



cascadia
international resources inc.
(A Development Stage Company)
Financial Statements
July 31, 2007 and 2006

To the Shareholders of:

Cascadia International Resources Inc.

Management is responsible for the preparation and presentation of the accompanying 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.

Meyers Norris Penny LLP, an independent firm of Chartered Accountants, is 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, and meet periodically and separately with, both the Audit Committee and management to discuss their audit findings.



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, 2007 and 2006, 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 position of the Company as at July 31, 2007 and 2006, 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
September 29, 2007

Megus Norris Penny LLP

Chartered Accountants

Cascadia International Resources Inc.**Balance Sheets***As at July 31*

	<i>2007</i>	<i>2006</i>
Assets		
Current		
Cash	172,095	805,734
Accounts receivable	108,408	10,863
Prepaid expenses	4,467	–
	284,970	816,597
Property and equipment <i>(Note 3)</i>	17,884	7,023
Mineral properties <i>(Note 4)</i>	5,520,119	6,990,247
	5,822,973	7,813,867
Liabilities		
Current		
Accounts payable and accrued liabilities	406,799	152,219
Future income tax liability <i>(Note 5)</i>	672,065	2,013,220
	1,078,864	2,165,439
Shareholders' Equity		
Share capital <i>(Note 6)</i>	10,005,209	9,676,502
Warrants <i>(Note 7)</i>	115,410	–
Contributed surplus <i>(Note 8)</i>	1,168,873	1,117,387
Deficit	(6,545,383)	(5,145,461)
	4,744,109	5,648,428
	5,822,973	7,813,867

Subsequent events and contingency *(Note 12)***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 Net Loss and Deficit
For the years ended July 31

	2007	2006
Interest income	19,352	9,660
Expenses		
Bank charges	580	4,524
Depreciation	2,291	1,937
General corporate (Note 10)	39,906	(71,972)
Investors and shareholder relations	78,759	80,176
Interest	17,712	52,754
Legal fees	276,928	605,145
Professional fees	174,709	123,969
Transfer agent and regulatory fees	15,572	11,588
Travel and promotion	7,095	4,470
Stock-based compensation (Note 6)	51,486	65,480
Write-down of mineral properties (Note 4(f))	2,144,776	296,386
	2,809,814	1,174,457
Loss from operations before income taxes	(2,790,462)	(1,164,797)
Income tax recovery (Note 5)	1,390,540	383,804
Net loss	(1,399,922)	(780,993)
Deficit, beginning of year	(5,145,461)	(4,364,468)
Deficit, end of year	(6,545,383)	(5,145,461)
Loss per share – basic and dilutive (Note 6)	(0.03)	(0.02)

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

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

	2007	2006
Cash provided by (used for) the following activities		
Operating		
Net loss	(1,399,922)	(780,993)
Add back (deduct) non-cash items:		
Depreciation	2,291	1,937
Stock-based compensation	51,486	65,480
Write-down of mining properties	2,144,776	296,386
Income tax recovery (<i>Note 5</i>)	(1,332,626)	(383,804)
	(533,995)	(800,994)
Change in non-cash working capital (<i>Note 9</i>)	(283,637)	(381,637)
	(817,632)	(1,182,631)
Financing		
Issue of shares, net of share issue costs	420,588	–
Investing		
Purchase of property and equipment	(13,152)	–
Proceeds on sale of property and equipment	–	59,593
Purchase of, and expenditures on, mineral properties	(779,842)	(351,668)
Proceeds on land claims (<i>Note 4</i>)	120,194	–
Proceeds from tax credit	–	1,987,605
Change in non-cash working capital (<i>Note 9</i>)	436,205	–
	(236,595)	1,695,530
Increase (decrease) in cash	(633,639)	512,899
Cash, beginning of year	805,734	292,835
Cash, end of year	172,095	805,734
Supplemental cash flow information		
Interest paid	17,712	52,754

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. On March 29, 2004, the Company was continued from British Columbia and registered under the laws of Alberta and changed its name to Cascadia International Resources Inc. on April 7, 1997. The Company is in the process of acquiring, exploring and developing its mineral properties in Canada and is thus considered to be a development stage company.

