

Cascadia International Resources Inc.
(A Development Stage Company)
Financial Statements

Unaudited – Prepared by Management
For the three months ended October 31, 2005 and 2004

To the Shareholders of:

Cascadia International Resources Inc.

Management is responsible for the preparation and presentation of the accompanying interim financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian generally accepted accounting principles and ensuring that all information in the annual report is consistent with the statements. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

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 are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors exercises its responsibilities for financial controls through an Audit Committee. The Audit Committee is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Committee has the responsibility of meeting with management and external auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Committee is also responsible for recommending the appointment of the Company's external auditors.

The Company's external auditors have not reviewed the accompanying interim financial statements for the three months ended October 31, 2005 and 2004.

Jim Evaskevich

Cascadia International Resources Inc.
Balance Sheets
(unaudited)

	<i>October 31</i>	<i>July 31</i>
	<i>2005</i>	<i>2005</i>
<hr/>		
Assets		
Current		
Cash	–	292,835
Accounts receivable	118,384	67,648
	<hr/>	<hr/>
	118,384	360,483
Property and equipment <i>(Note 2)</i>	8,475	45,189
Mineral properties <i>(Note 3)</i>	9,171,945	8,922,570
	<hr/>	<hr/>
	9,298,804	9,328,242
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Liabilities		
Current		
Bank indebtedness	28,533	–
Revolving term loan <i>(Note 4)</i>	250,000	–
Accounts payable and accruals	414,554	590,641
	<hr/>	<hr/>
	693,087	590,641
Future income tax liability	2,167,489	2,167,489
	<hr/>	<hr/>
	2,860,576	2,758,130
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Shareholders' Equity		
Share capital <i>(Note 5)</i>	9,906,037	9,906,037
Contributed surplus <i>(Note 6)</i>	1,072,973	1,028,543
Deficit	(4,540,782)	(4,364,468)
	<hr/>	<hr/>
	6,438,228	6,570,112
	<hr/>	<hr/>
	9,298,804	9,328,242
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Approved on behalf of the Board:

“signed” Director
Jim Evaskevich

“signed” Director
Gordon Bowerman

The accompanying notes are an integral part of these financial statements.

Cascadia International Resources Inc.
Statements of Loss and Deficit

(unaudited)

For the three months ended October 31

	2005	2004
Interest income	341	1,179
Expenses		
Arbitration expenses <i>(Note 9)</i>	140,084	–
Bank charges	1,240	886
Depreciation	485	3,754
General corporate (recovery) expenses <i>(Note 8)</i>	(86,609)	25,485
Investors and shareholder relations	42,724	20,576
Interest expense	14,780	–
Professional fees	14,444	31,970
Stock-based compensation <i>(Note 5)</i>	44,430	–
Transfer agent and regulatory fees	1,874	1,719
Travel and promotion	3,203	568
	176,655	84,958
Loss for the period	(176,314)	(83,779)
Deficit, beginning of period	(4,364,468)	(3,649,646)
Deficit, end of period	(4,540,782)	(3,733,425)
Loss per share – basic and dilutive <i>(Note 7)</i>	–	–

The accompanying notes are an integral part of these financial statements.

Cascadia International Resources Inc.
Statements of Cash Flows
(unaudited)
For the three months ended October 31

	2005	2004
Cash provided by (used for) the following activities		
Operating		
Loss for the period	(176,314)	(83,779)
Depreciation	485	3,754
Stock-based compensation	44,430	-
	(131,399)	(80,025)
Changes in non-cash working capital		
Accounts receivable	(50,736)	2,309
Accounts payable and accruals	(176,087)	318,193
	(358,222)	240,477
Financing		
Proceeds from operating line of credit	250,000	-
Issue of shares, net of share issue costs	-	(9,666)
	250,000	(9,666)
Investing		
Purchase of and expenditures on mineral properties	(249,375)	(447,969)
Proceeds on sale of property and equipment <i>(Note 2)</i>	36,229	-
	(213,146)	(447,969)
Decrease in cash	(321,368)	(217,158)
Cash, beginning of period	292,835	394,208
(Bank indebtedness) cash, end of period	(28,533)	177,050

The accompanying notes are an integral part of these financial statements.

Cascadia International Resources Inc.

Notes the Financial Statements

(unaudited)

October 31, 2005

1. Basis of presentation and continuance of operations

These interim financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles and on a basis consistent with the audited July 31, 2005 financial statements except certain disclosures have been condensed or omitted. Accordingly, these interim financial statements should be read in conjunction with the notes contained in the Company's audited July 31, 2005 financial statements. Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of periodic financial statements necessarily involves the use of estimates and approximations. Accordingly, actual results could differ from those estimates. The interim financial statements have, in management's opinion, been properly prepared using careful judgment with reasonable limits of materiality and within the framework of the significant accounting policies.

These interim 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 \$4,540,782 (July 31, 2005 - \$4,364,468). 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.

The results for the three months ended October 31, 2005 may not be indicative of the results for the year ended July 31, 2006. Certain comparative figures have been reclassified to conform with current period presentation.

2. Property and equipment

	<i>Cost</i>	<i>Accumulated Depreciation</i>	<i>October 31, 2005 Net Book Value</i>	<i>July 31, 2005 Net Book Value</i>
Computer equipment	7,276	1,092	6,184	27,235
Leasehold improvements	-	-	-	10,984
Office equipment	3,350	1,059	2,291	6,970
	10,626	2,151	8,475	45,189

During the three months ended October 31, 2005, the Company sold certain property and equipment to Yangarra Resources Inc. ("Yangarra"), a related company (see note 8), for \$36,229 based on the net book value of the property and equipment at the time of sale.

