Castle Mountain Mining Company Limited
Management's discussion and analysis
For the three months ended March 31, 2015 and 2014

## 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 May 29, 2015 and should be read in conjunction with the Company's interim unaudited consolidated financial statements for the three months ended March 31, 2015 and 2014 and the Company's consolidated financial statements for the years ended December 31, 2014 and 2013 prepared in accordance with International Financial Reporting Standards ("IFRS"), the Management's Discussion and Analysis for the years ended December 31, 2014 and 2013 and the Annual Information Form for the year ended December 31, 2014, all documents are available on www.sedar.com. 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, operations and contractual obligations; changes in exploration programs based upon results of exploration; future prices of metals; 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 exploration on the Castle Mountain project; certainty of mineral title; community relations; delays in obtaining governmental approvals or financing; fluctuations in mineral prices; the Company's dependence on one mineral project; the nature of mineral 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. 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; as well as those factors discussed in the Company's public disclosure record and annual information form for the year ended December 31, 2014 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.*

*Cautionary Note to U.S. Readers Regarding Estimates of Indicated and Inferred Resources*

*This MD&A uses the terms "measured" and "indicated" mineral resources and "inferred" mineral resources. The Company advises U.S. investors that while these terms are recognized and required by Canadian securities administrators, they are not recognized by U.S. securities administrators. The estimation of "measured" and "inferred" mineral resources involves greater uncertainty as to their existence and economic feasibility than the estimation of proven and probable reserves. The estimation of "inferred" resources involves far greater uncertainty as to their existence and economic viability than the estimation of other categories of resources. It cannot be assumed that all or any part of a "measured", "inferred" or "indicated" mineral resource will ever be upgraded to a higher category.*

*Under Canadian rules, estimates of "inferred mineral resources" may not form the basis of feasibility studies, pre-feasibility studies or other economic studies, except in prescribed cases, such as in a preliminary economic assessment under certain circumstances. U.S. securities administrators normally only permit issuers to report mineralization that does not constitute "reserves" as in-place tonnage and grade without reference to unit measures. Under U.S. standards, mineralization may not be classified as a "reserve" unless the determination has been made that the mineralization could be economically and legally produced or extracted at the time the reserve determination is made. U.S. investors are cautioned not to assume that any part or all of a "measured", "indicated" or "inferred" mineral resource exists or is economically or legally mineable. Information concerning descriptions of mineralization and resources contained herein may not be comparable to information made public by U.S. companies subject to the reporting and disclosure requirements of U.S. securities administrators.*

*Mineral resources that are not mineral reserves do not have demonstrated economic viability. The estimate of mineral resources may be materially affected by environmental, permitting, legal, title, taxation, socio-political, marketing, or other relevant issues. The quantity and grade of reported inferred resources in this estimation are uncertain in nature and there has been insufficient exploration to define these inferred resources as an indicated or measured mineral resource and it is uncertain if further exploration will result in upgrading them to an indicated or measured mineral resource category. The inclusion of inferred mineral resources are considered too speculative geologically to have the economic considerations applied to enable them to be categorized as mineral reserves. The mineral resources in this press release were reported using CIM Standards.*

## 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 located in 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 March 31, 2015 | | As at December 31, 2014 | |
|---|---|---|---|---|
| Statements of financial position | | | | |
| Cash and cash equivalents and short-term investments | $ | 1,843,501 | $ | 5,342,622 |
| Total current assets | $ | 1,945,937 | $ | 5,431,715 |
| Total assets | $ | 9,947,925 | $ | 13,423,625 |
| Total current liabilities | $ | 3,692,959 | $ | 4,625,894 |
| Total liabilities | $ | 6,023,858 | $ | 6,835,901 |
| Total equity attributed to common shareholders | $ | 3,924,067 | $ | 6,587,724 |
| Total liabilities and equity | $ | 9,947,925 | $ | 13,423,625 |

