

PACIFIC CASCADE MINERALS INC.

**Management Discussion and Analysis of
Results of Operations and Financial Condition
For the Year Ended September 30, 2011**

MANAGEMENT DISCUSSION & ANALYSIS

For the Year Ended September 30, 2011

DESCRIPTION OF BUSINESS

Pacific Cascade Minerals Inc. (the "Company") is an exploration stage company engaged in the business of acquiring and exploring mineral property interests. If warranted, developing mineral resource properties and placing such properties into production. Due to inactivity from exploration programs of the Company's principal Crack Moly property, the Company recognized an impairment of \$786,000 (2010- \$1,558,769) in capitalized net exploration expenditures for the year ended September 30, 2011, thereby reducing its carrying value to \$nil.

On April 26, 2011, the Company has signed a Letter of Intent with Arcelia Gold Corp. ("Arcelia") whereby Arcelia grants the Company the sole and exclusive right and option to acquire 70% (the "Option") of its interest in the gold and silver El Centenario Property located in the State of Durango, Mexico. To exercise the Option, the Company agreed to pay Arcelia US\$200,000, issue 2,000,000 common shares of the Company, pay underlying mineral concession fees bi-annually, and commit to US\$10,000,000 in exploration and development expenditure on the property over a five year period ending December 31, 2015. The Company received TSX Venture Exchange approval on the Arcelia Option agreement on September 8, 2011.

On September 1, 2011, the Company completed a two tranche non brokered private placement for total gross proceeds of \$1,768,500. The proceeds from the private placement were used to fund the acquisition fees of the Arcelia Option agreement, and will be used for the exploration program of the El Centenario Property and working capital.

The Company Operations are primarily funded by equity subscriptions.

The Company is a reporting issuer in British Columbia and Alberta and is also listed on the TSX Venture Exchange under the symbol PCV.

MANAGEMENT DISCUSSION & ANALYSIS

For the Year Ended September 30, 2011

SELECTED FINANCIAL INFORMATION

Selected Annual Financial Information

	September 30, 2011	September 30, 2010	September 30, 2009
Total revenue	Nil	Nil	Nil
Loss before discontinued operations and extraordinary items:			
(i) total for the year	\$1,510,804	\$2,652,686	\$281,125
(ii) per share	0.04	0.10	0.01
(iii) per share fully diluted	0.04	0.10	0.01
Net loss or (income):			
(i) total for the year	\$1,510,804	\$2,652,686	\$132,752
(ii) per share	0.04	0.10	0.01
(iii) per share fully diluted	0.04	0.10	0.01
Total assets	\$1,680,817	\$1,089,605	\$3,272,598
Total long-term financial liabilities	Nil	Nil	Nil
Cash dividends declared per-share	Nil	Nil	Nil

Selected Quarterly Financial Information

	4 th Quarter Ended September 30, 2011	3 rd Quarter Ended June 30, 2011	2 nd Quarter Ended March 31, 2011	1 st Quarter Ended December 31, 2010
(a) Loss (Revenue)	Nil	Nil	Nil	Nil
(b) Loss for period	\$1,109,417	\$130,463	\$216,910	\$54,014
(c) Loss per share	\$0.04	\$0.003	\$0.006	\$0.001
	4 th Quarter Ended September 30, 2010	3 rd Quarter Ended June 30, 2010	2 nd Quarter Ended March 31, 2010	1 st Quarter Ended December 31, 2009
(a) Loss (Revenue)	Nil	Nil	Nil	Nil
(b) Loss for period	\$2,094,125	\$368,505	\$107,754	\$82,302
(c) Loss per share	\$0.08	\$0.01	\$0.003	\$0.003
	4 th Quarter Ended September 30, 2009	3 rd Quarter Ended June 30, 2009	2 nd Quarter Ended March 31, 2009	1 st Quarter Ended December 31, 2008
(a) Loss (Revenue)	N/A	Nil	Nil	Nil
(b) Loss (income) for period	(\$47,856)	\$43,404	\$71,385	\$65,819
(c) Loss per share	(\$0.002)	\$0.001	\$0.003	\$0.003
	4 th Quarter Ended September 30, 2008	3 rd Quarter Ended June 30, 2008	2 nd Quarter Ended March 31, 2008	1 st Quarter Ended December 31, 2007
(a) Loss (Revenue)	Nil	Nil	Nil	Nil
(b) Loss for period	\$649,785	\$102,633	\$295,329	\$134,573
(c) Loss per share	\$0.03	\$0.004	\$0.01	\$0.006

MANAGEMENT DISCUSSION & ANALYSIS

For the Year Ended September 30, 2011

Part 2 of the notes to the audited and interim financial statements indicates the accounting principles under which the financial data has been prepared. In summary, the Company's results are measured in Canadian dollars using Canadian Generally Accepted Accounting Principles (GAAP).

RESOURCE PROPERTY INTERESTS

Crack Moly Project

On February 1, 2006, the Company entered into a purchase agreement with United Exploration Management Inc. ("UEM") to purchase eight unpatented lode-mining claims (the "Crack Moly Property") located in the New Westminster Mining Division of British Columbia.

- (i) The option was exercised in full and the Company has earned a 100% undivided beneficial right, title and interest in the Property, subject to a 2.5% net smelter return royalty granted to UEM.

The Company has the right to buy back 1.5% of net smelter return royalties for \$1,500,000 up to five years after commencement of commercial production.

