# PACIFIC CASCADE MINERALS INC.

**Management's Discussion and Analysis**
**For the Year Ended September 30, 2014**

**PACIFIC CASCADE MINERALS INC.**
**MANAGEMENT'S DISCUSSION & ANALYSIS**
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

## 1.1 DATE

This management's discussion and analysis ("MD&A") of the financial condition and operating results of Pacific Cascade Minerals Inc. ("Pacific Cascade" or the "Company") for the year ended September 30, 2014 is derived from and should be read in conjunction with Pacific Cascade's audited financial statements for the year ended September 30, 2014, as publicly filed on Sedar at www.sedar.com.

The Company prepared the audited financial statements and note disclosures for the year ended September 30, 2014 in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

This MD&A complements and supplements, but does not form part of the Company's audited financial statements.

All dollar amounts contained herein are expressed in Canadian dollars unless otherwise stated.

**Cautionary Note to Investors Concerning Forward-looking Statements**

Forward-looking statements look into the future and provide an opinion as to the effect of certain events and trends on the business. Forward-looking statements may include words such as "plans", "intends", "anticipates", "should", "estimates", "expects", "believes", "indicates", "suggests" and similar expressions.

This MD&A contains forward-looking statements that are based on the Company's expectations, estimates and projections regarding its business, and the economic environment in which it operates. These statements are not guarantees of future performance and involve risks and uncertainties that are difficult to control or predict. Examples of specific risks associated with the operations of the Company are set out under "Risk Factors". Actual outcomes and results may differ materially from those expressed in these forward-looking statements and readers should not place undue reliance on such statements.

All forward-looking statements have been made subject to risk factors set out starting on page 16 of this MD&A.

This MD&A has been prepared using information as of January 27, 2015 and approved by the Board on January 27, 2015.

## 1.2 BUSINESS OVERVIEW

Pacific Cascade Minerals Inc. 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. The Company is a reporting issuer in British Columbia and Alberta and is also listed on the TSX Venture Exchange ("TSX-V") under the symbol PCV.

Additional information related to the Company is available on the regulatory filings website SEDAR at www.sedar.com and the Company's website at www.pacificcascade.ca.

The Company's operations are primarily funded by equity subscriptions and short-term loans. Future capital requirements will depend on many factors including the Company's ability to execute its business plan. The Company intends to continue relying upon the issuance of capital stock to finance its future activities, but there can be no assurance that such financing will be available on a timely basis under terms acceptable to the Company. Inability to secure future financing would have a material adverse effect on the Company's business, results of operations and financial condition. The Company has experienced difficulty obtaining financing to provide it with the working capital to meet its financial obligations, exploration and development commitments, and operations.

The Company announced it has signed an agreement (subject to TSX-V approval) with 2406031 Ontario Ltd. (the "Vendor") to purchase a 100% interest in the Turner Lake Project (the "Property") located in Nunavut, Canada. The Company plans to raise funds through private placements and secure loan arrangements to finance the project and its operations.

## 1.3 SELECTED ANNUAL INFORMATION

The Company's financial statements and the financial information set out below are prepared in accordance with IFRS as issued by the IASB. The Company's significant accounting policies are disclosed in note 3 of the Company's audited financial statements for the year ended September 30, 2014. The Company's functional and reporting currency is the Canadian dollar.

| Statements of Financial Position Selected Information | **September 30, 2014** | **September 30, 2013** | **September 30, 2012** |
|---|---|---|---|
| Total current assets | $ 61,695 | $ 57,841 | $ 88,207 |
| Total non-current assets | 2,438 | 3,414 | 1,904,287 |
| Total assets | $ 64,133 | $ 61,255 | $ 1 ,992,494 |
| Total current liabilities | $ 1,366,270 | $ 1,109,636 | $ 618,590 |
| Total non-current liabilities | - | - | - |
| Total shareholders' equity (deficiency) | (1,302,137) | (1,048,381) | 1,373,904 |
| Total liabilities and shareholders' equity (deficiency) | $ 64,133 | $ 61,255 | $ 1,992,494 |

Total assets have decreased as at September 30, 2013 due to the write down of the El Centenario property. There were no expenses capitalized in mineral property interest for the Turner Lake Project during the year ended September 30, 2014.

The increase in current liabilities during the September 30, 2013 fiscal year compared to the September 30, 2012 fiscal year is mainly due to the exploration expenditures incurred for the El Centenario property. The majority of the accounts payable balance remains unpaid as at the end of the September 30, 2014 year end. The increase in current liabilities during the year ended September 30, 2014 is due to operational expenses incurred and accruals for management, consulting and accounting fees for the year.

