



MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended July 31, 2006

The following discussion and analysis has been prepared on October 27, 2006 by management and should be read in conjunction with the audited consolidated financial statements for the year ended July 31, 2006 and the related notes thereto.

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 figures are in Canadian dollars unless otherwise noted.

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".

Business of Cascadia

Cascadia International Resources Inc. is a development stage company engaged in the acquisition, exploration and development of mineral properties in Canada specializing in base metal (copper, nickel, and cobalt), precious metal (platinum, palladium) and uranium exploration.

Overall Performance

The Company holds interest in two geographic locations within Canada, northern Quebec (Raglan Project), and northern Ontario (Norton Project and Midway Project).

Northern Quebec Properties - The Raglan Assemblage

During the last year, Cascadia has been involved in the arbitration proceedings with Novawest Resources Inc. Since these proceedings have been on going, no exploration program was carried out in the 2005/2006 year. The claims have been maintained and kept in good standing, and the 25% working interest on the original claims has been transferred to Cascadia. The Company maintains its 50% interest in the Thundermin property, and has a vested interest of 25%, on a 70% option, in the True North property.

In August 2006, the arbitrator issued a partial award regarding several issues. In October 2006, the arbitrator provided a Clarification to the Partial Awards.

- Cascadia is entitled to damages of \$120,194 with respect to Novawest's breach of the Option Agreement by failing to maintain PEM 1441.
- Novawest, as operator, breached the management committee directive and drilled 23 of 53 holes in breach of the Option Agreement. Cascadia was awarded a nominal fee of \$10 in damages.
- Cascadia was ordered to pay Novawest \$16,935 as the balance owing for the True North airborne survey.
- Cascadia was ordered to pay Novawest 50% of the budget overrun from the 2004 program, net of the Cascadia funds forwarded in November 2004 and credit from 2003 program.
- Novawest is entitled to a 2003 management fee, although the value charged must be accounted for in the manner similar to the exploration expenses. Therefore, Cascadia and Novawest each share the cost of the 2003/2004 management fees of \$390,473 including \$25,545 GST (\$182,464 plus GST - Cascadia's share).
- The arbitrator has issued a clarification waiver that Cascadia has no right, in relation to exploration carried out under the Option Agreement, to any proceeds from any government of Quebec incentive programs that were offered by the Province of Quebec during the period April 10, 2003 to February 16, 2005. For greater certainty, Novawest is solely entitled to any proceeds including exploration funded other than by the \$7.5 million in option payments made by Cascadia under the Option Agreement.
- Cascadia shall contribute \$14,990 in licence fees outstanding up to December 2005.
- Cascadia is entitled to claim expenditures in the amount of \$39,618 accounted for in the manner similar to the exploration expenses.
- Cascadia owns an undivided 25% interest in equipment purchased and charged to the exploration program, regardless of where such equipment is located.

In summary, the Arbitrator has determined that Cascadia is entitled to damages for the loss of the certain mineral claims and to damages for Novawest's breaches of the Option Agreement dated April 10, 2003 while Novawest is entitled to damages on certain accounting issues. The net amount due to Novawest is \$298,455 plus \$18,271 GST.

During the 2006 year, Cascadia incurred 100% costs of renewal of certain claims in the Raglan area, of which Novawest is responsible for 75%. A credit of approximately \$32,000 will be applied against the net amount owed to Novawest from the arbitration rulings.

A final ruling on the summary of costs is anticipated shortly from the Arbitrator.

Cascadia has appealed three of the Arbitrator's rulings on the basis that the Arbitrator erred in law. The three rulings appealed relate to the Quebec mineral tax rebates, the amount owing to Novawest on the accounting issues, and the quantum of damages for Novawest's breach of the management committee's directive on 23 of the 56 holes drilled in the 2004 drilling season.

Northern Ontario Properties - Norton Lake, Midway and Havoc

Norton

In the winter of 2005, the Company retained Caracle Creek International Consulting Inc. (CCIC) in Sudbury, Ontario to conduct an Independent Mineral Resource Report for the Ni-Cu-Co Property, Norton Lake, located in northwestern Ontario. The Mineral Resource was calculated using a 0.3% Ni cut-off. On the basis of the Mineral Resource Estimate, the Norton Lake 2,457,225 tonne deposit (measured, indicated, and inferred) resource has an in situ metal grade content comprising of 0.67% Nickel, 0.61% Copper, 0.03% Cobalt, and 0.46 g/t Palladium.