2008 Drilling Program

For the 2008 drilling program, a diamond drill rig was mobilized to drill three hole targets for a total of 1,325 meters located approximately 500 metres to the west of the 2007 drill program to test the high chargeability target as well as extensions of the mineralized zones encountered in 2007. Assay results showed no significant molybdenum mineralization. Future exploration program will return to the areas of the surface breccia pipes that returned intersections of molybdenum mineralization during the 2007 drill program.

On November 13, 2009, the Company entered into an agreement with an arms length third party and sold \$10,000 worth of camp equipment from the Crack Moly Property.

Due to inactivity in exploration program during the years ended 2009 and 2010, the Company wrote-off \$1,558,769 (2009- \$nil) in capitalized net exploration expenditures for the year ended September 30, 2010. During the year ended September 30, 2011, the Company was not able to find a co-venture partner and recognized an impairment of \$786,000 thereby reducing the carrying value of the property to \$nil.

Mo Property

On April 16, 2007, the Company entered into a Purchase Agreement with 606896 BC Ltd. to acquire 100% right, title and interest of 12 unpatented lode mining claims (the "Mo Property") located in the Lillooet Mining Division of British Columbia subject to a 2.5% net smelter return royalty to 606896 BC Ltd.

The Company has the right at any time up to and including 5 years from commencement of production to purchase from 606896 BC Ltd. 60% of the royalty with a 1.5% Net Smelter Return for \$1,500,000. The Mo Property covers over 5,800 hectares and is located approximately 40 km east of Pemberton and 50 km north of the Company's principal Crack Moly Project.

Initial prospecting, revealed that the Mo Property covers a large gossanous area underlain by granodiorite and quartz monzonite. Within the gossan several mineralized zones and surface showing (now exposed due to receding glaciation) have been identified for further exploration. The area of surface mineralization (gossan)

MANAGEMENT DISCUSSION & ANALYSIS

For the Year Ended September 30, 2011

RESOURCE PROPERTY INTERESTS- Continued

Mo Property- Continued

based on geological mapping and sampling is at least 300 x 500 meters in size. A limited 3D IP survey over a portion of the gossan reveals that the property could be underlain by a porphyry Molybdenum / Copper target.

The Company completed an airborne survey in 2008. The Company did not engage in further exploration to date. The titles to the Mo Property claims expired on July 31, 2010; the Company did not renew these titles. For the year ended September 30, 2010, the Company wrote-off \$470,855 (2009- \$nil) in capitalized net exploration expenditures for the property resulting in a carrying value of \$nil.

El Centenario Property

On April 26, 2011, the Company signed a Letter of Intent ("LOI") with Arcelia Gold Corp. ("Arcelia") whereby Arcelia grants the Company the sole and exclusive right and option to acquire a 70% undivided interest in and to Arcelia's interest in the El Centenario Property located in the State of Durango, Mexico. The Property consists of 11 adjoining mineral claims encompassing 9,846 hectares located approximately 210 km NW of Durango city and 10 km NW of the town of San Juan de Canas.

The underlying property is currently owned by third parties with whom Arcelia has signed an option to buy contract. Of the property, 51% is subject to a 2% NSR, payable to these third parties.

To exercise this option, the Company agrees to:

- (a) Pay Arcelia US\$200,000 and issue 2,000,000 common shares of the Company as follows:

Due date	US\$	Common Shares
Earlier of July 31, 2011 or TSX approval date	50,000 (paid)	250,000*(issued)
January 1, 2012	50,000 (paid)	500,000**(issued)
January 1, 2013	50,000	500,000
January 1, 2014	50,000	750,000
	200,000	2,000,000

*The Company issued 250,000 shares with a fair value of \$25,000.

** The Company issued 500,000 shares with a fair value of \$50,000 subsequent to year end.

- (b) Pay the funds necessary to satisfy all outstanding claim fees due to the Mexican government (paid \$135,164).

MANAGEMENT DISCUSSION & ANALYSIS

For the Year Ended September 30, 2011

RESOURCE PROPERTY INTERESTS- Continued

El Centenario Property- Continued

- (c) Forward the funds necessary for Arcelia's obligations relating to the property, which are payable to the underlying mineral concession holders as follows:

<u>Date</u>	<u>US\$</u>
May 31, 2011 (non-refundable)	23,000 (paid)
December 2, 2011	23,000*(paid)
June 2, 2012	23,000
December 2, 2012	23,000
June 2, 2013	23,000
December 2, 2013	23,000
June 2, 2014	23,000
December 2, 2014	23,000
June 2, 2015	734,231
December 2, 2015	830,000
	<hr/>
	1,748,231

*Paid subsequent to year end.

- (d) Incur a total of US\$10,000,000 in exploration and development expenditures on the Property, in installments and on or before the dates specified below:

<u>Date of Completion</u>	<u>Exploration and Development Expenditures (US\$)</u>
December 31, 2011 *	1,000,000
December 31, 2012	2,000,000
December 31, 2013	2,000,000
December 31, 2014	2,000,000
December 31, 2015	3,000,000
	<hr/>
	10,000,000

**On November 2, 2011, the Company and Arcelia agreed to extend this deadline to March 31, 2012.*

The Company received TSX Venture Exchange approval on the Arcelia Option agreement on September 8, 2011. As part of this property agreement, the Company issued 100,000 common shares to an arm's length third party for finder's fee. These shares have a fair value of \$0.10 per share, the total of (\$10,000) which was capitalized as acquisition fees for the Property.

