



2004
ANNUAL REPORT

Corporate Profile

The Company is a reporting issuer in Alberta and British Columbia, and trades on the TSX Venture Exchange under the symbol "CJ". Cascadia is involved in the acquisition and exploration of mineral properties in Canada.

Cascadia International Resources Inc. was incorporated under the laws of British Columbia as Craven Resources Inc. on July 18, 1983 and changed its name to Cascadia International Resources Inc. on April 7, 1997. On January 24, 2004, Cascadia moved its corporate office to Calgary, Alberta.

Corporate Summary

Directors & Officers

James G. Evaskevich- President, CEO & Chairman of the Board

John Aihoshi - VP Finance & CFO

Robert Middleton – VP Exploration, Director

Gordon Bowerman – Director

Douglas Stuve – Director

Glenn Mullan - Director

Advisors

Dr. Tony (A.J.) Naldrett

Mr. Lionel Kilburn

Associations

Banker – National Bank of Canada, Calgary, AB

Legal – Burstall Winger LLP, Calgary, AB

Auditors – Meyers Norris Penny LLP, Calgary, AB

Transfer Agent – CIBC Mellon Trust

Address and Contact Info

#1530, 715 – 5 Avenue S.W.

Calgary, AB T2P 2X6

IR Contact: Trish Olynyk

Notice of Annual Meeting of Shareholders

The Annual General Meeting will be held at Cascadia International Resources Inc., #1530, 715 – 5 Avenue S.W., Calgary, Alberta, February 9, 2005 at 3:00 p.m. (Mountain Standard Time).

PRESIDENTS' MESSAGE

Cascadia International Resources Inc has continued to build on the momentum reported in last year's president's message. While share prices for junior exploration companies and Cascadia's as well, have been under pressure for the last several months, commodity prices have remained extremely strong. Over time we think share prices will improve to be more in line with commodity prices. In the meantime Cascadia will stick to it's exploration model.

The company has completed it's corporate move to Calgary from Vancouver. The board of directors welcomes Douglas Stuve, Robert Middleton and Glenn Mullan to it's ranks while thanking Simon Tam and Wayne Waters for their efforts to January 2004. I would also like to welcome Dr. Tony Naldrett and Mr. Lionel Kilburn to our Advisory board.

Our exploration team headed up by Mr. Bob Middleton has had a very busy year. In northern Ontario, the company drilled both Norton and Linsey Bay in early 2004. Linsey Bay did not meet our expectations and was returned to the vendors. Norton, on the other hand, proved to be much better than anticipated. New results indicate that the existing zone extends from the 100 m depth to the 250 m depth where it is still open at depth, and in fact still over 9 m wide with progressively higher ore grades. Plans for early 2005 include bringing Crone Geophysics and Exploration Ltd. of Mississauga, Ontario onsite to conduct ground geophysics over two more conductors of interest and perform downhole pulse EM on the existing zone. This data plus previous airborne, geochem, geology and drill hole results will be integrated by Mira Geoscience Ltd. of Montreal, Quebec into a 3D model which will be used to target the February 2005 drilling program.

Year Two of our Option Agreement in Raglan with Novawest Resources Ltd. of Vancouver, B.C. has been satisfied with Cascadia International Resources Inc. now owning 25% of the original Raglan Assemblage, 35% of the True North property and 50% of the Thunder property. The expanded 2004 exploration program resulted in 53 holes and 8800 m of drilling on the combined Raglan property. While the 2004 project went over budget in excess of 1 million dollars and the results were not as encouraging as hoped, the valuable regional geology and data gained will assist in next years program. Much more stringent cost control and exploration direction will be implemented by Cascadia in the 2005 season. With these controls and the addition of Mr. Glenn Mullan (Chairman of Canadian Royalties and president of Golden Valley Resources) to our board, we at Cascadia are confident that the great potential of Raglan can be more fully developed in the 2005 program.

Our Investor Relations team led by Ms. Trish Olynyk has secured the services of two consulting Investor Relations firms to promote market awareness for the company. JD Management of Calgary, Alberta and Barry Kaplan and Associates of Fairhaven, New Jersey, USA will provide market awareness for both Canada and USA. Cascadia also expects to file a Form 20F with the SEC in the United States early in 2005, which will enhance the company's ability to access the American market. Vicarage Capital Limited of London, England has been hired to assist with the Europe market. Vicarage arranged for Cascadia executives to visit Europe in May of 2004 and has scheduled additional visits in 2005 to establish a European shareholder and investor base.

Cascadia International Resources Inc. continues to look forward to strong commodity prices and continued growth of our exploration projects and exploration team.

On behalf of the Board of Directors,



President & CEO

Management's Responsibility for Financial Reporting

To the Shareholders of:

Cascadia International Resources Inc.

Management has responsibility for preparing the accompanying financial statements. This responsibility includes selecting appropriate accounting principles and making objective judgments and estimates in accordance with Canadian generally accepted accounting principles.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets safeguarded and proper records maintained.

It is the responsibility of the Board of Directors and Audit Committee to review the financial statements in detail with management prior to their approval of the financial statements for publication.

External auditors are appointed by the shareholders to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to the Board of Directors, Audit Committee and management.



Jim Evaskevich

To the Shareholders of:

Cascadia International Resources Inc.