The Company is in the process of exploring mineral properties and has not yet determined whether these properties contain deposits that are economically recoverable. The continuing operations of the Company to meet its commitments, as they become payable, including the development of the properties, securing and maintaining title and financing exploration and development of the properties, is dependent upon obtaining necessary financing through public and private share offerings.

The 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. These financial statements do not include any adjustments that would be necessary should the Company be unable to obtain sufficient financing and consequently be unable to continue as a going concern.

2. Accounting policies

These financial statements have been prepared by management in accordance with generally accepted accounting principles in Canada. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts recorded in the financial statements and accompanying notes. Actual results could differ from these estimates. The 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 summarized below:

Property and equipment

Property and equipment are initially recorded at cost. Depreciation 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%
Office equipment	Declining balance	20%

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. Mineral tax credits are recorded as a reduction of the cost of mineral properties. Any adjustment arising from reassessment by the taxation authorities will be recognized in the period in which the adjustment occurs.

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.

Asset retirement obligations

The Company records the fair value of an asset retirement obligation as a liability in the period in which it incurs a legal obligation associated with the retirement of tangible long-lived assets that result from the acquisition, construction, development, and/or normal use of the long-lived assets. The Company also records a corresponding asset which is amortized over the life of the asset. Subsequent to the initial measurement of the asset retirement obligation, the obligation is adjusted at the end of each period to reflect the passage of time (accretion expense) and changes in the estimated future cash flows underlying the obligation (asset retirement cost).

2. Accounting policies (continued from the previous page)***Long-lived assets***

Long-lived assets consist of property and equipment and mineral properties. Long-lived assets held for use are measured and amortized as described in the applicable accounting policies.

The Company performs impairment testing on long-lived assets held for use wherever events or changes in circumstances indicate that the carrying value of an asset, or group of assets may not be recoverable. Impairment losses are recognized where undiscounted future cash flows from its use and disposal are less than the assets carrying amount. Impairment loss is measured as the amount by which the asset carrying value exceeds fair value. Discounted cash flows are used to measure fair value of long lived assets. Any impairment is included in loss for the year.

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

Expenditure deductions for income tax purposes related to exploratory activities funded by flow-through equity instruments are renounced to investors in accordance with income tax legislation. The Company provides for the future effect on income taxes related to flow-through equity instruments as a reduction of share capital and an increase in future income tax liabilities when the renouncement documents are filed with taxation authorities.

Per share amounts

Basic earnings per share are calculated using the weighted average number of shares outstanding during the year. Diluted earnings per share are calculated based on the treasury stock method which assumes that any proceeds obtained on the exercise of options and warrants would be used to repurchase common shares at the average price during the period. The effect of anti-dilutive options and warrants are excluded in the calculation of diluted earnings per share.

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. The benefit of future income tax assets, including unused tax losses, are recognized subject to a valuation allowance to the extent that it is more likely than not that the benefit of future income tax assets will ultimately 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 the eligibility of qualifying flow-through expenditures. 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

Stock-based compensation expense is based on the estimated fair value of options granted at the time of the grant. The fair value is recognized in current earnings as stock-based compensation expense with a corresponding increase to contributed surplus over the vesting period of the options. Upon the exercise of the stock options, consideration paid together with the amount previously recognized in contributed surplus is recorded as an increase in share capital. In the event that vested options expire, previously recognized compensation expense associated with such stock options is not reversed. In the event that unvested options are cancelled, previously recognized compensation expense associated with such stock options is reversed.

Cascadia International Resources Inc.

Notes to the Financial Statements

July 31, 2007 and 2006

3. Property and equipment

	<i>Cost</i>	<i>Accumulated Depreciation</i>	<i>2007 Net Book Value</i>	<i>2006 Net Book Value</i>
Computer equipment	20,428	4,088	16,340	5,093
Office equipment	3,350	1,806	1,544	1,930
	23,778	5,894	17,884	7,023

In 2006, the Company sold certain property and equipment to Yangarra Resources Ltd. ("Yangarra"), a company related through a common officer and director, for \$59,593 based on the original cost of the property and equipment. As the sale was not in the normal course of operations, it was recorded at the Company's carrying value. The \$23,364 difference between the exchange amount of \$59,593 and the carrying value of \$36,229 was recorded as a credit to contributed surplus.