Norton Lake Project Resource	Tonnes
Measured	1,769,721
Indicated	488,933
Inferred	198,571
TOTAL	2,457,225

Cascadia has earned a 51% working interest (subject to a 2% NSR) in the property by spending \$1.5 M on the project. Cascadia is the operator of the project with EastWest Resources Inc. and Canadian Golden Dragon owning the remainder of the working interest.

The Company is in the process of completing a joint venture agreement with its partners on this property and will plan further exploration once the joint venture agreement is complete.

Midway

Cascadia has a 100% working interest in the Uranium/ VMS project, Midway, located northeast of Thunder Bay, Ontario. In the fall of 2006, pad preparation for drill holes and line cutting was completed.

Havoc

In February 2005, the Company entered into an option agreement to earn 51% interest in the Havoc property. The Company decided to not pursue further exploration on the Havoc property, and has thus returned it to the vendors. All exploration costs have been written off at year end.

Financial Information

	Fiscal years (audited)					
	Three Months Ended July 31,			Twelve Months Ended July 31,		
	2006	2005	%	2006	2005	%
	- \$ -	- \$ -	Change	- \$ -	- \$ -	Change
Interest income	9,185	732	1,155%	9,660	4,647	108%
Expenses:						
Arbitration fees	95,045	-	-%	605,145	42,486	1,324%
Bank charges	2,071	1,308	58%	4,524	4,848	(7%)
Depreciation	475	4,191	(89%)	1,937	16,190	(88%)
General corporate	4,834	17,715	(73%)	(71,972)	82,422	(187%)
Interest expense	24,680	2,668	825%	52,754	2,668	1,877%
Investors & shareholders	6,938	30,719	(77%)	80,176	139,909	(43%)
Professional fees	58,138	70,318	(17%)	123,969	336,195	(63%)
Transfer agent & regulatory fees	3,513	1,478	138%	11,588	13,837	(16%)
Travel and promotion	(1,099)	926	(219%)	4,470	4,446	1%
Write-down of mining property	296,386	54,993	439%	296,386	54,993	439%
Non-cash stock-based compensation	21,050	-	-%	65,480	70,955	(8%)
Total expenses	512,031	184,316	178%	1,174,457	768,948	53%
Loss from operations	(502,846)	(183,584)	174%	(1,164,797)	(764,302)	52%
Loss from operations per share	(0.012)	(0.005)	144%	(0.028)	(0.020)	36%
Future income tax recovery	(383,804)	(49,480)	676%	(383,804)	(49,480)	676%
Net loss	(119,042)	(134,104)	(11%)	(780,993)	(714,822)	9%
Net loss per share	(0.003)	(0.004)	(21%)	(0.019)	(0.019)	(2%)
Basic - weighted average	41,932,121	37,425,659	12%	41,932,121	41,932,121	12%
Fully diluted	50,345,409	57,692,243	(13%)	50,345,409	57,692,243	(13%)

Exploration expenditures during the fiscal year ended July 31, 2006 declined by 61.5% to \$0.35 million compared to the \$1.7 million spent in 2005 due primarily to the Company's involvement in arbitration proceedings throughout the year. The loss incurred for the year was \$780,993, a 9% change from the \$714,882 loss in 2005. During the 2006 year expenses increased primarily due to the costs associated with the arbitration. As at July 31, 2006 the working capital surplus was \$664,378 compared to the deficit of \$230,158 the prior year.

Selected Annual Information

	July 31, 2006	July 31, 2005	July 31, 2004
Interest income	9,660	4,646	16,187
Total expenses	1,174,457	768,948	1,278,255
Loss from operations	(1,164,797)	(764,302)	(1,262,068)
Loss from operations per share	(0.028)	(0.020)	(0.200)
Net loss	(780,993)	(714,822)	(1,196,574)
Net loss per share	(0.019)	(0.019)	(0.189)
Total assets	7,813,867	9,328,242	7,703,379
Total liabilities	2,165,439	2,758,130	2,117,792

Annual Capital Expenditures on Mineral Properties

Annual capital expenditures by property for the past three years are summarized in the table below.