The increase in the shareholders' deficiency during the September 30, 2013 year end is due to write down of the exploration expenditures of the El Centenario property and operational expenses incurred during the year. The increase in shareholders' deficiency for the September 30, 2014 year end compared to the September 30, 2013 year end is due to the loss incurred due to operational expenses for the 2014 fiscal year.

## 1.4 DISCUSSION OF OPERATIONS

Significant Project – Turner Lake Project, Nunavut

On March 31, 2014, the Company signed an agreement with 2406031 Ontario Ltd. to purchase a 100% interest in the Turner Lake Project located in Nunavut. The Property consists of 3 claims, Jam 1, Jam 2 and Jam 3 comprising a land package of 2,762 hectares located near Bathurst Inlet in the Kitikmeot District of Western Nunavut, approximately 560 km NE of Yellowknife, NWT.

Under the terms of the agreement the Company agrees to purchase a 100% right title and interest in the property in exchange for 1,000,000 common shares of the Company to be delivered to the Vendor within 10 days of claims title being successfully transferred into the Company's name. There is a 1% net smelter return ("NSR") reserved by the original property owners on Jam 1, 2 and 3 and a further 1% NSR on Jam 1 with buy outs in place for all of the NSRs.

The Property contains three known Archean mineral occurrences called the Main and East Gold Zones and Nickel Knob. The Main Gold Zone trends for approximately 500 metres, open to depth and occurs along an Archean aged rift off a larger regional structure. Para-conglomerates occur on the down drop side of the rift that was later intruded by an Archean age intermediate intrusive. Host rocks are in lower Amphibolite facies.

Gold mineralization at the Main Gold Zone is situated along a Fe/Mg Tholiietic contact with the majority of the gold hosted in a crackled fractured, iron-rich metasediment containing quartz veining/microveining. Gauge minerals include Arsenopyrite and minor pyrrhotite with visible commonly observed in the quartz veins. ICP analysis indicating elevated silver and bismuth concentrations also present in the gold zone.

The Main Gold Zone was first discovered in the 1960s and has been the focus of most exploration work. Chevron Minerals Ltd. and Silver Hart Mines Ltd. from 1986 to 1989 were the first companies to undertake systematic diamond drilling and surface sampling of this zone. Highlights of their 18 hole, diamond drilling program of the Main Gold Zone include:

| | | |
|---|---|---|
| 28.00 | g/tonne gold | over 4.75 metres |
| 12.86 | g/tonne gold | over 8.87 metres |
| 4.08 | g/tonne gold | over 15.27 metres |
| 15.20 | g/tonne gold | over 4.00 metres |
| 10.00 | g/tonne gold | over 5.00 metres |

In 2008 a diamond drill program was carried out by Northrock Resources Inc. consisting of 21 drill holes which successfully outlined gold mineralization at the Main Gold Showing and discovered massive sulphide mineralization at the Nickel Knob Showing. Ni Knob drilling discovered that the gossanous showing with up to 5-15% sulphides is the upper portion of a polymetallic massive sulphide zone at depth. The zone is hosted in volcanoclastics with an altered ultramafic unit along the footwall of one drill section. The Ni Knob Zone was drill tested along a 50 metre inferred strike length and to a 70 metre depth and remains open in all directions.