4. Mineral properties

	<i>Cost</i>	<i>Accumulated Depreciation</i>	<i>2007 Net Book Value</i>	<i>2006 Net Book Value</i>
Northern Quebec Properties				
Raglan (a)	7,438,976	–	7,438,976	7,063,917
Investment tax credits	(1,987,605)	–	(1,987,605)	(1,987,605)
Write-down	(2,144,776)	–	(2,144,776)	–
	3,306,595		3,306,595	5,076,312
Ontario Properties				
Norton Lake (b)	1,969,368	–	1,969,368	1,813,228
Midway (c)	137,250	–	137,250	100,707
Other Properties				
Baker Lake, Nunavut (d)	77,693	–	77,693	–
British Columbia (e)	29,213	–	29,213	–
	5,520,119	–	5,520,119	6,990,247

During 2007, mineral property expenditures and acquisitions totaled \$794,842 (2006 - \$351,668) of which \$779,842 (2006 - \$351,668) was acquired with cash and \$15,000 (2006 - nil) was acquired through the issue of common shares (Note 4(d)). In addition, the Company received \$120,194 of proceeds in respect of certain land claims and related work credits (Note 4(a)).

a) Raglan, Ungava Bay Properties in Quebec, Canada

i. Original Option

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

Year one and year two exploration contemplated by the Option Agreement was undertaken by the parties with the Company earning a 25% interest in the original Raglan block. The Company paid or arranged committed exploration expenditures of \$3.2 million in year one, and \$4.3 million in year two. In February 2005, the Company deferred its election to participate in the third year of the Option Agreement.

The parties have been involved in arbitration over various disagreements since mid 2005; consequently, there were no exploration project expenditures incurred in 2005 or 2006. On September 29, 2005, the Company and Novawest consented to the issuance of a partial award by the arbitrator in the arbitration proceedings.

4. Mineral properties *(continued from the previous page)*

A summary of the partial award agreed upon by the Company and Novawest is as follows:

- The Company is the owner of an undivided 25% interest in the remaining original Raglan Claims.
- 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 the Company, including without limitation, any option rights, rights of first refusal, area of influence obligations, or joint venture obligations.
- The Option Agreement dated April 10, 2003 is terminated effective February 16, 2005.

In late fall of 2006, the arbitrator issued a final award and determined that both the Company and Novawest were entitled to damages, for which the Company's share including the award of interest and legal fees was a net liability of \$405,254 plus \$18,271 GST which has been paid to Novawest. However, in March 2007, the Company commenced appeal proceedings (*Note 12*). In connection with the issuance of the final arbitration award, the Company received \$120,194 as compensation for certain land claims and related work credits.

As at July 31, 2007, the Company had incurred total expenditures of \$7,136,731 (2006 – \$6,797,558).

ii. Thunder Project

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 to earn a 50% interest was \$88,652 comprised of \$25,000 cash and 129,900 common shares issued in 2004 at a price of \$0.49 per share for a value of \$63,652.

As at July 31, 2007, the Company had incurred total expenditures of \$109,616 (2006 – \$88,651).

iii. True North Project

In April 2004, the Company acquired an option to earn a 35% interest in the 30,774 acre True North Project on the north Raglan Trend in partnership with Novawest. The acquisition of the True North property from Coronado Resources Ltd. (formerly Minera Capital Corporation) was conditional on spending a minimum of \$440,000 over 3 years split between the Company and Novawest (the "optionees").

On January 16, 2006, the arbitrator issued a partial award, and on August 15, 2006 issued a clarification regarding the Company's interest in the project. The arbitrator ruled that the Company's interest to be earned in the True North Property be reduced from 35% to 25%. During 2007, Novawest and Coronado amended the option agreement, extending the time frame by two years to March 2009, within which the optionees may carry out required exploration programs in order to earn their respective interests.

