

Cascadia International Resources Inc.
Financial Statements
July 31, 2003

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, Audit Committee and management.

Jim Evaskevich

To the Shareholders of:

Cascadia International Resources Inc.

We have audited the balance sheet of Cascadia International Resources Inc. as at July 31, 2003 and the statements of earnings (loss) and deficit and cash flows for the year 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 audit.

We conducted our audit 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 position of the Company as at July 31, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The comparative figures were audited by another firm of chartered accountants who issued an unqualified opinion in their report dated November 18, 2002.

Calgary, Alberta

December 3, 2003

Meyers Norris Penny LLP

Chartered Accountants

Cascadia International Resources Inc.

Balance Sheet

As at July 31

	2003	2002
Assets		
Current		
Cash	396,691	17,528
Marketable securities	300,000	-
Accounts receivable	11,077	11,705
	707,768	29,233
Mineral properties (Note 3)	2,534,662	-
	3,242,430	29,233
Liabilities		
Current		
Accounts payable and accruals	135,843	15,663
Future income tax liability (Note 4)	769,500	-
	905,343	15,663
Shareholders' Equity		
Share capital (Note 5)	4,790,159	2,257,035
Deficit	(2,453,072)	(2,243,465)
	2,337,087	13,570
	3,242,430	29,233

Commitments (Note 3 and 8)

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 Earnings (Loss) and Deficit
For the year ended July 31

	<i>2003</i>	<i>2002</i>
Interest income	6,262	-
Expenses		
Bank Charges	241	210
General	6,303	12,717
Investors and shareholder relations	7,394	1,246
Management fees	25,000	30,000
Professional fees	107,510	24,085
Transfer agent and regulatory fees	41,321	12,765
Travel and promotion	28,100	-
	215,869	81,023
Net loss	(209,607)	(81,023)
Deficit, beginning of year	(2,243,465)	(2,162,442)
Deficit, end of year	(2,453,072)	(2,243,465)
Loss per share (Note 6)	(0.03)	(0.01)

The accompanying notes are an integral part of these financial statements

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

	2003	2002
Cash provided by (used for) the following activities		
Operating		
Net loss	(209,607)	(81,023)
Changes in non-cash working capital		
Decrease (increase) in accounts receivable	628	(11,017)
Increase in prepaid expenses	-	625
Increase (decrease) in accounts payable and accruals	31,529	(65,440)
	(177,450)	(156,855)
Financing		
Increase in share capital	3,166,749	200,000
Finder's fee	-	(20,000)
Repayment of short term loan	-	(5,812)
	3,166,749	174,188
Investing		
Purchase of marketable securities	(300,000)	-
Mineral property expenditures	(2,310,136)	-
	(2,610,136)	
Increase in cash	379,163	17,333
Cash, beginning of year	17,528	195
Cash, end of year	696,691	17,528

The accompanying notes are an integral part of these financial statements

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 an accumulated deficit of \$2,453,072 (2002 - \$2,243,465). 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. At year-end, cost was substantially the same as the quoted market value.

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 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 proceeds from options granted are included in the cost of the related property and any excess is applied to income.

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.

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.

2. Accounting policies *(continued from previous page)*

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

Effective January 1, 2002, 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 made in exchange for goods and services. The new standard sets out a fair-valued based method of accounting that is required for certain, but not all, stock-based transactions.

The new standard permits the Company to continue its existing policy that no compensation cost is recorded, on the grant of stock options to employees. Consideration paid by employees on the exercise of stock options is recorded as shareholders' equity. However, Handbook 3870 requires additional disclosure for options granted to employees, including disclosure of pro forma earnings and pro forma earnings per share as if the fair-value based accounting method had been used to account for employee stock options (Note 5).

Cascadia International Resources Inc.
Notes to the Financial Statements
For the year ended July 31, 2003

3. Mineral properties

	<i>Cost</i>	<i>Accumulated Depletion</i>	<i>July 2003 Net Book Value</i>	<i>2002 Net Book Value</i>
Raglan – deferred exploration payments (a)	2,395,875	-	2,395,875	-
Raglan – Thundermin acquisition (b)	88,651	-	88,651	-
McGarry – deferred exploration payments (c)	50,136	-	50,136	-
Total mineral properties	2,534,662	-	2,534,662	-

a) Raglan, Ungava Bay Properties in Quebec, Canada

The Company has 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.

Shares 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 finder’s fee associated with the year one payment was 655,833 common shares (Note 5).

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 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, three from Novawest and two from the Company.

Cascadia International Resources Inc.
Notes to the Financial Statements

For the year ended July 31, 2003

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

Expenses, such as advance royalties, claim renewal fees, etc. incurred to maintain the 650 sq. km. (155,000 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 exportation commitments. This second provision is intended to cover the Company should a third party wish to simultaneously buy-out the interests of both parties.

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

The Company and Novawest also 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. The full amount of the consideration has been included in accounts payable and accruals including \$63,651 which represents the value of the shares issued subsequent to the year-end.

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 Phase 1 drilling program in 2001 and the Company will resume the Phase 2 drilling program and spend not less than \$50,000 on exploration.