We have audited the balance sheets of Cascadia International Resources Inc. as at July 31, 2004 and 2003 and the statements of net loss and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial positions of the Company as at July 31, 2004 and 2003 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Calgary, Alberta

October 15, 2004

Meyers Norris Penny
Chartered Accountants

Cascadia International Resources Inc.
Statements of Net Loss and Deficit

For the year ended July 31

	<i>2004</i>	<i>2003</i>
Interest income	16,187	6,262
Expenses		
Bank charges	821	241
Depreciation	8,841	-
General corporate	86,288	6,303
Investors and shareholder relations	168,558	7,394
Management fees	-	25,000
Professional fees	331,500	107,510
Transfer agent and regulatory fees	19,624	41,321
Travel and promotion	16,611	28,100
	632,243	215,869
Net loss from operations	(616,056)	(209,607)
Stock-based compensation (Note 8)	(646,012)	-
	(1,262,068)	(209,607)
)	
Future income tax recovery (Note 6)	65,494	-
Net loss	(1,196,574)	(209,607)
)	
Deficit, beginning of year	(2,453,072)	(2,243,465)
)	
Deficit, end of year	(3,649,646)	(2,453,072)
)	
Loss per share (Note 9)	(0.04)	(0.03)

Cascadia International Resources Inc.
Statements of Cash Flows
For the year ended July 31

	<i>2004</i>	<i>2003</i>
Cash provided by (used for) the following activities		
Operating		
Net loss	(1,196,574	(209,607)
)	
Depreciation	8,841	-
Non-cash stock-based compensation	646,012	-
Future income tax recovery	(65,494)	-
Changes in non-cash working capital		
Accounts receivable	(9,768)	628
Marketable securities	300,000	(300,000)
Accounts payable and accruals	8,465	31,529
	(308,518)	(477,450)
Financing		
Issue of shares, net of share issuance costs	4,479,570	3,166,749
Investing		
Purchase of property and equipment	(59,969)	-
Purchase of and expenditures on mineral properties	(4,113,566)	(2,310,136)
	(4,173,535	(2,310,136)
)	
Increase (decrease) in cash	(2,483)	379,163
Cash, beginning of year	396,691	17,528
Cash, end of year	394,208	396,691

Cascadia International Resources Inc.

Notes to the Financial Statements

For the year ended July 31, 2004

1. Incorporation, nature and continuance of operations

Cascadia International Resources Inc. ("the Company") was incorporated under the laws of the Province of British Columbia as Craven Resources Inc. on July 18, 1983 and changed its name to Cascadia International Resources Inc. on April 7, 1997. The Company is involved in the acquisition and exploration of mineral properties in Canada.

These financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the payment of liabilities in the ordinary course of business. Should the Company be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and to meet its liabilities as they become due.

The Company has a history of losses and has an accumulated deficit of \$3,649,646 (2003 - \$2,453,072). The ability of the Company to continue operating as a going concern is dependent upon, among other things, its ability to attain profitable operations and generate funds therefrom and to continue to obtain capital financing from investors sufficient to meet current and future obligations.

2. Accounting policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles, and include the following significant accounting policies:

Marketable securities

Marketable securities are stated at the lower of cost or market value.

Property and equipment

Property and equipment are initially recorded at cost. Amortization is provided using methods and rates intended to amortize the cost of assets over their estimated useful lives.

	Method	Rate
Computer equipment	Declining balance	30%
Leasehold improvements	Straight line	3 years
Office equipment	Declining balance	20%

In the year of acquisition, amortization is taken at one-half of the above rates.

Mineral properties

The cost of resource properties and their related exploration costs are deferred until the properties are placed into production, sold or abandoned. These costs will be amortized on a unit-of-production basis following the commencement of production or written off if the properties are sold or abandoned. If the properties are considered to be impaired in value, an appropriate charge will be made at that time.

Costs include the cash consideration and the fair market value of shares and options issued on the acquisition of mineral properties. Properties acquired under option agreements or joint ventures, whereby payments are made at the sole discretion of the Company, are recorded in the accounts at such time as the payments are made.

The recorded cost of mineral claims and deferred exploration costs represents costs incurred and are not intended to reflect present or future values. The ultimate recovery of such capitalized costs is dependent upon the discovery and development of economic ore reserves or the sale of mineral rights.

Cascadia International Resources Inc.

Notes to the Financial Statements

For the year ended July 31, 2004

2. Accounting policies (continued from the previous page)

Joint venture activities

Substantially all of the Company's mineral exploration and development activities are conducted jointly with others. These financial statements reflect only the Company's proportionate interest in such activities.

Flow-through shares

Share capital includes flow-through shares issued pursuant to certain provisions of the Income Tax Act (Canada) ("the Act"). Under the Act, where the proceeds are used for eligible expenditures, the related income tax deductions may be renounced to subscribers.

Share capital is reduced by an amount equal to the estimated future income taxes payable by the Company as a result of the renunciations and the estimated future income taxes payable are recorded as an increase to the future income tax liability.