On June 14, 2011, the Company filed an NI 43-101 report on the El Centenario property in Durango State, Mexico authored by Mr. Derrick Strickland P.Ge., a Qualified Person for the purposes of NI 43-101.

MANAGEMENT DISCUSSION & ANALYSIS

For the Year Ended September 30, 2011

RESOURCE PROPERTY INTERESTS- Continued

El Centenario Property- Continued

Nine independent grab samples were obtained by the author from the three main mineralized showings, La Esperanza showing, samples CT11-01, 02 and 03, the Santa Margarita showing, samples CT11-04, 05, and 06 and the Cerro de Oro showing, samples CT11-07, 08 and 09. The results of the analysis are shown in the table below:

Sample No	Au AASGT g/t	Ag g/t	Cu ppm	Fe%	Pb ppm	Zn ppm
CT11-01	3.283	110	692	5.83	1960	16900
CT11-02	2.067	1723	1850	1.17	56300	51300
CT11-03	0.551	1483	3510	0.97	63800	45300
CT11-04	0.414	51	218	2.27	807	1400
CT11-05	0.524	50	347	1.69	1510	1870
CT11-06	0.52	14	15	1.37	1050	870
CT11-07	0.889	171	86	1.93	1130	1630
CT11-08	5.515	187	31	1.55	540	948
CT11-09	7.473	1007	51	1.79	381	521

The property is in a favourable geological setting. The close proximity and similarity of other mineral prospects in the area and the abundance of old mine workings, the high grade nature of the assay values and the lack of any systematic exploration, all contribute to make the El Centenario property a promising grass-root exploration project.

The Company is planning a two phase \$1,000,000 USD exploration program with Phase One consisting of detailed mapping and sampling of the La Esperanza and Santa Margarita showings and contingent on results a Phase Two, 2,000 metre drilling program.

Subsequent to year end, on October 14, 2011 the Company announced that it has completed planning and begun Phase 1 work program on the El Centenario property. A LIDAR airborne survey was contracted and scheduled to be completed by the third week of October. The detailed topographic data and lineament interpretation and fracture analysis work that has already been done by Arcelia will be processed and used for more detailed analysis of known mineralized structures, better defining their extensions and geometry, and also used to identify and delineate additional mineralized areas to review and evaluate.

Permitting process was underway for road remediation and upgrades, establishment of base camp, surface mapping, sampling and drilling programs for both the La Esperanza and Santa Margarita prospects. Agreements with the two communities and one private landholder in the work areas was reached and submitted to the appropriate government ministries. The Company anticipated approval by the end of October.

As specified by the NORMA-120 of the Mexican Mining Environmental Code, drilling from the existing roads on the La Esperanza prospect does not require an environmental impact study. However, to facilitate further step-out drilling on the La Esperanza prospect and for proposed work on the Santa Margarita prospect, the Company has retained Servicios Tecnicos Asociados del Noroeste S.R.L. de C.V. to undertake an environmental impact study on the whole El Centenario property. The study, including field visits, data compilation, report writing and government approvals is scheduled to be completed by the end of November. This environmental impact report, accompanied by original copies of the community permits is then presented to SEMARNAT (the Mexican environmental agency) for final approval.

MANAGEMENT DISCUSSION & ANALYSIS

For the Year Ended September 30, 2011

RESOURCE PROPERTY INTERESTS- Continued

El Centenario Property- Continued

Additional detailed surface mapping and channel cut rock sampling will be completed along the La Esperanza prospect covering an area of approximately 2,500 meters by 500 meters centered along the structure. Several 100 meter spaced, 500 meter long, transversal, NW trending soil lines will also be completed at the NE and SW end of the La Esperanza structure. The geochemical survey and mapping will help define and delineate the main mineralized structure's extensions at both ends, and the existence of secondary mineralized sub-parallel structures that could exist in the area. The same type of work and coverage, including mapping and surface sampling, will also be conducted at the Santa Margarita prospect once the road access is completed and concurrent with the Phase 1 drilling program at the La Esperanza prospect.

As of January 17, 2012, PCV has completed 4 diamond drill holes. Core from holes 1 through 4 is being logged and readied for assay. This first set of diamond drill holes at La Esperanza is testing the 50 meter and 100 meter below surface levels of the silver-rich zone along a 500 meter-long portion of the structure where historical old mine workings are found and where previous rock channel sampling returned significant silver grades.

This N-NW trending epithermal structure has been traced on surface by mapping and rock channel sampling completed in September of 2010 by Arcelia for more than 500 meters along strike. The Company continues the exploration work on its program of surface mapping, rock channel, trench and soil sampling at the La Esperanza prospect. The surface mapping and sampling completed by the Company in November and December 2011 clearly shows that the La Esperanza structure now extends for more than 1.2 km along strike and still remains open at both ends.

The Company expects to be releasing the initial results of its ongoing surface mapping and sampling program at La Esperanza once all field data and assays have been compiled. This first exploration data to be released will be the sample assay results of the work done along the northern extension of La Esperanza including rock channel, soil and trench sampling results collected in November and December of 2011.