### 2008 Turner Lake – Main Gold Showing Composite Results

| Hole Name | From | To | Interval | Gold | Gold | Visible Gold | Area Tested |
|---|---|---|---|---|---|---|---|
| | (m) | (m) | (m) | (g/tonne) | (oz/ton) | | |
| TL-08-001 | 33.7 | 35 | 1.3 | 9.53 | 0.28 | | East Fold Nose |
| | 44 | 48.9 | 4.9 | 4.41 | 0.13 | VG | |
| | 52 | 54 | 2 | 1.69 | 0.05 | | |
| TL-08-004 | 19 | 22 | 3 | 6.25 | 0.18 | | East Fold Nose |
| | 26.9 | 27.9 | 1 | 8.96 | 0.25 | | |
| | 76 | 78 | 2 | 4.95 | 0.14 | | |
| TL-08-005 | NSV | | | | | | East Fold Nose |
| TL-08-006 | 47 | 57 | 10 | 3.18 | 0.09 | VG | West Fold Area |
| | 74 | 75 | 1 | 3.34 | 0.1 | | |
| | 80 | 83 | 3 | 2.65 | 0.08 | | |
| TL-08-007 | 68 | 77.34 | 9.34 | 2.49 | 0.07 | VG | West Fold Area |
| | 98 | 101 | 3 | 1.39 | 0.04 | | |
| | 146 | 149 | 3 | 1.25 | 0.04 | VG | |
| TL-08-008 | 105.3 | 107.15 | 1.85 | 3.06 | 0.09 | | West Fold Area |
| TL-08-009 | 65.3 | 72.2 | 6.9 | 3.22 | 0.09 | VG | Main Gold Zone |
| TL-08-010 | 126.6 | 129.1 | 2.5 | 2.95 | 0.09 | | Main Gold Zone |
| TL-08-011 | 171 | 176 | 5 | 4.7 | 0.14 | VG | Main Gold Zone |
| | 180 | 181 | 1.42 | 0.04 | | | |
| | 183 | 184 | 1 | 3.8 | 0.11 | | |
| TL-08-012 | 115.2 | 123.7 | 8.5 | 16.2 | 0.47 | VG | Main Gold Zone |
| including | 116.2 | 118.2 | 2 | 31.85 | 0.93 | VG | |
| including | 121.2 | 123.2 | 2 | 25.2 | 0.74 | VG | |
| TL-08-013 | 275 | 280 | 5 | 8.9 | 0.26 | VG | Main Gold Zone |
| TL-08-019 | 42 | 46 | 4 | 4.9 | 0.14 | VG | Main Gold Zone |
| TL-08-020 | 59 | 69 | 10 | 4.39 | 0.13 | VG | Main Gold Zone |
| including | 67 | 68 | 1 | 15.3 | 0.45 | VG | |
| TL-08-021 | 86 | 88 | 2 | 1.53 | 0.05 | VG | Main Gold Zone |
| | 92 | 100 | 8 | 8.36 | 0.24 | VG | |
| including | 96 | 98 | 2 | 18.6 | 0.54 | VG | |

**Turner Lake – Ni Knob – Composite Results**

| Hole Name | From (m) | To (m) | Interval (m) | Nickel (%) | Copper (%) | Silver (g/tonne) | Lead/Zinc (%) | Gold (g/tonne) |
|---|---|---|---|---|---|---|---|---|
| TL-08-014 | 48.00 | 53.00 | 5.0 | 0.88 | 0.65 | 4.74 | | |
| TL-08-015 | 92.75 | 96.00 | 3.3 | 0.46 | 0.36 | 3.68 | | |
| TL-08-016 | 66.00 | 72.00 | 6.0 | 0.82 | 0.42 | 2.62 | | |
| TL-08-017 | 41.00 | 55.00 | 14.0 | 1.62 | 1.87 | 15.75 | | |
| including | 50.00 | 53.00 | 3.0 | 4.19 | 1.19 | 44.67 | 1.66 | 0.46 |
| TL-08-018 | 54.00 | 61.00 | 7.0 | 0.94 | 0.79 | 4.44 | | |
| including | 57.00 | 60.00 | 3.0 | 1.74 | 0.98 | 6.10 | | |

Core lengths are estimated to range between 55-80% of true width as the zone is interpreted to have a near vertical dip.

The 2009 drill program consisted of 1,181.72 metres of NQ, diamond drilling in nine holes at the main Gold Zone. This program confirmed the Main Gold Zone has good continuity along strike and down-dip and, as found in all previous drilling programs, significant gold mineralization occurs within a brecciated, meta-greywacke enclosed within ultramafic volcanics. Visible gold was noted in eight of the nine holes completed in 2009.