Cascadia International Resources Inc.
Notes to the Financial Statements
For the year ended July 31, 2003

4. Future income taxes

Flow-through share liability	769,500
<i>Future income tax assets</i>	
Mineral exploration costs	153,000
Loss carryforwards	338,808
Share issuance costs	4,560
	496,368
Valuation allowance	(496,368)
	-
Future income tax liability	769,500

At July 31, 2003, the Company has available resource tax pools of approximately \$835,000 and non-capital loss carryforwards of approximately \$891,000, which will expire as follows:

2004	18,200
2005	122,000
2006	158,000
2007	133,000
2008	122,800
2009	123,500
2010	213,500

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

Loss before taxes	(209,607)
Expected tax recovery	79,650
Benefit of loss not recognized	(78,130)
Share issue costs	(1,520)
	-

Cascadia International Resources Inc.
Notes to the Financial Statements
For the year ended July 31, 2003

5. Share capital

	Number	Value
<i>Authorized</i>		
Unlimited number of common shares, without nominal or par value		
Unlimited number of non-voting shares, without nominal or par value		
Unlimited number of preferred shares, without nominal or par value		
<i>Issued</i>		
Common shares		
Balance ending, July 31, 2001	9,116,374	2,077,035
Consolidation 4:1	(6,837,280)	-
Private placement	2,000,000	100,000
Private placement	1,000,000	100,000
Finder's fee	-	(20,000)
Balance ending, July 31, 2002	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 (<i>Note 3</i>)	250,000	37,500
Raglan Claims finders fee agreement - 1 st payment (<i>Note 3</i>)	655,833	98,375
Share issue costs	-	(188,251)
Effect of future income taxes on flow-through expenditures	-	(769,500)
Balance ending, July 31, 2003	21,045,387	4,790,159

On January 8, 2003 the shareholders of the Company approved a share consolidation of 2:1.

- (i) This private placement was a non-brokered offering consisting of 2 million 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 will be 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 benefit 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 will be renounced to the shareholders by December 31, 2003.

Cascadia International Resources Inc.
Notes to the Financial Statements
For the year ended July 31, 2003

5. Share capital *(continued from 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.

	<i>Number of Options</i>	<i>Price Range (\$)</i>	<i>Weighted Average Price (\$)</i>	<i>Expiry Date</i>
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

The Company uses the Black-Scholes option pricing model to estimate the fair value at the date of grant for options granted. During 2003, 2,069,538 options with a weighted average fair value of \$520,000 were granted and valued using the following weighted average assumptions:

Risk free interest rate	4.75%
Expected volatility	120%
Expected life	5 years
Expected dividends	-
Loss attributable to common shareholders – as reported	(209,607)
Stock-based compensation expense	(520,000)
Loss attributable to common shareholders – pro forma	(729,607)
Loss per share – as reported	(0.03)
Loss per share – pro forma	(0.12)

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Change in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single 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, 2003

5. Share capital *(continued from previous page)*

Warrants

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

	<i>Number of Warrants</i>	<i>Price Range(\$)</i>	<i>Weighted Average Price (\$)</i>	<i>Expiry Date</i>
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	
July 31, 2003 outstanding	13,750,000	0.10 – 0.40	0.26	2004 – 2005

On January 8, 2003 the shareholders of the Company approved a share consolidation of 2:1.

6. Per share amounts

Basic loss per share is calculated using the weighted average number of shares outstanding for the year. For purposes of the calculations, the weighted average number of shares outstanding was 6,319,697.

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

7. 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, marketable securities, accounts receivable, accounts payable and accruals approximates their carrying value due to the short-term maturities of these financial instruments.

8. Related party transactions

During the year, the Company had the following transactions with related parties:

- a) Pursuant to a management contract, the Company paid fees of \$25,000 to a company related to a director of the Company. The contract can be terminated by either of the parties by giving three months' notice in writing.
- b) The Company pays \$500 per month to the above company for office services.

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.

9. Subsequent Events

On September 19, 2003 the Company announced that it had closed its previously announced offering for gross proceeds of \$2,000,000 pursuant to a short form offering document ("SFOD"). Under the SFOD, the Company, through its agent, First Associates Investments Inc. ("FAII"), offered 4,000,000 units at a price of \$0.50 per unit. 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 18, 2005.

In October, 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 Resource Corp. ("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 this winter and may earn a 51% interest in the property by spending \$1.0 million by November 1, 2010. A 60% interest may be earned by completing a feasibility study by November 1, 2011 in accordance with the standards of the Toronto Stock Exchange, and may earn a 70% interest by financing the property to production. Option payments to East West totaling \$95,000 over 7 years in staged payments are to be made as well as payments to the underlying prospector vendors.

In October, 2003 the Company optioned a 164 and 152 claim unit group in the Norton Lake area, Thunder Bay from East West and Canadian Golden Dragon Resources Ltd. The Company may earn a 51% interest in both claim groups by spending \$1.5 million by November 1, 2010 and may earn a 60% interest by completing a feasibility study to the standards of the TSX and may obtain a 70% interest by financing the property to production. Option payments are to be made in stages, totaling \$150,000 over 7 years. A \$150,000 drill program is planned for January 2004 to March 2004.

10. Comparative figures

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