In 2006, Fund Minerals S.A. de C.V., a Mexican-based, privately-owned, mineral exploration company, completed a small reconnaissance mapping and sampling program on the `La Esperanza` prospect. In June 2009, H. Mendoza, a senior consultant geologist, for Arcelia completed a short exploration work program that included mapping the area of interest in more detail and collecting a series of representative rock channel samples. Some of the samples were not truly representative of the structure's grade because of very poor outcrop exposures.

Select assays for the La Esperanza Prospect from the 2006 and 2009 sampling programs are displayed below. Complete results are available in the 43-101 Technical Report on the El Centenario Property dated June 1, 2011 on the Company's website.

November 2006 (*Au Eqv. includes Au and Ag only, 50 g of Ag = 1 g of Au)

Width	Au(g/T)	Ag(g/T)	*Au Eqv. (g/T)	Zn (%)	Pb (%)	Cu (%)	Sample No
1.6m	0.30	411	8.52	5.2	1.8	0.19	2362
2.3m	0.46	152	3.48	0.9	0.2	0.06	2359
3.3m	1.3	1,854	38.38	7.8	5.2	0.35	2360-61
3.5m	2.3	830	18.90	2.2	1.0	0.10	2356-57-58

MANAGEMENT DISCUSSION & ANALYSIS

For the Year Ended September 30, 2011

RESOURCE PROPERTY INTERESTS- Continued

El Centenario Property- Continued

June 2009 (*Au Eqv. Includes Au and Ag only, 50g of Ag= 1g of Au)

Width	Au(g/T)	Ag(g/T)	*Au Eqv. (g/T)	Zn (%)	Pb (%)	Cu (%)	Sample No
1.8m	0.17	246	5.09	0.99	0.98	0.69	20089
4.1m	0.85	366	8.17	1.5	0.6	0.12	20075-76
4.9m	1.25	600	13.25	1.12	0.64	0.04	20079-80
2.8m	0.63	477	9.57	0.58	0.42	0.07	20081
Grab	1.98	2,932	60.62	8.4	5.3	-	20094

The Santa Margarita Prospect is a N-NW trending structure that, to date, has been traced for more than 1.3 kilometres along trend and remains open at both ends. A program of surface mapping, rock channel, trench and soil sampling is scheduled to begin on the Santa Margarita once the surface sampling program at La Esperanza is complete.

In 2007 Arcelia sampled the northernmost vein outcrop of the Santa Margarita structure. The rock channel samples taken across this outcrop returned anomalous grades of Au with Ag values ranging from 3 ppm to 234 ppm Au and 1 to 189 Ag.

Upon completion of the initial set of drill holes at La Esperanza the drill is expected to be moved to the Santa Margarita gold-silver zone located about 3 km to the East of La Esperanza. Previous rock channel sampling completed at Santa Margarita by Arcelia Gold Corp. as of September 2010 returned high gold and silver values. Select assays for the Santa Margarita Prospect from the 2007 sampling program are displayed below. Complete results are available in the 43-101 Technical Report on the El Centenario Property dated June 1, 2011 on the Company's website..

(*Au Eqv. includes Au and Ag only, 50 g of Ag = 1 g of Au)

Width	Au(g/T)	Ag(g/T)	*Au Eqv. (g/T)	Zn (%)	Pb (%)	Cu (%)	Sample No
1.3m	37.4	20.6	37.8	0.08	0.04	(<0.01)	18019
0.3m	31.2	121.0	33.6	0.49	0.64	(<0.01)	18012
1.3m	26.5	25.9	27.0	0.37	0.31	0.01	18007
1.2m	19.1	10.1	19.3	0.32	0.12	(<0.01)	18020
1.0m	15.9	110.0	18.1	0.30	0.10	-	18024
0.4m	12.5	110.0	18.01	0.30	0.10	-	18121
0.8m	12.1	81.6	13.7	0.95	0.01	0.19	18018
1.1m	9.4	39.6	10.2	0.77	0.17	(<0.01)	18056
0.4m	8.9	36.7	9.6	4.17	2.92	(<0.01)	18002
1.2m	7.8	51.2	8.9	0.28	0.11	-	18002
1.3m	6.8	62.1	8.0	0.23	0.07	-	18010
2.6m	3.3	6.4	3.4	0.92	0.24	(<0.01)	17521
2.6m	3.2	2.3	3.2	0.03	0.02	0.01	17534

MANAGEMENT DISCUSSION & ANALYSIS

For the Year Ended September 30, 2011

RESOURCE PROPERTY INTERESTS- Continued

Exclusivity Agreement

On April 1, 2011, the Company entered into a three-month Exclusivity Agreement with African Hunter S.A. ("AHSA") to acquire AHSA's right, title and interest in development and exploitation of certain mining concessions in Colombia. The Exclusivity Agreement entitles the Company exclusive rights to conduct its due diligence and negotiate full terms of an agreement to fully acquire AHSA's interests. As consideration for the agreement, the Company paid AHSA a non-refundable deposit of \$10,000. At the end of the agreement period the Company determined not to proceed.

For the year ended September 30, 2011, the Company expensed the \$10,000 from the non refundable deposit paid to AHSA and no further negotiation has taken place.

