charge followed by a gravimetric finish. All composites utilize a 0.2 g/t cut off and may include internal waste. Some intervals may not add or subtract correctly due to rounding, but are deemed insignificant. Analyses are carried out by McClelland Laboratories, Inc. in Sparks, Nevada laboratory. McClelland Laboratories is independent of Castle Mountain Mining Limited and any of its subsidiaries. Blank and standard samples are sued for quality assurance and quality control and a review of the results of analyses of the blanks, standards and duplicates by the Company's Qualified Person indicates values are within normal and acceptable ranges. Mr. Kunkel has verified the data underlying the results contained in this news release. Mr. Kunkel experienced no limitations in his verification process and is of the opinion that there are no material factors that could affect the reliability of the results.

The scientific and technical information contained in the discussion regarding the PEA in this management's discussion and analysis was reviewed by Jason Cox, P.Eng., of RPA Inc., who is an independent "Qualified Person" under National Instrument 43-101 Standards of Disclosure for Mineral Projects ("NI 43-101").