| Candian dollars | For the three months ended March 31, | | | |
|---|---|---|---|---|
| Statements of Operations | | 2015 | | 2014 |
| Exploration and evaluation | $ | (1,758,683) | $ | (342,459) |
| Reverse take over | | - | | - |
| Share-based payment | | (79,392) | | (190,896) |
| Salaries | | (522,058) | | (183,917) |
| Depreciation | | (4,216) | | (3,210) |
| Professional and consulting fees | | (42,163) | | (38,748) |
| Filing fees and regulatory costs | | (10,948) | | (9,451) |
| Travel | | (22,537) | | (3,112) |
| Technology and telecommunications | | (9,733) | | (13,208) |
| Office and sundry and other | | (36,763) | | (18,548) |
| Other income (expense) | | (256,556) | | (218,196) |
| Net loss | $ | (2,743,049) | $ | (1,021,745) |
| Net loss per share attributed to common shareholders | | | | |
| Basic | $ | (0.04) | $ | (0.02) |
| Diluted | $ | (0.04) | $ | (0.02) |

## HIGHLIGHTS

- For the three months ended March 31, 2015, the Company recorded a net loss of $2,743,049 or $0.04 per share compared with a loss of $1,021,745 or $0.02 per share for three months ended March 31, 2014.
- During the first quarter of 2015, the Company announced positive exploration drilling results from its 2014 Phase 2 drill campaign.
- During the first quarter of 2015, the Company completed a 10-hole 3,792 metre Phase 3 drill campaign following up on recent high-grade intercepts returned within the Lucky John and South JSLA target areas.
- During the first quarter of 2015, the Company announced positive initial results from its metallurgical testing program.
- On April 7, 2015, the Company announced that David Adamson had joined the Company as Chief Executive Officer and as a member of its Board of Directors and Ian Cunningham-Dunlop had joined as Vice President, Exploration. Additionally, David Reid and William Cavalluzzo had joined the Board of Directors.

- On April 17, 2015, the Company completed a non-brokered offering of 5,714,402 units ("Units") at $0.35 per Unit for aggregate gross proceeds of $2,000,040.70 ("Offering"). Each Unit consists of one common share of Castle Mountain ("Common Share") and one half of one Common Share purchase warrant (a "Warrant"). Each Warrant entitles the holder thereof to acquire one additional Common Share of Castle Mountain at an exercise price of $0.60 per Common Share until April 17, 2017.

## RESULTS OF OPERATIONS

During the first quarter of 2015, the Company was focussed on a 10 hole drill campaign at the Castle Mountain property, as well as performing metallurgical test work. During the first quarter of 2014, the Company was focussed on completion of its Preliminary Economic Assessment ("PEA").

Exploration expenditures for the three months ended March 31, 2015 and 2014 were $1,758,683 and $342,459, respectively.

The increase during the first three months of 2015 compared with the first three months of 2014, was due to the Company completing a drill campaign compared with focussing on the completion of the PEA during the first three months of 2014. Additionally, the Company was impacted by the strengthening of the US dollar relative to the Canadian dollar.

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

| | For the three months ended March 31, | | | |
|---|---|---|---|---|
| | | 2015 | | 2014 |
| Personnel, contractor and consultant costs | $ | 294,650 | $ | 164,046 |
| Site administration | | 23,154 | | 17,432 |
| Drilling, assaying, field activities and property costs | | 1,440,879 | | 160,981 |
| | $ | 1,758,683 | $ | 342,459 |

Included in the amounts above are exploration costs related to the Company's first quarter 2015 drill campaign. Costs of drilling and assaying for the drill program amounted to $1.0 million. Additionally, reflected in the exploration and evaluation costs are costs related to the Company's metallurgical test program which amounted approximately $0.3 million during the three months ended March 31, 2015 and are reflected in the Drilling, assaying, field activities and property costs in the table above.