Future income taxes

The Company follows the asset and liability method to account for income taxes. The asset and liability method requires that income taxes reflect the future tax consequences of temporary differences between the carrying amounts of assets or liabilities and their tax basis. Future income tax assets and liabilities are determined for each temporary difference based on enacted rates that are expected to be in effect when the underlying items of income and expenses are expected to be realized.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of estimates include the determination of impairment of mineral exploration costs, reclamation obligations and qualifying renunciations. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in earnings in the periods in which they become known.

Stock-based compensation

In November 2003, the CICA revised Handbook Section 3870, *Stock-based Compensation and Other Stock-based Payments*, with respect to the accounting for stock-based compensation and other stock-based payments. The revised recommendations require that beginning January 1, 2004, the fair value-based method be used to account for all transactions whereby goods and services are received in exchange for stock-based compensation and other stock-based payments. Under the fair value-based method, compensation costs are measured at fair value at the date of grant and are expensed over the award's vesting periods.

In accordance with one of the transitional options permitted under Section 3870, the Company has elected to early-adopt the new recommendations effective August 1, 2003 and prospectively apply the standard for employee stock awards granted after August 1, 2003. Prior to the adoption of the fair value-based method, the Company, as permitted by Section 3870, had chosen to continue its existing policy of recording no compensation cost on the grant of stock options to employees.

Cascadia International Resources Inc. Notes to the Financial Statements

For the year ended July 31, 2004

3. Change in accounting policy

Stock based compensation

The Company has early-adopted the Canadian accounting standard as outlined in *CICA Handbook 3870 "Stock-based Compensation and Other Stock-based Payments"*. As allowed by the section, this policy has been adopted prospectively, with no restatement of prior years' balances. The adoption of the new accounting standard for stock-based compensation resulted in the Company recognizing an expense of \$646,012 in 2004.

As required by the transitional provisions, proforma net income and earnings per share information has been provided as if the fair value method had been used for options granted between August 1, 2002 and July 31, 2003 (*Note 8*).

4. Property and equipment

	Cost	Accumulated Depletion	2004 Net Book Value	2003 Net Book Value
Computer equipment	30,518	4,578	25,940	-
Leasehold improvements	19,771	3,295	16,476	-
Office equipment	9,680	968	8,712	-
	59,969	8,841	51,128	-

5. Mineral properties

	Cost	Accumulated Depletion	2004 Net Book Value	2003 Net Book Value
Raglan – deferred exploration payments (a)	6,458,177	-	6,458,177	2,395,875
Raglan – Thundermin acquisition (b)	88,651	-	88,651	88,651
McGarry – deferred exploration payments (c)	54,993	-	54,993	50,136
Norton Lake – deferred exploration payments (d)	173,864	-	173,864	-
Attwood & Ficht Lake – deferred exploration payments	461,513	-	461,513	-
	7,237,198	-	7,237,198	2,534,662

During the year, mineral property expenditures and acquisitions totaled \$4,702,536 (2003 - \$2,534,662) of which \$175,317 (2003 - \$88,651) is accrued in accounts payable and accruals, \$413,652 (2003 - \$135,875) were acquired through issue of common shares and \$4,113,566 (2003 - \$2,310,136) were acquired with cash.

Cascadia International Resources Inc. Notes to the Financial Statements

For the year ended July 31, 2004

5. Mineral properties (continued from previous page)

a) Raglan, Ungava Bay Properties in Quebec, Canada

During 2003, the Company entered into an Option Agreement ("Agreement") with NovaWest Resources Inc. ("Novawest") of Vancouver, Canada, whereby the Company may earn a 50% interest in the NovaWest's 660 sq. km. (161,500 acre) Raglan Ni-Cu-PGM-Co Assemblage situated in northern Quebec. (the "Raglan Claims").

Under the Agreement, the Company may earn its 50% interest in the Raglan Claims by paying Novawest \$300,000 in cash and 1,500,000 in common shares of the Company over a three-year term as follows:

Cash payment schedule:

- i) \$50,000 upon execution of the Agreement;
- ii) \$100,000 on or before February 15, 2004; and
- iii) \$150,000 on or before February 15, 2005.

Share payment schedule:

- i) 250,000 shares upon execution of the Agreement;
- ii) 500,000 shares on or before February 15, 2004; and
- iii) 750,000 shares on or before February 15, 2005.

Associated with the completion of the share and cash payments and exploration expenditure advances under the Agreement, the Company will be required to pay a finder's fee, payable as common shares of the Company, in year two and three of the Agreement. This finder's fee is calculated as a percentage of the required exploration commitment and the market value of the common share payment based on the common share closing prices at April 30, 2004 and April 30, 2005. The accrual for the finder's fee for the current year is \$117,000.

The Company has committed to exploration expenditures of \$3.2 million in year one, \$4.3 million in year two, and \$4.5 million in year three. The Company's interest will vest 25% after meeting the first and second year's combined commitments and a further 25% after meeting the third year's commitments.

As part of an agreement for the Company to arrange a private placement for Novawest, the Company's exploration commitment for year one was reduced by \$1.0 million. The year two commitment of \$4.3 million can be reduced by \$1.5 million if warrants associated with the private placement are fully exercised.

Under the Agreement, Novawest will be the Operator. A Management Committee will be formed which is made up of five individuals, two from Novawest, two from the Company, and one independent.