MANAGEMENT DISCUSSION & ANALYSIS

For the Year Ended September 30, 2011

BIOFUEL JOINT VENTURE

Pursuant to a June 23, 2009 LOI and the subsequent Definitive Agreement, License Agreement and Shareholder Agreement completed on November 22, 2009 with BFP of Sydney, Australia, the Company intended to form a joint venture (the "BioFuel JV"). The BioFuel JV will be operated under Biofuel International Partnership PTY Ltd. ("BFP International") with BFP responsible for development, marketing and sale of BFP's BioCube technology. The Shareholder Agreement entitled the Company to 50% voting shares of the BFP International with the remaining 50% owned by BFP. The terms of the License Agreement granted the BioFuel JV a perpetual worldwide (excluding Oceania and Australasia), exclusive license to market, distribute and sell the BioCube and other biodiesel processing systems developed by BFP. BFP retained a 15% commission on all BioCubes sold by BioFuel JV.

Per the Definitive and Shareholder Agreements, as consideration, the Company shall make a \$5,000,000 cash contribution to the BFP International in three tranches on the following schedule:

- (a) \$1,500,000 (the "First Contribution") within ten business days from the date of TSX Venture Exchange approval ("Approval Date") of which \$250,000 was a non-refundable advance; \$150,000 of the non-refundable advance was due on or before July 31, 2009 (paid) and \$100,000 on or before August 31, 2009 (paid);
- (b) \$2,000,000 (the "Second Contribution") within 90 days following 90 consecutive days of continuous operation, acceptable to the Company. If such continuous operations has not occurred by January 31, 2010, then at the option of BFP:
 - (i) The Company shall have earned a full 50% right, title and interest in and to the BioFuel JV and shall not be required to make the Second Contribution or Final Contribution; or
 - (ii) The First Contribution shall constitute a loan by the Company and be due and payable in full by BFP and BFP International two years from Approval Date with interest bearing at 5%. Interest expense is calculated on the principal balance from the date when the First Contribution was made and is due quarterly.
- (c) \$1,500,000 (the "Final Contribution") on the day that is six months after the Second Contribution.

The BioCube is a compact self-contained machine, the size of a 10ft ISO shipping container, that expels oil from raw oil feedstock, then processes the oil by a continuous transester-ification reaction and filtration to produce international standard biodiesel. Biodiesel produced by the BioCube meets European EN14214 standard if the feedstock quality permits. The BioCube can take in most oil-bearing fruit – jatropha, rapeseed, and coconut for example – and process it to produce biodiesel to required international standards. This means the output of the BioCube can go straight into the tank of any diesel engine without modifying its settings.

As a result of the July 6, 2009 LOI, the Company closed a non brokered private placement on October 21, 2009 and received gross proceeds of \$250,000. The proceeds from the private placement were advanced to BFP for working capital. At the Annual and Special Meeting of the Shareholders held on April 16, 2010, shareholders approved all resolutions including the BioFuel JV and Change of Business. The Company later received Conditional Approval from the TSX Venture Exchange on April 27, 2010. The Company intended to raise gross proceeds of \$1,750,000 through a brokered private placement. Proceeds from the private placement would have been used to make the First Contribution to BFP International and working capital. On July 13, 2010, the Company announced that due to unfavourable market conditions, the proposed \$1,750,000 financing was not completed. The Company was unable to meet the payment terms of the Definitive Agreement resulting in the cancelation of the BioFuel JV. The resolutions passed for Change of Business was not carried through. For the year ended September 30, 2010, the Company reported a loss of \$354,089 (2009- \$nil) from expenses incurred related to the BioFuel JV.

MANAGEMENT DISCUSSION & ANALYSIS

For the Year Ended September 30, 2011

OPERATING RESULTS, FINANCIAL CONDITION, LIQUIDITY AND SOLVENCY

Going Concern

The Company's primary source of funds comes from issuance of share capital to finance the exploration projects on the Company's properties and operating cost. For the year ended September 30, 2011, the Company incurred operating loss of \$1,510,804 (2010- \$2,652,686) and at September 30, 2011 has working capital of \$1,168,326 (2010- \$165,828).

During the year, the Company completed a major option agreement with Arcelia for the El Centenario property in addition to completing a two tranche private placement for total gross proceeds of \$1,768,500. The proceeds from the private placement were used to fund the acquisition fees of the Arcelia Option agreement, and will be used to finance the exploration program of the El Centenario Property and working capital. With the exploration and drilling program of the El Centenario underway and results to be released in the first quarter of 2012, the Company's current cash position will allow the Company to complete the Phase 1 of the drilling program and meet its overhead and operational obligations until the second quarter of 2012. As the Company does not generate revenues from operations, the Company plans to undertake additional equity financing in the near future to continue its drilling program and finance its working capital.

To conserve cash flow, the Company made significant reductions to operating and overhead costs during the past twelve months.

For the Year Ended September 30, 2011

The Company noted the following results from operations for the year ended September 30, 2011:

- (a) **Operating loss** of \$1,510,804 for the year ended September 30, 2011 compared to an operating loss of \$2,652,686 for the year ended September 30, 2010. This was predominately due to \$2,029,624 of impairment recognized on the Crack Moly and Mo Properties in 2010 compared to \$786,000 of impairment recognized in 2011.
- (b) **Stock-based compensation** of \$384,951 was expensed for the year ended September 30, 2011 compared to \$nil for the year ended September 30, 2010. In 2011, the Company issued 5,250,000 stock based compensation options to directors, officers and consultants with a weighted average exercise price of \$0.10 per share and expiring 10 years from grant date. Stock based compensation options were not issued during the year ended September 30, 2010.
- (c) **Management fees** of \$132,000 (2010- \$60,000) were expensed and paid during the year ended September 30, 2011 to directors and officers of the Company. The increase in management fees was due to an increase in the monthly fees and number of directors and officers compensated compared to the same period in 2010.
- (d) **Accounting and audit** fees of \$46,766 (2010- \$61,990) were expensed and paid during the year ended September 30, 2011. The investment in Biofuels JV in 2010 resulted in higher accounting and audit fees compared to 2011.
- (e) The Company recorded \$32,319 (2010- \$8,098) for **investor relations and communications** expense for the year ended September 30, 2011. The Company retained an investor relations consultant in 2011 and increased its investor relations activity after the closing of the Arcelia Option Agreement.
- (f) **Travel fees** of \$30,390 (2010- \$14,856) were expensed and paid during the year ended September 30, 2011. A higher travel expense in 2011 was due to increase in investor relations activities and property investigation for El Centenario property in Mexico.

MANAGEMENT DISCUSSION & ANALYSIS

For the Year Ended September 30, 2011

OPERATING RESULTS, FINANCIAL CONDITION, LIQUIDITY AND SOLVENCY- Continued

For the Year Ended September 30, 2011- Continued

- (g) **Write-down of mineral property interest** of \$786,000 (2010- \$2,029,624) was recognized in 2011 on the Crack Moly Property. The Company was not able to find a co-venture partner on the property. As a result of this write down, the carrying value of the Crack Moly property at September 30, 2011 is \$nil.
- (h) The Company capitalized \$370,032 (2010-\$nil) on **expenditures on mineral property and interests** on the El Centenario property. These expenses are related to acquisition fees and exploration fees on Phase 1 of the drilling program.
- (i) On September 1, 2011, the Company completed a two tranche non brokered private placement by issuing 35,370,000 Units at \$0.05 per Unit for total gross proceeds of \$1,768,500. Each Unit consists of one common share and one-half of one common share purchase warrant. Each full common share purchase warrant is exercisable at \$0.10 for a period of two years from the Closing Date. Finders' fees of \$96,360 and legal fees of \$18,757 were paid in relation to the private placement. As well, the Company issued 350,400 common shares and 2,460,800 common share purchase warrants as finders' fees. The warrants are exercisable for two years from Closing Date, exercisable at \$0.10 per share. The warrants were valued using Black-Scholes option pricing model, resulting in a fair value of \$83,425.
- (j) During the year ended September 30, 2011, 190,000 common share purchase warrants were exercised at \$0.10 per share for gross proceeds of \$19,000.
- (k) **Working capital** as at September 30, 2011 was \$1,168,326 compare to working capital of \$165,828 for September 30, 2010. The September 1, 2011 private placement for gross proceeds of \$1,768,500 was a major contribution to the increase in the Company's working capital. The Company estimates that working capital should be sufficient to finance the completion of Phase 1 drilling program of the El Centenario property, general admin and operating expenses until second quarter of 2012. The Company plans to undertake additional financing in the near future to continue its drilling program and finance its working capital.
- (l) **Liabilities** as at September 30, 2011 was \$113,959 (2010-\$109,277) which was entirely made up of accounts payable that was paid subsequent to year end. The Company does not have long term liabilities or obligations.

For the Three-Month Period Ended September 30, 2011

The Company noted the following results from operations for the year ended September 30, 2011:

- (a) **Operating loss** for the three months ended September 30, 2011 was \$1,109,417 (2010- 2,094,125). This was predominately due to \$2,029,624 of impairment recognized on the Crack Moly and Mo Properties in 2010 compared to \$786,000 of impairment recognized in 2011.
- (b) **Stock-based compensation expense** of \$209,669 (2010-\$nil) was recognize during the three months ended September 30, 2011. The Company issued 2,375,000 stock based compensation options to directors, officers and consultants with a weighted average exercise price of \$0.10 per share expiring September 30, 2021.

MANAGEMENT DISCUSSION & ANALYSIS

For the Year Ended September 30, 2011

OPERATING RESULTS, FINANCIAL CONDITION, LIQUIDITY AND SOLVENCY- Continued

For the Three-Month Period Ended September 30, 2011- Continued

- (c) **Management fees** of \$42,000 (2010- \$15,000) was expensed and paid to directors and officers during the period. The increase in management fees was due to an increase in the monthly fees and number of directors and officers compensated compared to the same period in 2010.
- (d) **Investor relations and communication** expense of \$29,957 (2010-\$150) was expensed and paid during the three months ended September 30, 2011. The Company retained an investor relations consultant in 2011 and increased its investor relations activity after the closing of the Arcelia Option Agreement.
- (e) **Write-down of mineral property interest** of \$786,000 (2010- \$2,029,624) was recognized in 2011 on the Crack Moly Property. The Company was not able to find a co-venture partner on the property. As a result of this write down, the carrying value of the Crack Moly property at September 30, 2011 is \$nil.
- (f) The Company capitalized \$255,359 (2010-\$nil) on **expenditures on mineral property and interests** on the El Centenario property. These expenses are related to acquisition fees and exploration fees on Phase 1 of the drilling program.
- (g) On September 1, 2011, the Company completed a two tranche non brokered private placement by issuing 35,370,000 Units at \$0.05 per Unit for total gross proceeds of \$1,768,500. Each Unit consists of one common share and one-half of one common share purchase warrant. Each full common share purchase warrant is exercisable at \$0.10 for a period of two years from the Closing Date. Finders' fees of \$96,360 and legal fees of \$18,757 were paid in relation to the private placement. As well, the Company issued 350,400 common shares and 2,460,800 common share purchase warrants as finders' fees. The warrants are exercisable for two years from Closing Date, exercisable at \$0.10 per share. The warrants were valued using Black-Scholes option pricing model, resulting in a fair value of \$83,425.

