



## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **For the Three Months Ended October 31, 2005**

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The following discussion and analysis has been prepared on December 29, 2005 by management and should be read in conjunction with the unaudited consolidated financial statements for the three months ended October 31, 2005 and the audited financial statements for the year ended July 31, 2005 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.

### **Overall Performance**

During the First Quarter of the current fiscal year, after the summer drill program in Norton (northern Ontario) was concluded in August 2005, Cascadia primarily focused on the completion of a Resource Calculation for the Norton Lake Project. The calculation was completed subsequent to the first quarter end and results were released on December 12, 2005. The arbitration proceeding with Novawest Resources Inc. continued during the quarter, with a final hearing scheduled for February 2006.

### **Northern Ontario Properties - Norton Lake, Midway and Havoc**

The second 2005 phase of the drilling exploration program began in the summer, with the camp closing down and the last of the supplies flown out at the end of August. High Nickel and Copper assays of 2.32% Ni, and 3.52% Cu over 1 meter were encountered, and a new gabbro pyroxenite zone appeared in one drill hole.

The Company retained CCIC Ltd. in Sudbury, Ontario to conduct a Form 43-101 compliant Resource Report for the Norton Lake Project. The results of the report were released to the public on December 12, 2005, with a follow-up SEDAR filing of the Form 43-101 to occur in early 2006. Cascadia has earned a 51% working interest in the property pursuant to the options agreement signed with East West Resource Corporation and partners.

## **Northern Quebec Properties – The Raglan Assemblage**

Pursuant to a press release dated February 24, 2005 Novawest Resources Inc. announced that it had commenced arbitration proceedings with Cascadia as provided for in the Option Agreement. Novawest sought an award of \$311,000 as well as termination of the option agreement. Cascadia's counterclaim included a significant portion of its contribution to the project to date. As at October 6, 2005 the arbitrator had issued a partial award, whereby Cascadia and Novawest have agreed upon the following:

- 1) The Option Agreement dated April 10, 2003 is terminated as of February 16, 2005.
- 2) Cascadia is the owner of an undivided 25% interest in the remaining original Raglan Assemblage.
- 3) Cascadia is the owner of an undivided 50% interest in the Thunder Claim.
- 4) Novawest shall promptly execute and deliver to Cascadia documents transferring the above interests to Cascadia, at Cascadia's cost, except for the sum of \$600 payable by Novawest to the province of Quebec.
- 5) Cascadia's application for a declaration that a joint venture exists between Cascadia and Novawest is dismissed.
- 6) There are no continuing rights, obligations or duties whatsoever arising from any fiduciary relationship, any joint venture relationship, or any contract or any agreement between Novawest and Cascadia, including without limitation, any option rights, rights of first refusal, area of influence obligations, or joint venture obligations.
- 7) Nothing in the Partial Award shall be construed to prejudice the rights or position of either Cascadia or Novawest with respect to the True North property and the Option Agreement between Novawest and Minera Capital Corporation dated for reference March 26, 2004.
- 8) Nothing in the Partial Award shall be construed to prejudice any claim or alleged claim of either Cascadia or Novawest arising prior to the termination of the Option Agreement as of February 16, 2005 for a monetary award, or with respect to the Government of Quebec Incentive programs or for any claim for damages or debt for any breach or alleged breach of the Cascadia Option Agreement committed prior to February 16, 2005.
- 9) Cascadia has irrevocably elected not to seek specific performance of the Cascadia Option Agreement, including without limitation section 10.1 of the Cascadia Option Agreement. Nothing in the Partial Award shall prejudice in any manner whatsoever Cascadia's ability to claim damages for any alleged breach by Novawest of the Cascadia Option Agreement prior to February 16, 2005, including a breach of the alleged obligation to enter into an industry standard operator's agreement as referred to in section 10.1 of the Cascadia Option Agreement and including any argument that Cascadia may make on the measure of damages based on events that post-date February 16, 2005, nor shall anything herein prejudice in any manner whatsoever Novawest's ability to defend any such claims by Cascadia.
- 10) The issue of costs was adjourned.

Subsequent to the first quarter ending October 31, 2005, a hearing to determine Cascadia's ownership rights related to the Minera Option (True North Property) was conducted in Vancouver with a decision expected in early 2006. A final hearing to determine the outcome of the remaining issues of this dispute is currently scheduled for February 2006.

Cascadia has completed the conversion of all of the Raglan data currently available to a GIS Query based system and has an exploration program in place for summer 2006, if a satisfactory decision is reached in arbitration.

### **Results of Operation – First Quarter**

Investment income for the three months ended October 31, 2005 was \$341 compared to \$1,179 recorded for the same quarter in 2004. General and administrative expenses were \$176,655 for the quarter this year compared to \$ 84,958 for the same quarter last year. This increase was primarily attributable to \$140,084 of arbitration expenses and stock based compensation expense of \$44,430. The increases were reduced by a \$124,958 recovery of prior period costs fro rent and office services from Yangarra, resulting in a net credit of \$86,609 for general corporate costs.

Capital expenditures for the three months of the past three years are summarized in the table below.