As at July 31, 2007, the Company had incurred total expenditures of \$192,629 (2006 – \$177,708).

b) Norton Lake Property, Thunder Bay, Ontario, Canada

In October 2003, the Company optioned a 164 and 152 claim unit group in the Norton Lake area near Thunder Bay, Ontario from East West Resource Corp. and Canadian Golden Dragon Resources Ltd. (the "optionees") for a total of \$125,000 in option payments to be made on or before November 1, 2011 and a commitment to incur a minimum of \$150,000 on drilling within 12 months of the agreement. Under the terms of the option agreement, the Company may earn the following interests in both claims groups:

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

As of July 31, 2007, the Company had satisfied \$125,000 of option payments and incurred the \$1.5 million expenditure requirement to earn a 51% interest in the property. In December 2006, the Company and the optionees executed a joint venture agreement to manage future exploration.

4. Mineral properties (continued from the previous page)

c) Midway Project, Thunder Bay, Ontario, Canada

The Company owns 100% of the Midway Project area. An airborne EM survey was flown in early 2005, over the entire property which traced a number of basement conductors and the westward extent of conductors that occur on the adjoining Havoc claim group. These conductors form the primary uranium exploration targets that will determine future lease acquisitions.

d) Baker Lake Project, Nunavut, Canada

In 2007, the Company signed an option agreement with Tanqueray Resources Ltd. for a property comprised of 22 claims (22,365 ha) located 75 km west of Baker Lake, Nunavut. Under the agreement, the Company may earn a 50% interest in the Baker Lake Claims over a two year term for a cash payment of \$50,000 paid in April 2007, the issue of 100,000 common shares of the Company in July 2007 and an additional 200,000 common shares of the Company on or before March 31, 2008. In addition, the Company has committed to incur a minimum \$200,000 of exploration expenditures by March 31, 2008 and to complete a drill program to a minimum depth of 1,000 metres by March 31, 2009.

The 100,000 common shares issued in July 2007 were valued at \$15,000 based on the market price of the Company's shares on the date of issuance (*Note 6*).

e) Goat Mountain Project, British Columbia, Canada

In July 2007, the Company signed an option agreement for a molybdenum property comprised of approximately 10,000 acres in southern British Columbia. Under the terms of the option agreement the Company will earn a 100% interest in the property through the following:

- i.* A commitment to spend \$500,000 by December 31, 2009;
- ii.* Cash payments totaling \$100,000 by January 31, 2009
- iii.* The issuance of 300,000 common shares of the Company by January 31, 2009

In July 2007, the Company paid a \$20,000 cash option payment and incurred \$9,213 of geological and geophysical expenditures on the property. The Company may also acquire a 1% net smelter return royalty at any time for \$1,000,000.

f) Write-down of mineral properties

In 2007, the Company recorded a \$2,144,776 write-down on the Raglan Properties based on the sale of the Properties which closed in August 2007 (*Note 12*). In 2006, the Company suspended exploration on the Attwood & Fitch Lake Property located near Armstrong, Ontario and on the Havoc Project located near English Bay, Ontario. As a result, all associated expenditures incurred on these properties to July 31, 2006, totaling \$296,386, were written off in 2006.

5. Income taxes

	<i>2007</i>	<i>2006</i>
<i>Future income tax assets (liabilities)</i>		
Mineral properties	(1,391,235)	(2,013,220)
Property and equipment	1,710	1,045
Non-capital loss carry forwards	913,271	786,556
Share issuance costs	27,056	47,869
Valuation allowance	(222,867)	(835,470)
Future income tax liability	(672,065)	(2,013,220)

5. Income taxes (continued from the previous page)

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

	2007	2006
Loss before taxes	(2,790,462)	(1,164,797)
Expected tax recovery at 32.95% (2006 – 34.79%)	919,457	405,232
Tax effect of expenses not deductible for tax purposes:		
Stock-based compensation	(16,965)	(22,780)
Resource allowance	(7,568)	(32,171)
Expired losses	(45,803)	(35,529)
Rate differential	(129,098)	124,580
Change in valuation allowance	612,603	(55,528)
Future income tax recovery	1,332,626	383,804
Current provincial income tax recovery	57,914	–
Income tax recovery	1,390,540	383,804