Table 1. General and Administrative Expenditures for the Year Ended September 30, 2011:

	<u>September 30, 2011</u>	<u>September 30, 2010</u>
Stock-based compensation	384,951	-
Management fees	132,000	60,000
Accounting and audit	46,766	61,990
Investor relations and communication	32,319	8,098
Travel	30,390	14,856
Rent	26,980	27,085
Filing fees	20,068	16,843
Consulting	17,380	44,450
Legal	10,829	2,247
Mineral property investigation	10,000	-
General and office	6,983	23,099
Transfer agent fees	5,559	2,924
Interest and bank charges	782	606
Bad debt	-	7,835
Total Operating Loss	\$725,007	\$270,033

MANAGEMENT DISCUSSION & ANALYSIS

For the Year Ended September 30, 2011

OFF BALANCE SHEET ARRANGEMENTS

The Company does not have off balance sheet arrangements for the years ended September 30, 2011 and 2010.

PROPOSED TRANSACTIONS

Not applicable.

CORPORATE INTERNAL CONTROL

The Company practices strict internal controls through proper segregation of responsibilities and internal reporting of its personnel. Agreements and commitments that involve cash and/or share capital distribution such as private placements, stock option grant, property, service, and consulting agreements require Board of Directors approval through Directors' Resolution. The Company's drilling and exploration programs and budgets are planned and approved by the Company's President & CEO, Vice President, Vice President of Exploration, and CFO. All cash distribution requires the Company's President & CEO, Vice President and/or CFO approval to ensure that all expenses are accurate and aligned with the Company's budget. Approved share capital distribution is executed through Treasury Orders that requires final approval from the Company's

President & CEO, Vice President and/or CFO. These internal control procedures are established and strictly practiced to ensure the Company's goals and best interest are effectively carried out.

Management has evaluated the effectiveness of the Company's disclosure controls and procedures as at September 30, 2011

and has concluded, based on its evaluation, that these controls and procedures provide reasonable assurance that material information relating to the Company is made known to management and reported as required.

Management is also responsible for the design of internal controls over financial reporting in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian generally accepted accounting principles. Management believes the design to be sufficient and appropriate to provide such reasonable assurance.

INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

The Accounting Standards Board of Canada ("AcSB") plans to converge Canadian GAAP for publicly accountable enterprises with IFRS over a transition period that will end January 1, 2011 with the adoption of IFRS. The AcSB announced on February 13, 2008 that IFRS will be required in 2011 for publicly accountable profits oriented enterprises. The changeover date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Company will present its first set of IFRS compliant financial statements for the year ending September 30, 2012. The Company is currently working on its IFRS conversion project which consists of four phases: diagnosis, design and planning, solution development and implementation. The plan addresses the impact of IFRS on accounting policies and implementation decisions, business activities and control activities.

The Company identified and reviewed the following three main areas where changes may have a material impact on its financial accounting including stock based compensation expense, accounting for mining assets and impairment, and cumulative foreign currency translation differences.

MANAGEMENT DISCUSSION & ANALYSIS

For the Year Ended September 30, 2011

INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRS”)- Continued

The Results of a review of impact of IFRS on the Company's consolidated financial statements and other areas of the Company are as follows:

1. **Share-based Payment:** As a first time adopter, the Company may elect to not apply IFRS 2 retrospectively to equity instruments that were granted on or before November 7, 2002 and is also not required to apply IFRS 2 to equity instruments that were granted after November 7, 2002 that vested before date of transition to IFRS (January 1, 2010). The Company concluded that no material change is to be expected of stock-based expenses under IFRS.
2. **Accounting for mining assets and impairment:** IFRS 6 applies to the Company's mining assets. The Company's current accounting policy of “full cost” method is permitted. IFRS 6 requires the Company to assess its mining assets for impairment when facts and circumstances suggest that carrying amount exceeds its recoverable amount. Only then is an impairment test required to be performed in accordance with IAS 36. The Company concluded that no significant changes are expected to the accounting of the Company's mining assets.
3. **Accounting for cumulative translation differences:** A first time adopter is exempted from the transfer of cumulative translation differences that existed on the date of transition to IFRS. If it uses this exemption, the cumulative translation difference for all foreign operations would be deemed to be zero at the date of transition to IFRS and the gain or loss on subsequent disposal of any foreign operation should exclude translation differences that arose before the date of transition to IFRS but should include all subsequent translation differences. The Company concluded that any cumulative translation difference that exists on January 1, 2010 will be eliminated and retained earnings will be adjusted by the same amount.

The adoption date of January 1, 2011, will require restatement for comparative purposes of amounts reported by the Company for the interim periods ended December 31, 2010, March 31, 2011, and June 30, 2011 as well as the year ended September 30, 2010.

CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

The Company has not made any changes to accounting policies during the year ended September 30, 2011.

RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

The Company has designated its cash as held-for-trading; reclamation bonds as held-to-maturity; accounts payable and accrued liabilities as other financial liabilities. The amount included in accounts receivable is GST/HST receivable.