Expenses, such as advance royalties, claim renewal fees, etc. incurred to maintain the 660 sq. km. (161,500 acre) Raglan Claims will be shared equally by both the companies. An agreed area of influence will cover the entire Cape Smith/Raglan Belt extending from Ungava Bay to the east and Hudson Bay to the west. The Company has been provided with the right to accelerate its earn-in, at its discretion, any time within the first two years, as well as an additional acceleration provision whereby the Company may accelerate its 50% earn-in immediately upon paying Novawest all unpaid cash, stock and exploration commitments. This second provision is intended to cover the Company should a third party wish to simultaneously buy-out the interests of both parties.

Cascadia International Resources Inc.

Notes to the Financial Statements

For the year ended July 31, 2004

5. Mineral properties (continued from previous page)

b) Thunder Project, Raglan, Ungava Bay Property in Quebec, Canada

During 2003, the Company and Novawest acquired a 100% interest in the 35-claim Thunder Project situated on the "Main" Raglan Trend just north-northeast of the present Raglan Claims.

The Company's consideration is comprised of \$25,000 cash and 129,900 common shares at a price of \$0.49 per share for a total of \$63,652 (Note 7). The common share consideration was accrued in accounts payable and accruals in the prior year.

c) McGarry Township Property, Kirkland Lake, Ontario, Canada

The Company and Consolidated PPM Development Corp. ("CPM") have an option agreement pertaining to the 16 mining claims located in McGarry Township ("the Property") east of Kirkland Lake, Ontario. Under the terms of the option agreement, the Company has agreed to spend not less than \$500,000 on the Property over a period of forty-eight months. CPM completed the Phase 1 drilling program in 2001 and the Company resumed the Phase 2 drilling program and spent \$4,857 during the year. The minimum expenditure requirement for the Phase 2 drilling program is \$50,000.

d) Norton Lake Property, Thunder Bay, Ontario

In October 2003, the Company optioned a 164 and 152 claim unit group in the Norton Lake area, Thunder Bay from East West Resource Corp. ("East West") and Canadian Golden Dragon Resources Ltd. Under the terms of the option agreement, the Company has agreed to spend a minimum of \$150,000 on drilling within 12 months of the agreement. During the year, the Company spent \$173,864 thereby exceeding this requirement. The Company may earn the following interests in both claims groups:

- 51% by spending \$1.5 million by November 1, 2010;
- 60% by completing a feasibility study to the standards of the Toronto Stock Exchange ("TSX") by November 1, 2011;
- 70% by financing the property to production.

Option payments are to be made in stages, totaling \$125,000 over 7 years commencing November 1, 2004. An option payment of \$25,000 was paid upon the signing of the agreement.

e) Attwood & Ficht Lake Property (Linsey Bay), Armstrong, Ontario

In October 2003, the Company optioned a 290 claim unit property located 60 miles north of Armstrong, Ontario that covers 10 miles (16 km) of a greenstone belt containing numerous copper nickel-cobalt showings. The property is presently held 100% by East West subject to a 3% NSR to the original prospector vendors. Under the terms of the option agreement, the Company has agreed to spend a minimum of \$100,000 drilling in the winter. During the year, the Company spent \$461,513 thereby exceeding this requirement. The Company may earn the following interests in both groups:

- 51% by spending \$1.0 million by November 1, 2010;
- 60% by completing a feasibility study to the standards of the TSX by November 1, 2011;
- 70% by financing the property to production.

Option payments to East West are to be made in stages, totaling \$95,000 over 7 years. Payments to the underlying vendor, are to be made in stages, totaling \$90,000 over 4 years. During the year, \$30,000 was paid under these arrangements.

Cascadia International Resources Inc. Notes to the Financial Statements

For the year ended July 31, 2004

5. Mineral properties *(continued from previous page)*

f) True North Project, Ungava Bay Properties in Quebec, Canada

In April 2004, the Company acquired a 35% interest in the 30,774 acre True North Project on the north Raglan Trend in partnership with NovaWest Resources Inc. (35% interest). The acquisition of the True North property from Minera Capital is on condition of spending a minimum of \$440,000 over 3 years split 50/50 between Cascadia and NovaWest Resources Inc. As at July 31, 2004, no expenditures have been incurred on this property.

6. Future income taxes

	2004	2003
<i>Future income tax liabilities</i>		
Mineral exploration costs	1,798,168	769,500
<hr/>		
<i>Future income tax assets</i>		
Property and equipment	3,059	-
Mineral exploration costs	-	153,000
Loss carry forwards	497,513	338,808
Share issuance costs	105,217	4,560
<hr/>		
Valuation allowance	(605,788)	(496,368)
<hr/>		
Future income tax liability	1,798,168	769,500

The income tax recovery differs from the amount that would be expected by applying the current tax rates for the following reasons:

	2004	2003
Loss before taxes	(1,262,068)	(209,607)
<hr/>		
Expected tax recovery at 34.60% (2003 – 38.00%)	436,675	79,650
Tax effect of expenses not deductible for tax purposes:		
Stock-based compensation	(223,520)	-
Rate differential	26,163	-
Change in valuation allowance	(109,420)	-
Resource allowance	(43,825)	(14,041)
Other	(20,579)	(65,609)
<hr/>		
Future income tax recovery	65,494	-

Cascadia International Resources Inc.
Notes to the Financial Statements

For the year ended July 31, 2004

6. Future income taxes *(continued from the previous page)*

At July 31, 2004, the Company has the following estimated tax pools available for deduction against future taxable income:

	2004	2003
Mining exploration depletion base	17,000	17,000
Canadian development expense	86,500	86,500
Canadian exploration expense	1,802,000	2,699,000
Foreign exploration and development expense	133,900	133,900
Undepreciated capital cost	60,000	-
Share issuance costs	304,000	12,000
Non-capital losses	1,419,000	890,000

The non-capital losses will expire as follows:

2005	122,000
2006	158,000
2007	133,000
2008	123,000
2009	123,000
2010	163,000
2011	597,000

Cascadia International Resources Inc.
Notes to the Financial Statements

For the year ended July 31, 2004

7. Share capital

Authorized

Unlimited number of common shares, without nominal or par value
 Unlimited number of non-voting common shares, without nominal or par value
 Unlimited number of preferred shares, without nominal or par value

Issued

Common shares	Number	Value
<i>Balance ending, July 31, 2002</i>	5,279,094	2,257,035
Consolidation 2:1	(2,639,547)	-
Private placement (i)	2,000,000	200,000
Private placement (ii)	7,500,000	1,125,000
Private placement (iii)	6,000,000	1,800,000
Warrants exercised	1,850,007	185,000
Agent's commission shares	150,000	45,000
Raglan Claims option agreement - 1 st payment	250,000	37,500
Raglan Claims finder's fee agreement - 1 st payment	655,833	98,375
Share issue costs	-	(188,251)
Effect of future income taxes on flow-through expenditures	-	(769,500)
<i>Balance ending, July 31, 2003</i>	21,045,387	4,790,159
Flow through shares private placement (iv)	4,000,000	2,000,000
Flow through shares private placement (v)	1,000,000	500,000
Private placement (vi)	833,334	500,000
Warrants exercised	7,555,000	1,654,500
Options exercised	180,000	54,000
Thundermin payment (Note 5)(iv)	129,900	63,652
Raglan Claims option agreement – 2 nd payment (Note 5)	500,000	270,000
Agent's commission shares (iv)	160,000	80,000
Share issue costs	-	(228,930)
Share issue costs – agent's commission options	-	(311,575)
Effect of future income taxes on share issue costs	-	144,345
Effect of future income taxes on flow-through expenditures	-	(1,238,506)
<i>Balance ending, July 31, 2004</i>	35,403,621	8,277,645

Cascadia International Resources Inc. Notes to the Financial Statements

For the year ended July 31, 2004

7. Share capital (continued from the previous page)

(i) This private placement was a non-brokered offering consisting of 2,000,000 units, at a price of \$0.10 per unit for gross proceeds of \$200,000. Each unit consists of one common share and one non-transferable share purchase warrant for the purchase of one common share of the Company within two years at a price of \$0.10 per share. The units were subject to a four-month hold period which expired June 12, 2003.

(ii) This private placement was a non-brokered offering consisting of 7,500,000 units, at a price of \$0.15 per unit for gross proceeds of \$1,125,000. Of the total units, 2,000,000 consist of one common share and one warrant for the purchase of one additional common share of the Company within one year at \$0.21 per share. The balance of 5,500,000 units shall be treated as a flow-through investment and consist of one common share and one-half purchase warrant, where two half warrants entitle the holder to purchase one further flow-through common share of the Company within one year at the price of \$0.21 per share. All of the qualifying expenditures relating to this issue were renounced to the shareholders by December 31, 2003.

(iii) This private placement was a best efforts brokered private placement consisting of 6,000,000 units at a price of \$0.30 per unit for gross proceeds of \$1,800,000. Of the total units, 2,000,000 consist of one common share and one warrant for the purchase of one further common share of the Company within two years at a price of \$0.40 per share. The remaining 4,000,000 units are flow-through units, which convey income tax benefits to the purchasers. Each flow-through unit consists of one common share and one warrant to purchase one further flow-through common share of the Company within two years at a price of \$0.40 per share. All of the qualifying expenditures relating to this issue were renounced to the shareholders by December 31, 2003.

(iv) On September 19, 2003 the Company completed a private placement of 4,000,000 units at a price of \$0.50 per unit for gross proceeds of \$2,000,000 through its agent, First Associates, pursuant to a short-form offering document. Each unit consisted of one common share, issued on a "flow-through" basis under the *Income Tax Act* (Canada) and one share purchase warrant. Each share purchase warrant entitles the holder to acquire one additional common share at a price of \$0.60 per share until September 2005. The Agent received 600,000 unit options at \$0.50 per unit, and commissions of \$80,000 cash and 160,000 common shares valued at \$80,000. The proceeds will be used to incur eligible Canadian Exploration Expenses at Norton and Lindsay Bay in Northern Ontario.

(v) On December 23, 2003 the Company completed a private placement of 1,000,000 units at a price of \$0.50 per unit for gross proceeds of \$500,000. Each unit consisted of one common share to be issued on a "flow-through" basis under the *Income Tax Act* (Canada) and one common share purchase warrant. Each share purchase warrant entitles the holder to acquire one additional common share at a price of \$0.60 per share until December 2005. The proceeds will be used to incur eligible Canadian Exploration Expenses at Norton and Lindsay Bay in Northern Ontario.