The Company has the following estimated tax pools available for deduction against future taxable income:

	2007	2006
Canadian development expense	86,500	86,500
Canadian exploration expense	173,900	249,900
Foreign exploration and development expense	134,000	134,000
Mining exploration depletion base	17,650	17,650
Undepreciated capital cost	23,800	10,600
Share issuance costs	93,300	165,000
Non-capital losses, expiring between 2010 and 2027	3,220,900	2,712,300

6. 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

	Number	Value
Common shares		
<i>Balance, July 31, 2005</i>	41,932,121	9,906,037
Tax effect of flow-through shares (a)	–	(229,535)
<i>Balance, July 31, 2006</i>	41,932,121	9,676,502
Flow-through share private placement (b)	3,750,000	334,590
Mineral property (Note 4(d))	100,000	15,000
Share issue costs, net of \$8,529 future income tax	–	(20,883)
Balance, July 31, 2007	45,782,121	10,005,209

- (a) The \$229,535 tax effect of the \$791,500 flow-through share proceeds raised in July 2005 was recorded in February 2006 when the tax benefits were filed with the tax authorities and renounced to investors with an effective date of December 31, 2005.

6. Share capital (continued from the previous page)

- (b) On March 30, 2007 the Company completed a private placement of 3,750,000 units at a price of \$0.12 per unit for gross proceeds of \$450,000. Each unit consists of one common share issued on a “flow-through” basis under the Income Tax Act (Canada) and one-half common share purchase warrant. Each whole share purchase warrant entitles the holder to acquire one additional common share at a price of \$0.15 per share until December 2007. At the time of the private placement, \$115,410 was ascribed to the warrants based on the Black-Scholes fair value pricing model and \$334,590 was ascribed to common shares.

As at July 31, 2007, the Company had incurred approximately \$310,846 of qualifying flow-through expenditures and has until December 31, 2008 to incur the remainder.

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.

In September 2005, the Company granted 400,000 stock options exercisable at \$0.25 per share with immediate vesting. The fair value of these options for the purposes of recording stock-based compensation was estimated to be \$65,480 based on the Black-Scholes fair value pricing model.

In March 2007, the Company granted 2,200,000 stock options exercisable at \$0.10 per share. In April 2007, the Company granted 375,000 stock options exercisable at \$0.155 per share. These options vest over two years with not more than one-half vesting in any twelve month period. The total fair value of these options for the purposes of recording stock-based compensation was estimated to be \$261,440 based on the Black-Scholes fair value pricing model, of which \$51,486 was recorded in 2007.

The following table is a continuity of the Company’s stock options:

	<i>Number of Options</i>	<i>Exercise Price Range</i>	<i>Weighted Average Exercise Price</i>	<i>Year of Expiry</i>
<i>Balance, July 31, 2005</i>	3,769,538	\$0.30 - \$0.59	\$0.40	2008 - 2010
Granted	400,000	\$0.25	0.25	2010
Cancelled	(553,500)	\$0.25 - \$0.59	0.40	2008 - 2010
<i>Balance, July 31, 2006</i>	3,616,038	\$0.25 - \$0.59	0.39	2008 - 2010
Granted	2,575,000	\$0.10 - \$0.155	0.11	2012
Cancelled	(1,626,500)	\$0.25 - \$0.59	0.49	2008 - 2010
<i>Balance, July 31, 2007</i>	4,564,538	\$0.10 - \$0.30	\$0.19	2008 - 2012

As at July 31, 2007, outstanding options had a weighted average life remaining of 3.1 years.

Black-Scholes fair value pricing model

The fair value of warrants and options was estimated at the date of issue or grant using the Black-Scholes option pricing model based on the following weighted average assumptions:

	2007	2006
Risk free interest rate	3.97%	3.14%
Expected volatility	182%	163%
Expected life	2 years	2 years

6. Share capital (continued from the previous page)

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.