3. Mineral properties

	<i>Cost</i>	<i>Accumulated Depletion</i>	<i>October 31, 2005 Net Book Value</i>	<i>July 31, 2005 Net Book Value</i>
Raglan - deferred exploration payments	6,889,401	-	6,889,401	6,884,950
Raglan - Thundermin acquisition	88,651	-	88,651	88,651
Norton Lake - deferred exploration payments	1,645,330	-	1,645,330	1,400,793
Attwood & Ficht Lake - deferred exploration payments	195,804	-	195,804	195,804
Raglan - True North properties	177,708	-	177,708	177,708
Midway - deferred exploration payments	74,769	-	74,769	74,769
Havoc - deferred exploration payments	100,282	-	100,282	99,895
	9,171,945	-	9,171,945	8,922,570

During the three months ended October 31, 2005, mineral property expenditures and acquisitions totaled \$249,375 (three months ended October 31, 2004 - \$447,969).

Cascadia International Resources Inc.

Notes the Financial Statements

(unaudited)

October 31, 2005

4. Revolving term loan

The Company has access to a revolving term loan with a maximum available credit of \$500,000, bearing interest at prime plus two percent per annum, requiring repayment of interest only and is secured by personal guarantees by two of the Company's Directors. During the three months ended October 31, 2005, the lender extended the term of the facility to March 31, 2006. As at October 31, 2005, \$250,000 had been drawn on this facility (July 31, 2005 – nil).

5. Share capital

a) Issued

Common shares	Number	Value
Balance ending, October 31, 2005 and July 31, 2005	41,932,121	9,906,037

b) Stock options

In September 2005, the Company granted 400,000 options to officers and directors. The options are exercisable at \$0.25 per common share, vest immediately and expire in September 2010. The fair value of the options was estimated at \$44,430 using the Black-Scholes Pricing Model with the following significant assumptions: risk free interest rate of 3.14%; expected life of 2 years; dividend yield of nil; and expected volatility of 100%. For the purposes of recording stock-based compensation, the total estimated fair value of options is recognized over the vesting term of the options, resulting in the entire fair value recorded as stock-based compensation expense in period.

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.

The following table provides information about the Company's outstanding stock options as at October 31, 2005:

	Number of Options	Price Range (\$)	Weighted Average Price (\$)	Expiry Date	Weighted Average Life Remaining (years)
Balance ending, July 31, 2005	3,769,538	0.30 - 0.59	0.40	2008 - 2010	3.07
Granted	400,000	0.25	0.25	2010	4.89
Balance ending, October 31, 2005	4,169,538	0.25 - 0.59	0.39	2007 - 2010	3.25

c) Agent options

	Number of Options	Price Range (\$)	Weighted Average Price (\$)	Expiry Date
Balance ending, July 31, 2005	600,000	0.50	0.50	2005
Expired	(600,000)	0.50	0.50	2005
Balance ending, October 31, 2005	–	–	–	–

Cascadia International Resources Inc.

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(unaudited)
October 31, 2005

5. Share capital (continued from the previous page)

d) Warrants

	Number of Warrants	Price Range(\$)	Weighted Average Price (\$)	Expiry Date	Weighted Average Life Remaining (years)
Balance ending, July 31, 2005	11,390,584	0.40 – 0.75	0.56	2005 – 2006	0.40
Expired	(4,760,000)	0.60	0.60	2005	-
Balance ending, October 31, 2005	6,630,584	0.40 - 0.75	0.52	2005 – 2006	0.68

6. Contributed surplus

Balance, July 31, 2005	1,028,543
Stock-based compensation (Note 5(b))	44,430
Balance, October 31, 2005	1,072,973

7. 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 for the three months ended October 31, 2005 was 41,932,121 (three months ended October 31, 2004 – 35,403,621).

Diluted per common share amounts have not been presented, as any effect is anti-dilutive.

8. Related party transactions

Except as disclosed elsewhere in these financial statements, the Company had the following related party transactions during the three months ended October 31, 2005:

- a) The Company recovered \$124,958 from Yangarra (three months ended October 31, 2004 – \$16,077 expense) for rent and office services. As at October 31, 2005, included in accounts receivable is \$83,194 (July 31, 2005 – \$19,964 accounts payable) 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.
- b) The Company paid administration and consulting fees in the amount of \$17,025 (three months ended October 31, 2004 – \$6,340) to an officer and a company controlled by an officer of the Company. Of this amount, \$8,535 is included in accounts payable at October 31, 2005 (July 31, 2005 - \$2,675).
- c) The Company paid legal fees in the amount of \$14,410 (three months ended October 31, 2004 – \$3,050) to a law firm in which a director of the Company is a partner. Of this amount, \$28,357 is included in accounts payable at October 31, 2005 (July 31, 2005 – \$29,141).

The above 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.

Cascadia International Resources Inc.
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(unaudited)
October 31, 2005

9. Contingency

The Company has been in arbitration with NovaWest Resources Inc. (“Novawest”) in regards to an option agreement entered into during 2003. The Company elected to defer its election to participate in the third year of the option agreement and both Novawest and the Company agreed to participate in arbitration proceedings. A partial award by the arbitrator was agreed upon in October 2005 whereby the Company earned an undivided 25% interest in the Raglan assemblage and a 50% interest in the Thunder claim. Any rights or claims with respect to the True North property and to other issues arising from the agreement have not yet been determined. As a result no amounts related to the partial award or further proceedings have been recorded as at October 31, 2005.

10. Commitment

As at October 31, 2005, the Company had approximately \$642,795 of flow-through expenditures required to be incurred by December 31, 2006 (July 31, 2005 – \$892,170).