**2009 Turner Lake - Main Gold Showing Composite Drill Results**

| **Drill Hole** | **From (m)** | **To (m)** | **Width (m)** | **Grams/tonne (Metallic Assay) Gold** | **Visible Gold (specks)** |
|---|---|---|---|---|---|
| TL-09-22 | 28.50 | 32.50 | 4.00 | 4.91 | 8 |
| including | 31.50 | 32.50 | 1.00 | **9.80** | |
| TL-09-23 | 34.20 | 34.70 | 0.50 | **19.20** | |
| TL-09-24 | 40.70 | 44.10 | 3.40 | 2.35 | |
| including | 40.20 | 40.70 | 0.50 | 9.42 | 3 |
| TL-09-25 | 50.00 | 61.20 | 11.20 | 3.32 | 2 |
| including | 50.00 | 52.00 | 2.00 | **9.35** | |
| | 60.00 | 61.20 | 1.20 | **10.10** | 4 |
| TL-09-26 | 93.00 | 111.00 | 18.00 | 5.60 | 28 |
| including | 93.00 | 95.00 | 2.00 | **12.50** | |
| including | 98.00 | 99.00 | 1.00 | **10.70** | |
| including | 103.00 | 108.00 | 5.00 | **8.70** | |
| TL-09-27 | 88.60 | 93.60 | 5.00 | 3.30 | 8 |
| including | 91.60 | 93.60 | 2.00 | 5.74 | |
| TL-09-28 | 101.0 | 102.0 | 1.00 | 6.36 | 3 |
| | 111.0 | 113.0 | 2.00 | **22.54** | 14 |
| | 124.0 | 132.0 | 8.00 | 4.92 | 11 |
| including | 124.0 | 127.0 | 3.00 | 6.49 | |
| TL-09-29 | 104.0 | 117.0 | 13.0 | **13.21** | 26 |
| including | 113.0 | 117.0 | 4.00 | **29.73** | |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| including | 113.0 | 114.0 | 1.00 | | **75.60** | | |
| including | 116.0 | 117.0 | 1.00 | | **31.80** | | |
| | 124.0 | 131.0 | 7.00 | | 4.85 | | 18 |
| | 136.0 | 147.0 | 11.00 | | **7.31** | | 16 |
| including | 138.0 | 142.0 | 4.00 | | **11.14** | | |
| TL-09-30 | 168.0 | 171.0 | 3.00 | | 4.52 | | 3 |
| | 180.0 | 183.0 | 3.00 | | 5.45 | | 3 |

The estimated true width of the mineralization ranges between 30 to 87 percent of the core lengths. Technical information in this news release has been reviewed by Mr. Lorne Warner, P.Geo., a qualified person as defined in NI 43-101.

On May 28, 2014, Mr. Eugene Hodgson has agreed to join the Company's Board of Directors and assumed the position of Chairman. Mr. Hodgson brings 30 years of private and public sector experience including valuable local knowledge in Nunavut for the Turner Lake Project.

## 1.5 SUMMARY OF QUARTERLY RESULTS

| | **Quarter Ended September 30, 2014** | **Quarter Ended June 30, 2014** | **Quarter Ended March 31, 2014** | **Quarter Ended December 31, 2013** |
|---|---|---|---|---|
| (a) Revenue | Nil | Nil | Nil | Nil |
| (b) Loss for the period | $90,469 | $68,721 | $60,640 | $33,926 |
| (c) Loss per share | $0.001 | $0.001 | $0.001 | $0.000 |
| | **Quarter Ended September 30, 2013** | **Quarter Ended June 30, 2013** | **Quarter Ended March 31, 2013** | **Quarter Ended December 31, 2012** |
| (a) Revenue | Nil | Nil | Nil | Nil |
| (b) Loss for the period | $2,337,884 | $75,221 | $66,276 | $95,704 |
| (c) Loss per share | $0.029 | $0.001 | $0.001 | $0.001 |

The increase in loss for the quarter ended September 30, 2014 compared to the quarter ended June 30, 2014 is due to the accrual of audit fees for the 2014 fiscal year and under accrual of audit fees for the 2013 year end.

The increase in loss for the quarter ended March 31, 2014 compared to the quarter ended December 31, 2013 is due to the Management fees accrued for the period. There were no management fees accrued in three months ended December 31, 2013.

During the quarter ended September 30, 2013, the Company wrote off the El Centenario mineral property interest for $2,254,952 due to the lack of working capital to meet its obligations including acquisition payments comprised of cash and common share issuance, mineral concession payments, and minimum annual exploration and development expenditures required by the Letter of Intent ("LOI"). The Company was unable to renegotiate the terms of the LOI with Arcelia. In addition, the Company accrued $20,000 for decommissioning liabilities for the Crack Moly mineral property interest that the Company previously held.