<b>For The Three Months Ended</b>	<b>October 2005</b>	<b>October 2004</b>	<b>October 2003</b>
Raglan	4,451	336,050	83,226
Raglan – True North properties	-	76,398	-
McGarry	-	-	906
Norton Lake	244,537	35,521	25,000
Linsey Bay	-	-	7,500
Midway	-	-	-
Havoc	387		
Total Resource Expenditures	249,375	447,969	116,632

### **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:

	<b>1st Quarter Oct 2005</b>	<b>4th Quarter Jul 2005</b>	<b>3rd Quarter Apr 2005</b>	<b>2nd Quarter Jan 2005</b>
Revenues	\$ 341	\$ 732	\$ 1,828	\$ 907
Net loss	(176,314)	(134,104)	(181,005)	(315,934)
Net loss per share	(0.004)	(0.004)	(0.005)	(0.009)

	<b>1st Quarter Oct 2004</b>	<b>4th Quarter Jul 2004</b>	<b>3rd Quarter Apr 2004</b>	<b>2nd Quarter Jan 2004</b>
Revenues	\$ 1,179	\$ 3,877	\$ 10,201	-
Net loss	(83,779)	(663,729)	(276,359)	(151,482)
Net loss per share	(0.002)	(0.02)	(0.01)	(0.006)

## **Related party transactions**

During the year, the Company recovered \$124,958 (net) from Yangarra Resources Inc. ("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.

During the first quarter, the Company paid administration and consulting fees in the amount of \$17,025 (three month 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).

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. At October 31, 2005, \$28,357 is included in accounts payable (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.

## **Liquidity and Capital Resources Operations**

At October 31, 2005 the Company had a working capital deficit of \$ 574,703 including bank debt of \$250,000 compared to a working capital deficit of \$230,158 at July 31, 2005.

On July 26, 2005 the Company renewed the terms and conditions for Credit Facilities as offered by the National Bank of Canada. The revolving term loan has a maximum available credit of \$500,000, bearing interest at prime plus two percent per annum, requiring repayment of interest only. The terms include repayment in full upon the earlier of an equity issue, sub debt placement, refinancing, or December 31, 2005. Subsequent to the first quarter end, the National Bank of Canada extended the credit facility to March 31, 2006.

## **Share Capital**

As of December 29, 2005 there were 41,932,121 basic common shares issued and outstanding; 5,630,584 warrants exercisable into common shares; and stock options to acquire an aggregate of 4,169,538 common shares outstanding.

## **Outlook**

The Norton Lake area remains the principal focus of Cascadia's exploration program. A Resource Calculation was commissioned with CCIC of Sudbury, Ontario performing the 43-101 compliant report. Upon completion of the Resource Calculation, Cascadia will determine the follow up exploration program required to position the property for

commercial production. The Gabbro host rock has been followed for 10 kilometers along strike and further exploration will determine whether there are more lenses to be discovered.

Prospecting and Geological mapping was scheduled for Midway and Havoc for late 2005; however, lack of manpower has resulted in rescheduling for summer of 2006. These prospective properties have Uranium potential as well as Base Metal/PGM possibilities. Once the prospecting is complete the information will be integrated with the Airborne data to determine a future drill program.

A dispute with our Raglan partner Novawest is currently being arbitrated. The proposed schedule indicates that the issues should be resolved prior to the 2006 exploration season in Raglan. The relative merits of both Cascadia and Novawest's arguments remain to be determined by the arbitrator; however, the financial downside risk to Cascadia is relatively minor when compared to Novawest's much greater downside financial risk. Cascadia has commissioned Geovector of Ottawa, Ontario to prepare a 2006 exploration program. That process is complete, with further progress awaiting the arbitration outcome.

Cascadia will raise funds in the capital markets to satisfy the working capital deficiency, bank debt, and flow-through obligations once outstanding issues regarding new deals and arbitration are resolved.

### **Subsequent Events**

On November 25, 2005, Mr. John Aihoshi, VP Finance & CFO resigned to pursue other interests. Ms. Trish Olynyk, VP Business Development has assumed those duties in the interim.

### **Risks and Uncertainties**

The Company's principal activity is mineral exploration and development. Companies in this industry are subject to many and varied kinds of risks and uncertainties, including but not limited to, environmental, metal prices, political and economical. The industry is capital intensive and subject to fluctuations in metal prices, market sentiment, foreign exchange and interest rates. The source of future funds for further exploration programs, are by the sale of equity capital or the offering by the Company of an interest in its properties to be earned by another party carrying out further exploration or development. The Company is subject to the laws and regulations relating to environmental matters and various licenses and permits in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous material and other matters.

The Company has no significant source of operating cash flow and no revenues from operations. None of the Company's mineral properties currently have reserves. The property interests the Company has an option to earn an interest are in the exploration stages at this time.

### **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. All statements other than those of a historical nature are 'forward-looking statements' that may involve a number of unknown risks, uncertainties and other factors. There can be no assurance that such statements will prove to be accurate, and actual results and future events could differ materially from those anticipated in such statements. For additional information with respect to risks and uncertainties which could affect the company's business and operations, reference should be made to the 2005 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.