During the first three months of 2015, the Company announced the final assay results from the Company's 2014 Phase 2 drill campaign. The Phase 2 program included 37 total holes drilled for 10,136 metres split between Core (3,336 metres) and RC (6,800 metres). Results from the drilling were encouraging and returned high-grade intercepts within the Lucky John target area, as well as, broad intervals of gold mineralization around the southern margins of the proposed JSLA pit. Highlights included:

- 74.4 m @ 9.11 g/t gold, including 35.1 m @ 18.97 g/t gold in hole CMM-060
- 33.3 m @ 30.31 g/t gold, including 10.6 m @ 94.04 g/t gold in hole CMM-054
- 137.8 m @ 1.5 g/t gold, including 16.8 m @ 3.07 g/t gold in hole CMM-018, and
- 79.2 m @ 0.89 g/t gold, including 23.8 m @ 1.48 g/t gold in hole CMM-040.

For additional details, please refer to the Company's press release dated January 19, 2015, available on the Company's website and on www.sedar.com.

The Company previously drilled four large diameter holes for metallurgical testing purposes in the third and fourth quarters of 2014, designated CMM-012, CMM-013, CMM-014, and CMM-017. All four holes provided samples across different geological lithologies and alteration zones with the known mineral resource zones. CMM-012 and CMM-013 were drilled into the Jumbo mineral resource zone, CMM-014 was drilled into the Lucky John mineral resource zone, and CMM-17 was drilled into the South JSLA mineral resource zone. From these four holes a total of 19 composites were developed for metallurgical testing. For additional details please refer to the Company's press release dated March 11, 2015, available on the Company's website and on www.sedar.com.

During the first three months of 2015, the Company announced initial drill results from the metallurgical test program. This includes column leach test ("CLT") results from the metallurgical drilling program, and preliminary results from the run of mine ("ROM") test program. For additional details, please refer to the Company's press release dated March 11, 2015, available on the Company's website and on www.sedar.com.

### Share-based payment expense

During the three months ended March 31, 2015 and 2014, the Company incurred share-based payment expense of $79,392 and $190,896, respectively. The decrease was due to the fact that majority of the fair value attributed to the stock options issued had previously been recognized.

### Salaries

For the three months ended March 31, 2015, salaries expense was $522,058 compared with $183,896 for the three months ended March 31, 2014. Salaries expense was higher in the current year period compared with the prior year period largely due to severance paid on the departure of an officer of the Company.

### Depreciation

The Company recorded depreciation of $4,216 and $3,210, respectively, for the three months ended March 31, 2015 and 2014. Depreciation was higher for the three months ended March 31, 2015, as a result of the purchase of a vehicle during the early part of 2014.

### Professional and consulting fees

During the three months ended March 31, 2015 professional fees were $42,163 slightly higher than the $38,748 for the three months ended March 31, 2014. The slight increase was largely due to slightly higher corporate activity for the three months ended March 31, 2015.

### Filing fees and regulatory costs

For the three months ended March 31, 2015, filing and regulatory costs were consistent with the filing fees and regulatory costs incurred during the first three months of 2014.

### Travel

The Company incurred travel costs of $22,537 for the three months ended March 31, 2015 higher than the travel costs of $3,112 for the three months ended March 31, 2014. Travel costs were higher due to certain travel related to marketing as well as trips to site.

### Technology and telecommunications

Technology costs of $9,733 for the three months ended March 31, 2015 lower than the $13,208 for the three months ended March 31, 2014 as a result of lower required technology support for the three months ended March 31, 2015.

### 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 months ended March 31, 2015 compared with the three months ended March 31, 2014 as a result of an increase in corporate activity.

### Other income (expense)

Other income (expense) was higher for the three months ended March 31, 2015 was higher than the three months ended March 31, 2014, primarily as a result of the accretion on the Company's long-term liability slightly offset by a foreign exchange gain.

### Net loss

For the three months ended March 31, 2015, the Company recorded a net loss of $2,743,049 or $0.04 per share compared with a loss of $1,021,745 or $0.02 per share for year ended December 31, 2013.