## 1.6 RESULTS OF OPERATIONS

The Company recorded a net loss and comprehensive loss of $253,756 for the year ended September 30, 2014 and $2,575,085 for the year ended September 30, 2013. The following provides a breakdown of the expenses incurred for the years ended September 30, 2014 and 2013:

| | Year ended September 30, | |
|---|---|---|
| | **2014** | **2013** |
| **Expenses** | | |
| Accounting and audit | $ 41,875 | $ 59,288 |
| Consulting | 84,410 | 75,500 |
| Decommissioning expense | - | 20,000 |
| Depreciation | 976 | 978 |
| Filing fees | 9,066 | 14,823 |
| General and office | 1,326 | 3,212 |
| Impairment of minerals property interests | - | 2,254,952 |
| Interest and bank charges | 39,826 | 43,437 |
| Investor relations and communication | 500 | 9,674 |
| Legal | 5,046 | 14,388 |
| Management fees | 63,000 | 48,000 |
| Rent | - | 15,062 |
| Transfer agent fees | 4,472 | 4,382 |
| Travel and promotion | 3,585 | 11,662 |
| Interest income | (326) | (273) |
| **Net loss and comprehensive loss for year** | $ 253,756 | $ 2,575,085 |

Due to the decrease in activities in the Company for the year end September 30, 2014, expenses such as accounting and audit fees decrease by $17,413, filing fees decrease by $5,757, general and office decrease by $1,886, investor relations and communications decrease by $9,174, legal decrease by $9,342 and travel and promotion decrease by $8,077. During the September 30, 2013 fiscal year, the Company's expenses were higher due to the activities for the El Centenario mineral property that were incurred prior to the Company's decision to discontinue work on the property.

Consulting expense increase by $8,910 for the year ended September 30, 2014 compared to the year ended September 30, 2013. The increase is due to a new contract signed in the year for 3 months of investors' relations consulting fee for $18,000 offset by over accrual of prior year's consulting fees of $4,000 and recovery of expenses of $1,590.

During the year ended September 30, 2014, there is an increase in management fees of $15,000. The increase is due to the $7,000 per month incurred for the 9 months period from January 2014 to September 2014 and $8,000 per month incurred for the period from October 2012 to March 2013. No fees were accrued for the periods from April 2013 to June 2013 and October 2013 to December 2013. This is due to the lack of cash working capital during these periods.

No rent has been paid for the year ended September 30, 2014 compared to the year ended September 30, 2013 since the Company has terminated two premise agreements during the year ended September 30, 2013.

## 1.7 LIQUIDITY AND SOLVENCY

As at September 30, 2014, the Company insufficient cash balance to meet obligations. The Company will be required to raise additional capital in order to fund its operations and pay liabilities as they come due.

During the year ended September 30, 2014, the Company's primary source of funds comes from loan arrangements to finance operations and exploration projects. For the year ended September 30, 2014, the Company incurred operating losses of $253,756 and at September 30, 2014 has a working capital deficit of $1,304,575.

The Company does not generate revenues from operations and the Company does not have sufficient working capital to meet its planned operations and exploration activities. The Company has relied mainly upon the issuance of capital stock and loan arrangements to finance its activities. The Company intends to continue relying upon the issuance of capital stock to finance its future activities, but there can be no assurance that such financing will be available on a timely basis under terms acceptable to the Company. Inability to secure future financing would have a material adverse effect on the Company's business, results of operations and financial condition. The Company has made cutbacks in operations and overhead cost as a result of difficulty in financing.

## 1.8 CAPITAL RESOURCES

For the year ended September 30, 2014, the Company did not have any exploration activities. Corporate and general costs to maintain the requirement of a listed entity have been $215,000 for the year. The Company has relied on loans from directors and arm's length parties to finance its operations with accrued interest expenses at approximately $40,000 per annum in the past two fiscal years. The Company does not currently have sufficient resources to repay the loans outstanding of $464,178 at September 30, 2014. The Company plans to complete a private placement and obtain new loans to fund the Turner Lake Project and its operations.

During the year ended September 30, 2014, a director and an arm's length party advanced an additional $21,500 of demand loans to the Company without interest to finance operating activities of the Company. In addition, a director also advanced $4,000 to the Company with interest at CIBC prime plus 2% due April 30, 2014. All the advances made to the Company for the year ended September 30, 2014 remains unpaid. Certain directors and an officer also paid operating expenses of $22,724 on behalf of the Company during the year ended September 30, 2014. This amount has been included in the amount due to related parties.

On June 9, 2014, the Company announced that it has arranged a non-brokered private placement of 5,000,000 units at a price of $0.05 per unit for a gross proceed of $250,000. Each unit consists of one common share and one common share purchase warrant. Each common share purchase warrant entitled the holder to acquire one additional common share of the Company at an exercise price of $0.10 within 24 months of closing. Finders' fees are payable on a portion of the offering. The private placement proceeds will be used for working capital and it is subject to regulatory approval. The private placement has not closed but the Company have received $35,000 in subscriptions to date.

At September 30, 2014, there were no externally imposed capital requirements to which the Company is subject and with which the Company has not complied and there are no sources of financing that the Company has arranged but not yet used.