(vi) On June 21, 2004, the Company completed a private placement with SIDEX of 833,334 shares at \$0.60 per unit for gross proceeds of \$500,000. Each unit will consist of one common share and one share purchase warrant. Each share purchase warrant entitles SIDEX to acquire one additional common share at a price of \$0.75 per share until June 2006.

Cascadia International Resources Inc.
Notes to the Financial Statements

For the year ended July 31, 2004

7. Share capital (continued from the previous page)

Stock options

The Company has a stock option plan under which the Board of Directors may grant options to directors, officers, other employees and key consultants. The purpose of the plan is to advance the interests of the Company by encouraging these individuals to acquire shares in the Company and thereby remain associated with, and seek to maximize the value of the Company. The options expire not more than five years from the date of grant, or earlier if the individual ceases to be associated with the Company.

	Number of Options	Price Range (\$)	Weighted Average Price (\$)	Expiry Date
Balance ending, July 31, 2002	107,500	0.35	0.35	2003
Expired	(107,500)	0.35	0.35	-
Issued	2,069,538	0.30	0.30	2008
Balance ending, July 31, 2003	2,069,538	0.30	0.30	2008
Issued	1,573,000	0.50	0.50	2008
Exercised	(180,000)	0.30	0.30	2008
Balance ending, July 31, 2004	3,462,538	0.30 – 0.50	0.34	2008

Agent options

The Company also has a stock option plan under which the Board of Directors may grant options to agents of the Company.

	Number of Options	Price Range (\$)	Weighted Average Price (\$)	Expiry Date
Balance ending July 31, 2002	-	-	-	-
Issued	1,200,000	0.30	0.30	2008
Balance ending, July 31, 2003	1,200,000	0.30	0.30	2008
Issued	600,000	0.50	0.50	2008
Balance ending, July 31, 2004	1,800,000	0.30 – 0.50	0.36	2008

The 1,800,000 agent options outstanding have an estimated fair value of \$311,576, recognized as an increase to share issue costs. The fair value of these options granted was estimated at the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions:

Risk free interest rate (%)	4.73%
Expected volatility (%)	100.00%
Expected life (years)	1 to 2

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore, the existing models do not necessarily provide a reliable measure of the fair value of the Company's stock options.

Cascadia International Resources Inc. Notes to the Financial Statements

For the year ended July 31, 2004

7. Share capital (continued from the previous page)

Warrants

In relation to private placements, the Company has the following warrants outstanding:

	Number of Warrants	Price Range(\$)	Weighted Average Price (\$)	Expiry Date
Balance ending, July 31, 2002	3,000,000	0.10	0.10	2003 – 2004
Consolidation 2:1	(1,500,000)	0.10	0.10	
Issued	14,100,000	0.10 – 0.40	0.28	2004 – 2005
Exercised	(1,850,000)	0.10	0.10	
<hr/>				
Balance ending, July 31, 2003	13,750,000	0.10 – 0.40	0.26	2004 – 2005
Issued	5,760,000	0.60	0.60	2005 – 2006
Exercised	(7,555,000)	0.10 – 0.40	0.22	
<hr/>				
Balance ending, July 31, 2004	11,955,000	0.10 – 0.60	0.49	2004 – 2006

8. Stock-Based Compensation

The Company accounts for stock options granted to directors, officers, employees and consultants using the “fair value method”, whereby compensation is recorded equal to the fair value of the option granted over the term of vesting. During the year, 1,573,000 options with an estimated fair value of \$646,012 were granted. The fair value of options granted during 2004 was estimated at the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions:

Risk free interest rate (%)	4.73%
Expected volatility (%)	100.00%
Expected life (years)	5

Had the fair value method been used since August 1, 2002, the Company's proforma net loss for 2003 would have been \$729,607 or \$0.12 per share - basic.

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore, the existing models do not necessarily provide a reliable measure of the fair value of the Company's stock options.

9. Per share amounts

Basic loss per share is calculated using the weighted average number of shares outstanding for the period. For purposes of the calculation, the weighted average number of shares outstanding was 29,095,468 (2003 – 6,319,617).

Diluted per common share amounts have not been presented, as any effect is antidilutive.

Cascadia International Resources Inc.

Notes to the Financial Statements

For the year ended July 31, 2004

10. Financial instruments

The Company, as part of its operations, carries a number of financial instruments. It is management's opinion that the Company is not exposed to significant interest, credit or currency risks arising from these financial instruments.

Fair value of financial instruments

The fair value of cash, accounts receivable, accounts payable and accruals approximates their carrying value due to the short-term maturities of these financial instruments.

11. Related party transactions

During the year, the Company paid Yangarra Resources Inc. ("Yangarra") \$144,628 (2003 - \$6,000) for rent, office services and for its share of leasehold improvements and office equipment. At year-end, included in accounts receivable and accounts payable and accruals are \$3,348 (2003 - \$nil) and \$75,273 (2003 - \$nil), respectively, relating to transactions with Yangarra. Yangarra is a public oil and gas company based in Calgary, Alberta. James G. Evaskevich, the President and a director of the Company is also the President, Chief Executive Officer and a director of Yangarra Resources Inc.