The Company's risk exposure and the impact on the Company's financial instruments are summarized below:

Fair value

The carrying values of cash, reclamation bonds and accounts payable approximate their fair values due to the short term to maturity of these financial instruments.

MANAGEMENT DISCUSSION & ANALYSIS

For the Year Ended September 30, 2011

RISK MANAGEMENT AND FINANCIAL INSTRUMENTS- Continued

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign currency risk and other price risk.

(i) Interest rate risk

Interest rate risk consists of two components:

- (a) To the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk.
- (b) To the extent that changes in prevailing market interest rates differ from the interest rates in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

The Company's sensitivity analysis indicates that exposure to interest rate risk is minimal.

(ii) Foreign currency risk

The Company is not exposed to significant foreign currency risk.

(iii) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, other than those arising from interest rate risk. The Company is not exposed to significant other price risk.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Concentration of credit risk exists with respect to the Company's cash and reclamation bonds as all amounts are held at a single major Canadian financial institution. The Company's concentration of credit risk and maximum exposure thereto is as follows:

	2011		2010	
Cash	\$	1,244,067	\$	40,782
Reclamation bonds		28,500		28,500
	\$	1,272,567	\$	69,282

Credit risk is minimized by ensuring that these financial assets are placed with a major Canadian financial institution with strong investment-grade rating by a primary ratings agency.

MANAGEMENT DISCUSSION & ANALYSIS

For the Year Ended September 30, 2011

RISK MANAGEMENT AND FINANCIAL INSTRUMENTS- Continued

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. The Company has \$1,244,067 in cash (2010 - \$40,782), \$29,521 (2010 - \$20,373) in accounts receivable and \$nil (2010 - \$211,450) in subscriptions receivable at September 30, 2011 to settle current liabilities of \$113,959 (2010 - \$109,277).

The Company's accounts payable and accrued liabilities and amounts due to related parties are due in the short term (0 to 3 months).

The Company's exposure to and management of credit risk, liquidity risk and market risk related to financial instruments above have not changed materially since September 30, 2010.

OUTSTANDING SHARE CAPITAL

As at September 30, 2011, there were 72,648,469 common shares outstanding. In addition, there were 6,100,000 stock options outstanding with a weighted average exercise price of \$0.10 per share, and 25,955,800 warrants outstanding with exercise prices ranging between \$0.10 and \$0.15 per share. More information on these instruments and terms of their conversion are set out in the Equity note to our September 30, 2011 Financial Statements.

CORPORATE ACTIVITIES

The following table provides summarizes the Company's current directors and executive officers with their respective positions:

Harold Forzley (1)	Director/ CEO/ President
David McMillan (1)	Director
John Meekison (2)	Director
Stephen Millen (1)(3)	Director
Marc Tran	CFO

(1) *Members of the Audit Committee.*

(2) *Mr. John Meekison was appointed Director of the Company on March 3, 2011. Craig Robson resigned as director on March 3, 2011.*

(3) *Stephen Millen was appointed Director of the Company at the Company's Annual General Meeting on April 21, 2011.*

MANAGEMENT DISCUSSION & ANALYSIS

For the Year Ended September 30, 2011

RELATED PARTY TRANSACTIONS

Related party transactions during the period ended September 30, 2011, not otherwise disclosed in the financial statements, are as follows:

- (a) Paid \$132,000 (2010 - \$60,000) in management fees to directors and paid \$16,806 (2010 - \$25,000) to an officer for accounting fees. At September 30, 2011, \$10,583 (2010 - \$nil) is included as due to related parties.
- (b) Reimbursed directors \$21,827 (2010 - \$6,012) for administrative, travel, legal and miscellaneous expenses (included in general and office).
- (c) Paid \$23,693 (2010 - \$nil) in geological and technical consulting fees to directors, which are capitalized to mineral property interests.
- (d) Issued 3,700,000 options to directors and officers of the Company. The value of these options based on the Black-Scholes option pricing model is \$277,635 (2010 - \$nil).
- (e) Paid \$4,743 (2010 - \$51,348) for rent and office expenses to a company controlled by directors and officers.

All of the above transactions are in the normal course of operations and are measured at the exchange value, which represents the amount of consideration established and agreed to by the parties.

INVESTOR RELATIONS ACTIVITIES

Investor relations duties are carried out by directors, officers and employees of the Company as part of their routine duties. On November 4, 2011, the Company retained Mr. Daniel Whittle to manage its Investor Relations program. Mr. Whittle brings to the Company extensive experience in public capital markets via his involvement with several junior companies over the years in mining, energy and technology sectors. Mr. Whittle also has several years of experience as an Investment Advisor at a national brokerage firm and investment bank prior to his founding Sealord Capital Corporation, a privately held investment and consulting company.

SUBSEQUENT EVENTS

- (a) On November 3, 2011 the Company announced the appointment of Mr. Alain Charest to the Company's Technical Advisory Board. Mr. Charest, a self employed Geological Consultant, is the President and CEO of Arcelia Gold Corp., a private held, British Columbia incorporated company.
- (b) On December 2, 2011, the Company paid Arcelia US\$23,000 for obligations relating to the underlying mineral concession as per the April 26, 2011 El Centenario Option Agreement.

Pacific Cascade Minerals Inc.

Harold Forzley
President & CEO
January 24, 2012