The Company considers its capital under management to be its capital stock and loans payable, and makes adjustments to it based on the funds available to the Company in order to support future business opportunities.

## 1.9 OFF BALANCE SHEET ARRANGEMENTS

The Company does not have off balance sheet arrangements as at September 30, 2014.

## 1.10 TRANSACTIONS BETWEEN RELATED PARTIES

(a) Due to related parties

The Company has entered into the following related party transactions because alternative source of financing were unavailable due to the lack of collateral and limited access to public financing due to current global financial conditions.

i. Advances of $23,774 and reimbursements of $1,000 for expenses. At September 30, 2014, $141,011 was owed to a director and officers for amounts related to these expenses and unpaid management and accounting fees.

ii. On January 30, 2013, the Company entered into a $65,000 loan agreement with an arm's length party. The loan has a 28-day term and interest accrues at 8% per annum. Any outstanding loan balance on February 28, 2013 shall bear interest at 25% per annum, retroactive to January 30, 2013. A total of $56,000 has been repaid during the September 30, 2013 fiscal year. As further consideration for the loan, the Company agreed to issue 195,000 bonus shares to the lender with a fair value of $3,900 recorded as bonus shares issuable in share-based payments reserve during the year ended September 30, 2013. As at September 30, 2014, these shares have not been issued. During the year ended September 30, 2014, additional $16,500 were advanced to the Company without interest and repayment of principal was $nil. As at September 30, 2014, the principal of $25,500 and accrued interest of $4,162 are included in loans payable and remains outstanding. The Company accrued $2,250 as interest expense related to this loan. This loan is now a related party loan as the arm's length party became a director of the Company during the year ended September 30, 2014.

iii. During the year ended September 30, 2012, the Company entered into a series of loans with a director for a total principal amount of $195,000 with an interest rate ranging from 4% to 6% per annum to be paid monthly. All of the loans are due on demand. During the year ended September 30, 2013, the Company borrowed an additional $22,500 without interest and repaid $15,000 of this balance in the same year. During the year ended September 30, 2014, the Company accrued $8,800 in interest expense and repaid interest of $nil during the year. As at September 30, 2014, the principal amount outstanding of $202,500 and total unpaid accrued interest of $16,129 is included in loans payable.

iv. During the year ended September 30, 2014, an additional advance of $4,000 was made to the Company by a Director with interest rate at CIBC prime plus 2% due on April 30, 2014 (unpaid). As at September 30, 2014, the balance of this loan including accrued interest of $110 for a total of $4,110 is included in loans payable.

(b) Loans payable

i. On November 13, 2012, the Company entered into a $100,000 loan agreement with an arm's length party. The loan has a 60-day term and interest accrues at 8% per annum. Any outstanding loan balance on January 13, 2013 shall bear interest at 25% per annum, retroactive to November 13, 2012. As further consideration for the loan, the Company issued 200,000 bonus shares to the lender. These shares were recorded with a fair value of $3,000. During the year ended September 30, 2014, the Company accrued $25,000 as interest expense related to this loan. As at September 30, 2014, the principal of $100,000 and the accrued interest of $46,986 remain outstanding and included in loans payable.

ii. During the year ended September 30, 2012, the Company entered into a series of loan with a director for a total principal amount of $54,500 with an interest rate ranging from 4% to 6% per annum to be paid monthly. All of the loans are due on demand. During the year ended September 30, 2013, the Company borrowed an additional $1,000 without interest. During the year ended September 30, 2014, the director resigned and is no longer a related party. The Company accrued $2,370 in interest expense during the year and repaid interest of $nil. There were no principal repayments during the years ended September 30, 2014 and 2013. The total principal and total accrued interest of $59,791 is included in loans payable.

iii. During the year ended September 30, 2014, $5,000 without interest or repayment term was loaned to the Company by an arm's length party.