During the year, the Company had transactions related to administration and consulting of \$61,070 (2003 - \$25,000) with companies controlled by certain of the Company's officers and directors. Of this amount, \$4,135 (2003 - \$nil) is in accounts payable and accruals at year-end.

An aggregate of \$2,268 (2003 - \$nil) currently in accounts payable will be paid to Burstall Winger LLP for legal fees and disbursements. A director of the Company is a partner of Burstall Winger LLP. Legal fees to Burstall Winger were \$52,247 (2003 - \$nil).

The transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

12. Comparative figures

Certain of the comparative figures have been reclassified to conform to the current year's presentation.

SUPPLEMENTAL INFORMATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis should be read in conjunction with the audited consolidated financial statements for the years ended July 31, 2004 and 2003 and the related notes thereto.

This MD&A contains statements and other forward-looking information about potential future circumstances, results and developments. Such statements and information are qualified in their entirety by the inherent risks and uncertainties surrounding future expectations generally and may differ materially from the Company's actual future results or events. See "Forward-Looking Statements".

The financial information presented herein has been prepared on the basis of Canadian generally accepted accounting principles ("GAAP"). Throughout this discussion, percentage changes are calculated using numbers rounded to the decimal to which they appear. All dollar amounts are in Canadian dollars.

Corporate History

Cascadia International Resources Inc. ("Cascadia") was incorporated in British Columbia, Canada as Craven Resources Inc. on July 18, 1983 and changed its name to Cascadia on April 7, 1997. Corporate headquarters were relocated to Calgary, Alberta in early 2003 and in January 2004 the registered and records office was transferred to the offices of our legal counsel in Calgary.

Overall Performance

Cascadia is an emerging Canadian mining company dedicated to "grass-roots" exploration of base metals (nickel, copper, cobalt) and precious metals (platinum and palladium) in northern Ontario and Quebec.

This fiscal year, the Company raised net proceeds of \$4.5 million from three financings and from the conversion of outstanding warrants and options to common shares.

Exploration expenditures in 2004 increased 186% to \$4.7 million compared to \$2.5 million in 2003. All conditions for year two of the Raglan Option Agreement were fulfilled and Cascadia earned a 25% undivided interest in the original NovaWest Raglan Assemblage. In February 2004 Cascadia acquired a 35% interest in the 30,774 acre True North Project on the north Raglan trend in partnership with NovaWest (35% interest). This acquisition of the True North property from Minera Capital is on condition of spending a minimum of \$440,000 over 3 years split 50/50 between Cascadia and NovaWest Resources Inc.

At Norton Lake, results from the winter drilling program have been very encouraging as they indicate a dramatic increase to the tonnage of the Company's existing deposit.

The loss from operations in 2004 was \$616,056 compared to the loss of \$209,607 in 2003. The increased costs pertained to financings, investor awareness and additional exploration consulting expertise. After including non-cash items such as the stock-based compensation expense and future income tax recovery, this year's net loss was \$1.2 million compared to a net loss of \$0.2 million last year.

The price of Cascadia's shares continued to rise from the close price of \$0.52 August 1, 2003 to the year's high of \$0.75 on March 10, 2004. At July 31, 2004 the shares closed at \$0.47.

Selected Annual Information (- \$ Canadian -)

For the years ended July 31,	2002	2003	2004
Net loss from continuing operations	(81,023)	(209,607)	(616,056)
Net loss	(81,023)	(209,607)	(1,196,574)
Net loss per share - average	(0.01)	(0.03)	(0.04)
Net loss per share – fully diluted	(0.01)	((0.01)	(0.02)
Weighted average number of Common Shares outstanding	6,319,697	6,319,697	29,095,468
Total assets	29,233	3,242,430	7,703,379

Results of Operations

Investment income increased 158 percent to \$16,187 from \$6,262 last year due to higher working capital levels from financings.

Administrative expenses increased in 2004 to \$632,243 compared to \$209,607 in 2003. These higher costs are a direct reflection of the Company's increased activity in exploration drilling operations and financing. Professional fees increased with the addition of a Vice President of Exploration and two new members to the Company's Advisory Board.

Capital expenditures are summarized in the table below.

	July 2002	July 2003	July 2004
Raglan	-	2,395,875	6,458,178
Thundermin acquisition	-	88,651	88,651
McGarry	-	50,136	54,992
Norton Lake	-		173,864
Linsey Bay	-		461,513
Total Resource Assets	-	2,534,662	7,237,198

Summary of Quarterly Results

The following table sets out, for each of the previous eight quarters, information relating to the Company's revenue, net (loss) and (loss) per Common Share:

	1st Quarter Oct 2002	2nd Quarter Jan 2003	3rd Quarter Apr 2003	4th Quarter Jul 2003
Revenues	-	-	-	-
Net loss	(17,950)	(21,432)	(31,050)	(139,175)
Net loss per share	(0.003)	(0.007)	(0.005)	(0.02)

	1st Quarter Oct 2003	2nd Quarter Jan 2004	3rd Quarter Apr 2004	4th Quarter Jul 2004
Revenues	-	-	-	-
Net loss	(105,004)	(151,482)	(276,359)	(663,729)
Net loss per share	(0.004)	(0.006)	(0.01)	(0.02)

Related party transactions

During the year, the Company paid Yangarra Resources Inc. ("Yangarra") \$144,628 (2003 - \$6,000) for rent, office services and for its share of leasehold improvements and office equipment. At year-end, included in accounts receivable and accounts payable and accruals are \$3,348 (2003 - \$nil) and \$75,273 (2003 - \$nil), respectively, relating to transactions with Yangarra. Yangarra is a public oil and gas company based in Calgary, Alberta. James G. Evaskevich, the President and a director of the Company is also the President, Chief Executive Officer and a director of Yangarra Resources Inc.