## OUTLOOK

At the time of filing of this 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, while preserving essential work to optimize project value.

### 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 ($) | Per Share ($) |
|---|---|---|---|---|
| 2015 – March 31 | - | 9,947,925 | (2,743,049) | (0.04) |
| 2014 – December 31 | - | 13,423,625 | (3,375,745) | (0.05) |
| 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) |

The Company's quarterly results have been impacted by the level of exploration activity undertaken. Total assets have decreased largely the result of the use of cash.

During the first quarter of 2015, the net loss was lower compared with the net loss for the fourth quarter of 2014, due to the fact that the Company was performing more drilling in the prior quarter compared with the current quarter.

Impacting results for the fourth 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.

### *Liquidity and Capital Resources*

As at March 31, 2015, the Company had cash and cash equivalents and short-term investments of $1,843,501 compared with $5,342,622 at December 31, 2014.

The Company's primary source of additional liquidity is financing transactions. The Company's primary use of cash to March 31, 2015included exploration and evaluation expenses as well as general and administrative expenses.

At March 31, 2015, the Company had a net working capital deficit of $1,747,022, largely due to the acquisition liability. However, the Company does have the option to settle the acquisition liability in shares. This compares with a positive working capital balance of $805,821 at December 31, 2014. 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 contractual obligations for the next twelve months, in order to advance the project in an efficient manner. Should activity increase, the Company may seek additional funds through financing transactions, if they are available. It is not possible to predict whether financing efforts will be successful or sufficient in the future.

#### Operating Activities

For the three months ended March 31, 2015 and 2014, the cash used in operating activities was $3,517,547 and $1,119,375, respectively. The primary use of cash was exploration, general and administrative and other operating expenses. The increase in cash used in operating activities compared with the same period in 2014, was largely the result of exploration and general and administrative expenditures as well as a larger reduction in accounts and other payables.

#### Investing Activities

During the three months ended March 31, 2015, the Company did not have any cash flows from investing activities. During the three months ended March 31, 2014, the Company invested $45,470 in equipment and acquired claims, which were previously leased in the amount of $55,065.

#### Financing Activities

During the three months ended March 31, 2015, the Company did not have any cash flows from financing activities. During the three months ended March 31, 2014, the Company received $25,000 in cash as a result of the exercise of options.

### Outstanding Share Data

As at May 29, 2015, the Company had 77,605,820, common shares issued and outstanding. Additionally, the Company had 9,033,750 stock options and 7,284,701 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 93,924,271 and would generate cash of approximately $11.0 million.

## Share capital and warrants

During the three months ended March 31, 2015 and 2014, the Company issued nil and 125,000 shares, respectively, as a result of the exercise of options.

Subsequent to March 31, 2015, on April 17, 2015, the Company completed a non-brokered offering of 5,714,402 units ("Units") at $0.35 per Unit for aggregate gross proceeds of $2,000,040.70 ("Offering"). Each Unit consists of one common share of Castle Mountain ("Common Share") and one half of one Common Share purchase warrant (a "Warrant"). Each Warrant entitles the holder thereof to acquire one additional Common Share of Castle Mountain at an exercise price of $0.60 per Common Share until April 17, 2017.

The proceeds from the Offering will be used to fund ongoing activities and for working capital purposes.

## Options

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.

During the three months ended March 31, 2015 and 2014, the Company issued nil and 125,000 shares, respectively, as a result of the exercise of options.

Subsequent to March 31, 2015, the Company granted an aggregate of 2,500,000 stock options, with 1,200,000 options granted at a price of $0.40 per option, 500,000 granted at a price of $0.50 per option, 500,000 at a price of $0.60 per option and 300,000 options granted at a price of $0.43 per option. Additionally, as the number of Common Shares reserved for issuance under the options is in excess of the number available under the Company's current rolling stock option plan, the Company has adopted a new fixed stock option plan to provide for the grant of the additional options. 650,000 options were granted under the Company's current rolling stock option plan and in accordance with the policies of the TSX Venture Exchange. The remaining 1,850,000 options were granted under the new fixed option plan that has been approved by the board of directors of the Company but remains subject to TSX Venture Exchange and shareholder approval. The grant of options under the new stock option plan contain provisions prohibiting their exercise until such time as the requisite shareholder and TSX Venture Exchange approval is obtained for the new stock option plan and the grant of option thereunder.