(c) Key management compensation

Key management personnel are persons responsible for planning, directing and controlling the activities of the entity, and include all directors and officers. Key management compensation comprises:

| | **Year ended September 30, 2014** | **Year ended September 30, 2013** |
|---|---|---|
| Management fees | $63,000 | $ 48,000 |
| Accounting fees | $ 4,000 | $ 32,808 |

## 1.11 FOURTH QUARTER

| | Three months ended September 30, 2014 | | 2013 | |
|---|---|---|---|---|
| **Expenses** | | | | |
| Accounting and audit | $ | 29,875 | $ | 10,500 |
| Consulting | | 27,000 | | 34,000 |
| Decommissioning expense | | - | | 20,000 |
| Depreciation | | 244 | | 978 |
| Filing fees | | 2,979 | | (4,067) |
| General and office | | 203 | | (1,117) |
| Impairment of mineral property interests | | - | | 2,254,952 |
| Interest and bank charges | | 6,071 | | 12,140 |
| Investor relations and communication | | - | | (5,367) |
| Legal | | 1,112 | | 4,210 |
| Management fees | | 21,000 | | - |
| Transfer agent fees | | 650 | | - |
| Travel and promotion | | 1,335 | | 11,662 |
| Interest income | | - | | (7) |
| **Net loss and comprehensive loss for period** | $ | 90,469 | $ | 2,337,884 |

Accounting and audit fees increased in the three months ended September 30, 2014 due to a lower accrual of audit fees in the last quarter ended September 30, 2013.

Consulting fees decreased in the three months ended September 30, 2014 due to the adjustment for the accrual of consulting fees with a consultant made in the last quarter.

The decommissioning expense and the impairment of mineral property interests were recorded in the last quarter of the 2013 fiscal year as management decision was made during that period to discontinue the exploration work on the El Centenario property.

Filing fee for the three months ended September 30, 2014 consist of the 2014 sustaining fees paid to the TSX-V. The recovery of the amount during the three months ended September 30, 2013 is due to expenses re-classified to legal.

Interest and bank charges decreased during the three months ended September 30, 2014 compared to the three months ended September 30, 2013 due to the recognition of interest for loans payable for the prior quarters during the 2013 fiscal year that were previously not recognized.

The negative balances in general and office and investor relations and communication during the three month ended September 30, 2013 are due to expenses re-classified to travel and promotion.

There were no management fees incurred during the three months ended September 30, 2013.

Travel and promotion expenses decreased during the three months ended September 30, 2014 compared to the three months ended September 30, 2013 due to the overall decrease in activities of the Company during the year.

## 1.12 PROPOSED TRANSACTIONS

The Company announces it has signed an agreement (subject to TSX-V approval) with 2406031 Ontario Ltd. (the "Vendor") to purchase a 100% interest in the Turner Lake Project (the "Property") located in Nunavut. The Property consists of 3 claims, Jam 1, Jam 2 and Jam 3 comprising a land package of 2,762 hectares located near Bathurst Inlet in the Kitikmeot District of Western Nunavut, approximately 560 km NE of Yellowknife, NWT. The date of completion of the purchase and sale of the claims (the "Closing Date") shall be such date as may be established by the Purchaser but shall in no event be later than 120 days from March 31, 2014 which would be July 29, 2014. The parties have agreed to extend the Closing Date to a further 120 days to November 25, 2014. The Company is currently negotiating with the Vendor to a third extension date. The Company intends to continue relying upon the issuance of capital stock and secure loan arrangements to finance this project.

## 1.13 CRITICAL ACCOUNTING ESTIMATES

Not required as the Company is a Venture Issuer.

## 1.14 CHANGES IN ACCOUNTING POLICIES

There have been no changes in accounting policies for the year ended September 30, 2014 for the Company.

The following is a summary of accounting standards that are effective in future periods that may have an impact on the Company:

<u>Accounting standards effective October 1, 2014</u>

(a) Offsetting Financial Assets and Financial Liabilities (Amendment to IAS 32)

Amends IAS 32 *Financial Instruments: Presentation* to clarify certain aspects because of diversity in application of the requirements on offsetting, focused on four main areas:

- The meaning of "currently has a legally enforceable right to set-off"
- The application of simultaneous realization and settlement
- The offsetting of collateral amounts
- The unit of account for applying the offsetting requirements.

(b) Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36)

Amends IAS 36 *Impairment of Assets* to reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and to introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique.

(c) IFRIC 21 Levies, an interpretation of IAS 37

IAS 37 Provisions, Contingent Liabilities and Contingent Assets sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event ("obligating event"). IFRIC 21 clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. IFRIC 21 is effective for annual periods commencing on or after January 1, 2014.

(d) Annual Improvements 2010-2012 Cycle

Makes amendments to the following standards:

- IFRS 2 — Amends the definitions of "vesting condition" and "market condition" and adds definitions for "performance condition" and "service condition"

• IFRS 3 — Require contingent consideration that is classified as an asset or a liability to be measured at fair value at each reporting date

• IFRS 8 — Requires disclosure of the judgments made by management in applying the aggregation criteria to operating segments, clarify reconciliations of segment assets only required if segment assets are reported regularly

• IFRS 13 — Clarify that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure certain short-term receivables and payables on an undiscounted basis (amends basis for conclusions only)

• IAS 16 and IAS 38 — Clarify that the gross amount of property, plant and equipment is adjusted in a manner consistent with a revaluation of the carrying amount

• IAS 24 — Clarify how payments to entities providing management services are to be disclosed.