During the year, the Company had transactions related to administration and consulting of \$61,070 (2003 - \$25,000) with companies controlled by certain of the Company's officers and directors. Of this amount, \$4,135 (2003 - \$nil) is in accounts payable and accruals at year-end.

An aggregate of \$2,268 (2003 - \$nil) currently in accounts payable will be paid to Burstall Winger LLP for legal fees and disbursements. A director of the Company is a partner of Burstall Winger LLP. Legal fees to Burstall Winger were \$52,247 (2003 - \$nil).

The transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Liquidity and Capital Resources Operations

At July 31, 2004 the Company had a working capital surplus of \$95,429 compared to \$571,925 at July 31, 2003. Without production and cash flow from operations, "grass-roots" exploration is dependant on equity financing.

On June 21, 2004, the Company completed a private placement with SIDEX of 833,334 shares for gross proceeds of \$500,000 at \$0.60 per unit. Each unit consists of one common share and one share purchase warrant. Each share purchase warrant entitles SIDEX to acquire one additional common share at a price of \$0.75 for two years from the closing date. SIDEX is a Limited Partnership sponsored by the government of Quebec and the Solidarity Fund QFL.

If the Company's stock price continues this year's trend and remains over \$0.40 then outstanding warrants and options with expiry dates in 2005 will fund new exploration. If stock prices fall, then new equity flow through share financing will be considered before the 2004 calendar year end.

Changes In Accounting Policy

Stock based compensation - Effective July 31, 2003 the Company adopted *CICA Handbook 3870 "Stock-based Compensation and Other Stock-based Payments"*, which establishes standards for the recognition, measurement and disclosure of stock-based compensation and other stock-based payments made in exchange for goods and services to employees and non-employees. The standard sets out a fair-value based method of accounting that is required for certain, but not all, stock-based transactions. The Company records compensation expense in the consolidated financial statements for stock options granted to employees and directors using the fair value method. Fair values are determined using the Black-Scholes option-pricing model. Compensation costs are recognized over the vesting period

During the year, 1,573,000 options with an estimated fair value of \$646,012 were granted. The fair value of options granted during 2004 was estimated at the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions:

Risk free interest rate (%)	4.73%
Expected volatility (%)	100.00%
Expected life (years)	5

Had the fair value method been used since August 1, 2002, the Company's proforma net loss for 2003 would have been \$729,607 or \$0.12 per share - basic.

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore, the existing models do not necessarily provide a reliable measure of the fair value of the Company's stock options.

Outlook

The management and technical staff of Cascadia are excited about this summer's exploration program in the Raglan properties for several reasons. During the year, our exploration staff has been expanded and two highly respected and experienced individuals in the mining community have joined our technical advisory committee. Through the correlation of geophysical and geological data, 58 drill targets have been identified. A recent acquisition expanded the Company's land base by an additional 30,774 acres and Cascadia, together with five or six other mining companies in the area, are spending approximately \$25.0 million in the Raglan belt.

Nickel prices have risen 43 percent on the London Metal Exchange in the past year. Price fluctuations during calendar 2004 have been dramatic; ranging from a high of \$17,660 USD a ton on January 6, 2004 to a low of \$10,495 USD on May 18, 2004. On October 8, 2004 prices climbed back to \$16,550 USD a ton. Exploitation of current mining capacity worldwide has been increased as far as possible, but higher outputs have failed to match the higher global demand. A significant increase in production before the end of 2006 is not likely since considerable time is required to bring new mines on stream or to exploit new veins; consequently it is our belief that nickel prices will continue the same trend, at similar price levels for the next few years. The reality of globalization hits close to home as the Chinese Minmetals Corporation currently negotiates with Noranda and Brascan Corporation to acquire 100% of the outstanding common shares of Noranda. China's dramatic growth continues to fuel their need for base metals and Noranda is a leading copper and nickel company with significant ownership in Falconbridge's producing nickel mine in the Raglan belt.

Forward-Looking Statements

This Management's Discussion and Analysis of financial condition and operating results contains forward-looking statements concerning the future prospects of the Company's exploration, development and production. Forward-looking statements include statements of plans, objectives, strategies and expectations. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

The Company considers the assumptions on which these forward-looking statements are based to be reasonable, but caution the reader that these assumptions regarding future events, many of which are

beyond our control, may ultimately prove to be incorrect since they are subject to risks and uncertainties that affect us. There are a number of factors which could cause results or events to differ from current expectations including, among other matters: commodity prices for oil and gas; changes in the cost of exploration and other operating expenses to support future growth; competitive factors; general economic conditions; and the success in finding, drilling and completing oil and gas wells. For additional information with respect to risks and uncertainties which could affect the company's business and operations, reference should be made to the 2004 Annual MD&A and to the Company's continuous disclosure materials filed with Canadian securities regulatory authorities. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.