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 43,198,011 (2006 – 41,932,121). Diluted per common share amounts have not been presented as any effect of options and warrants is anti-dilutive.

7. Warrants

	<i>Number</i>	<i>Amount</i>
Balance, July 31, 2007	1,875,000	115,410

In conjunction with a private placement completed on March 30, 2007 described in Note 6 (b), the Company issued 1,875,000 whole share purchase warrants for which \$115,410 was ascribed to the warrants based on the Black-Scholes fair value pricing model.

The following table is a continuity of the Company's warrants:

	<i>Number of Warrants</i>	<i>Exercise Price Range</i>	<i>Weighted Average Exercise Price</i>	<i>Year of Expiry</i>
<i>Balance, July 31, 2005</i>	11,390,584	\$0.40 - \$0.75	\$ 0.56	2005 - 2006
Expired	(6,593,334)	\$0.60 - \$0.75	0.62	2005
<i>Balance, July 31, 2006</i>	4,797,250	\$0.40 - \$0.60	0.47	2006
Issued	1,875,000	\$0.15	0.15	2007
Cancelled	(4,797,250)	\$0.40 - \$0.60	0.47	2006
Balance, July 31, 2007	1,875,000	\$0.15	0.15	2007

As at July 31, 2007, warrants outstanding have a weighted average life remaining of 0.4 years.

8. Contributed surplus

	<i>2007</i>	<i>2006</i>
Balance, beginning of year	1,117,387	1,028,543
Stock-based compensation (Note 6)	51,486	65,480
Related party transaction (Note 3)	–	23,364
Balance, end of year	1,168,873	1,117,387

9. Change in non-cash working capital

	<i>2007</i>	<i>2006</i>
Accounts receivable	(97,545)	56,785
Prepaid expenses	(4,467)	–
Accounts payable and accrued liabilities	254,580	(438,422)
	152,568	(381,637)

9. Change in non-cash working capital *(continued from the previous page)*

	2007	2006
Operating	(283,637)	56,785
Investing	436,205	(438,422)
	152,568	(381,637)

10. Related party transactions

Except as disclosed elsewhere in these financial statements, the Company had the following related party transactions in the normal course of operations and measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties:

During the year ended July 31, 2007, the Company was charged \$15,500 (2006 – received \$110,710) for rent and office services by a company related through a common officer and director, of which \$8,960 (2006 – nil) is included in accounts payable and accrued liabilities at year end.

During the year ended July 31, 2007, the Company was charged \$1,630 (2006 – \$29,926) by a law firm in which a former director of the Company is a partner, of which nil (2006 – \$6,662) is included in accounts payable and accrued liabilities at year end.

11. 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.

12. Subsequent events and contingency

In March 2007, the Company commenced appeal proceedings on various arbitration rulings relating to the Raglan properties (*Note 4(a)*), however, the Court's decision to hear the appeal remains outstanding. As the likely outcome of an appeal, should it occur, cannot be determined no further provision has been made in these financial statements.

In August 2007, the Company closed the disposition of all of its mineral properties in the Raglan area to Goldbrook Ventures Inc. ("Goldbrook"). As consideration for the disposition, the Company received \$2 million of cash, 2 million common shares of Goldbrook, 2 million common share purchase warrants to acquire common shares of Goldbrook at \$0.35 per share until August 2012 and a 0.5% net smelter return on certain of the Raglan properties. The total value of consideration received is estimated at \$3,306,595 based on the \$0.33 per share market value Goldbrook's common shares on the date of closing and the estimated \$646,595 fair value of Goldbrook warrants using the Black-Scholes fair value pricing model.

In October and November 2007, the Company completed the first and second closings of a non-brokered unit private placement. The Company issued a total of 3,750,000 units at \$0.20 per unit for gross proceeds of \$750,000. Each unit consists of one common share issued on a "flow-through" basis under the Income Tax Act (Canada) and one-half common share purchase warrant. Each whole share purchase warrant entitles the holder to acquire one additional common share at a price of \$0.25 per share until December 31, 2008.