(e) Annual Improvements 2011-2013 Cycle

Makes amendments to the following standards:

- IFRS 1 — Clarify which versions of IFRS can be used on initial adoption (amends basis for conclusions only)
- IFRS 3 — Clarify that IFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself
- IFRS 13 — Clarify the scope of the portfolio exception in paragraph 52.

The Company has determined that the above changes have no impact on the Company's financial statements.

<u>Accounting standard effective October 1, 2018</u>

IFRS 9 *Financial Instruments* addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 *Financial Instruments: Recognition and Measurement* that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortized cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the statement of loss, unless this creates an accounting mismatch. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Early adoption will continue to be permitted.

The Company is currently assessing the impact of the application of IFRS 9 on the Company's financial statements.

## 1.15 FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The Company classifies its bank indebtedness as FVTPL; reclamation bonds and deposit as HTM investments; and accounts payable, due to related parties and loans payable, as other financial liabilities.

The Company's financial instruments are exposed to certain financial risks, including estimation of fair value, credit risk, liquidity risk, interest rate risk and foreign currency risk.

(a) Fair value

The carrying values of bank indebtedness, reclamation bonds and deposit, accounts payable, due to related parties and loans payable approximate their fair values due to the short term to maturity of these financial instruments.

(b) Credit risk

Concentration of credit risk exists with respect to the Company's reclamation bonds and deposit of $28,500, which are held at a single major Canadian financial institution.

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.

(c) Liquidity risk

The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. As at September 30, 2014, the Company has $29,374 in accounts receivable which are available to settle current liabilities.

The Company's accounts receivable consists of GST receivable which is due to be received in the next six months.

The Company's bank indebtedness, accounts payable, amounts due to related parties and loans payable are due in the short term (0 to 3 months).

The Company normally maintains enough cash to meet the Company's business requirements; however, as at September 30, 2014, there is an insufficient cash balance to meet obligations. The Company will be required to raise additional capital in order to fund its operations and liabilities as they come due.

(d) Interest rate risk

As the Company's loans payable have fixed interest rates, the Company's sensitivity analysis indicates that exposure to interest rate risk is minimal.

(e) Foreign currency risk

The Company is not exposed to significant foreign currency risk on its financial instruments.

## 1.16 OTHER MD&A REQUIREMENTS

(a) Disclosure of Outstanding Share Data

The following details the share capital structure as at the date of this MD&A:

| | Number Outstanding |
|---|---|
| Common Shares | **80,454,719** |
| Stock Options | **3,150,000** |
| Warrants | **1,100,000** |

(b) Limitations of Controls and Procedures

The Company's management, including its Chief Executive Officer and Chief Financial Officer, believe that any system of disclosure controls and procedures or internal control over financial reporting, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Furthermore, the design of a control system must reflect the fact that there are resource constraints and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been prevented or detected. These inherent limitations include the realities that judgments in decision-making can be faulty and breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override of controls. The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost effective control system, misstatements due to error or fraud may occur and not be detected.

## 1.17 INDUSTRY/ECONOMIC FACTORS AND RISKS

The Company is engaged in the exploration for and development of mineral resources. These activities contains significant risks which careful planning, analysis, experience and knowledge may not, eliminate. The commercial viability of any mineral deposit depends on many factors not all of which are within the control of management. Some of the factors that affect the economics of a given mineral deposit include its size, grade and proximity to infrastructure, government regulation, taxes, royalties, land tenure, land use, environmental protection and reclamation and closure obligations, all have an impact on the economic viability of a mineral deposit.

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and revenue and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The Company has entered into an agreement to acquire 100% interest in the Turner Lake Project mineral property. Annual operating losses are expected to continue until the Company has an interest in a mineral property that produces revenues. The Company's ability to continue its operations and to realize assets at their carrying values is dependent upon the continued support of its shareholders, obtaining additional financing and generating revenues sufficient to cover its longer term operating costs. There can be no assurance that such financing will be available on a timely basis under terms acceptable to the Company. The accompanying condensed interim financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying condensed interim financial statements.

The forward-looking information in this management's discussion and analysis is based on the conclusions of management.