For The Year Ended	July 31, 2006	July 31, 2005	July 31, 2004
Raglan – original properties	(87,393)	426,773	4,062,302
Raglan Thundermin properties	101,312	-	-
Raglan – True North properties		76,396	-
McGarry		-	4,857
Norton Lake	311,058	1,328,306	173,864
Attwood - Linsey Bay		(265,709)	461,513
Midway	26,003	74,704	-
Havoc	688	99,895	-
Total Resource Assets	351,668	1,740,365	4,702,536

Results of Operations - Fourth Quarter

Investment income for the three months ended July 31, 2006 was \$9,185 compared to \$732 recorded for the same quarter in 2004. Interest income was higher in the fourth quarter due to the Company receiving \$1.9 million from the Quebec rebate credit from expenditures incurred in year one and two of the Raglan exploration program. General and administrative expenses were \$512,031 for the quarter this year compared to \$184,316 for the quarter last year. The primary reason for the higher cost was directly attributable to the arbitration proceedings during this past year. To offset the high costs of the arbitration, no management consulting fees were charged in 2006. The fourth quarter loss from operations of \$502,846 in 2006 has increased by 174% when compared to the loss of \$183,584 for the same quarter in 2005. Since changes in revenues are insignificant, the main factor for the higher loss in this quarter is the increase of arbitration expenses.

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 2004	2nd Quarter Jan 2005	3rd Quarter Apr 2005	4th Quarter Jul 2005
Revenues	\$ 1,179	\$ 907	\$ 1,828	\$ 732
Net loss	(83,779)	(315,934)	(181,005)	(134,104)
Net loss per share	(0.002)	(0.009)	(0.005)	(0.004)

	1st Quarter Oct 2005	2nd Quarter Jan 2006	3rd Quarter Apr 2006	4th Quarter Jul 2006
Revenues	\$ 341	\$ 71	\$ 63	\$ 9,185
Net loss	(176,314)	(213,958)	(271,679)	(119,042)
Net loss per share	(0.004)	(0.005)	(0.006)	(0.003)

Related party transactions

During 2006, the Company had a net receivable from Yangarra Resources Ltd. ("Yangarra") \$110,710 (2005-\$117,725 payable) for repayment of past rent, office services and its share of leasehold improvements and office equipment. At year-end, included in accounts payable and accruals are \$nil (2005-\$19,964) 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 Cascadia is also the President, Chief Executive Officer and a director of Yangarra Resources Ltd.

A director of the Company is a partner of the Company's legal firm. Legal fees to that firm were \$29,926 (2005 - \$44,809). An aggregate of \$6,662 (2005 - \$29,141) is currently in accounts payable and accruals relating to these legal fees.

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, 2006 the Company had a working capital surplus of \$664,378 compared to a working capital deficit of \$230,158 at July 31, 2005. As the Company is in exploration phase, it has no revenue generating projects at this time. The ability of the Company to carry out its business plan rests with the ability to secure equity and other financings. The Company will require additional financing to fund any new exploration programs, new acquisitions, in addition to its holding costs on all of its current properties. Future funds for exploration will be by financing, sale of equity capital or the offering of an interest in its

properties to be earned by another party carrying out further exploration or development. During the Company's year ending 2006, there were no financing activities concluded.

Share Capital

As of October 27, 2006 there were 41,932,121 basic common shares issued and outstanding; 4,797,250 warrants exercisable into common shares; and stock options to acquire an aggregate of 3,616,038 common shares outstanding.

Changes in Accounting Policies

There are no changes in significant accounting policies.

Outlook

The arbitration dispute with our Raglan partner Novawest is being finalized, with only the cost award outstanding. The Arbitrator has determined that Cascadia is entitled to damages for the loss of the certain mineral claims and to damages for Novawest's breaches of the Option Agreement dated April 10, 2003 while Novawest is entitled to damages on certain accounting issues. The Arbitrator has determined that the net amount of 298,455 plus \$18,271 GST is payable by Cascadia to Novawest, but that Cascadia is entitled to an interest in certain fuel and equipment located in British Columbia and Quebec.

Cascadia has appealed three of the Arbitrator's rulings on the basis that the Arbitrator erred in law. The three rulings appealed relate to the Quebec mineral tax rebates, the amount owing to Novawest on the accounting issues, and the quantum of damages payable to Cascadia by Novawest for its breaches of the Option Agreement.

These lawsuits remain at an early state and as litigation is subject to many uncertainties, it is not possible to predict the ultimate outcome of these lawsuits or to estimate the loss, if any, which may result.

Cascadia is in the process of finalizing a joint venture agreement with its partners in the Norton Lake area. Once a joint venture agreement is in place, future exploration and development plans will be planned for the 2007 exploration year.

Further exploration plans in Midway for prospective Uranium potential are in progress.

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 mineral industry is capital intensive in all its phases. The Company competes with many other companies who have greater financial experience and resources. The industry is 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 limited financial resources, no significant source of operating cash flow and no assurances that sufficient funding, including adequate funding, will be available to conduct further exploration and development of its projects or to fulfill its obligations under the terms of any option or joint venture agreements.

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. The Company disclaims any obligation or intention to update or revise any forward-looking statement, whether as a result of new information or future events.