## 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 March 31, 2015 and 2014, the Company recorded $551,771 and $175,010, respectively, in salaries and consulting costs to Officers of the Company. During the three months ended March 31, 2015, the Company paid $352,917 in severance to a former officer of the Company. Subsequent to March 31, 2015, as a result of the departure of an officer, the Company paid severance of $175,000.

A total of $30,857 and $153,258 in share-based payment expense was recognized in respect of options granted to Officers and Directors of the Company for the three months ended March 31, 2015 and 2014.

### *Commitments*

*Compliance with laws and regulations*
The Company's exploration and evaluation activities are subject to various US and Canadian 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.

*Management Contracts*
As at March 31, 2015, the Company has entered into contracts with certain 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 that would have been owed to these officers in the event of a change of control and triggering event would be approximately $0.5 million at March 31, 2015.

The Company has currently entered into management contracts whereby the Company is committed to pay a maximum of $1.0 million in salaries or fees over a twelve month period.

## 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 through financing transactions. The Company's primary use of cash to March 31, 2015 was exploration and evaluation expenses as well as general and administrative expenses.

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 March 31, 2015 the Company had $1,843,501, (December 31, 2014 - $5,342,622) in cash and cash equivalents and short-term investments.

The Company has a liability, related to certain payments owed to Sprott Resource Lending Corp. ("Sprott") as a result of the acquisition of the Castle Mountain property on September 6, 2012

The details of the payments are as follows:

i. On the business day that is the earlier of three years from the date of closing (September 6, 2012) and the completion of a feasibility study at the sole discretion of the Company:
   (a) $3,000,000 or
   (b) the number of common shares of the Company that is equal to $3,000,000 divided by the market price of the shares, provided the Company is listed on a recognized stock exchange.

ii. On the business day that is the earlier of six years from the date of closing and the commencement date of commercial production at the mine at the sole discretion of the Company
   (a) $5,000,000 or
   (b) the number of common shares of the Company that is equal to $5,000,000 divided by the market price of the shares, provided the Company is listed on a recognized stock exchange

The discounted long-term liability was estimated to be $5,055,662 as at December 31, 2014 (December 31, 2014 - $4,787,922) assuming payments will be made in 2015 and 2018.

Accretion costs are expensed in the statement of loss and comprehensive loss.

The total undiscounted amount of cash flows required to settle the long-term liability is $8,000,000 as at March 31, 2015, (December 31, 2014 – $8,000,000). A discount rate of 25% was used to calculate the fair value of the long-term liability. Determination of the undiscounted liability and the timing of these obligations were based on internal estimates using the information currently available.

The Company does have at its option, the ability to settle the liability in the form of shares. The maximum number of shares that can be granted in connection with the payments noted above is 16,115,601.

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.

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Credit risk: Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. As at March 31, 2015, the Company's credit risk is primarily attributable to cash and short-term investments. At March 31, 2015, 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 March 31, 2015, the Company had $525,084 (December 31, 2014 - $521,367) in a guaranteed investment certificate.

There has been no material change in the Company's other business risks from those disclosed in the MD&A and Annual Information Form for the year ended December 31, 2014 available at www.sedar.com.

## CRITICAL ACCOUNTING ESTIMATES AND ACCOUNTING CHANGES

The Company's 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, 2014 and 2013.

## 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 March 31, 2015 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 March 31, 2015.

*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 1 hour. Samples reporting values > 10 g/t are analysed 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 ALS, Bureau Veritas Minerals, and McClelland Laboratories, Inc. all of which are Sparks, Nevada based laboratories. 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.*