



MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended July 31, 2008

*Management's discussion and analysis ("MD&A") of the financial condition and the results of operations should be read in conjunction with the audited consolidated financial statements of Cascadia International Resources Inc. ("Cascadia" or the "Company") for year ended July 31, 2008 together with the accompanying notes. The MD&A has been prepared using information that is current to **October 21, 2008**.*

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 references to dollar amounts are in Canadian dollars.

Forward Looking Statements - *Information contained herein includes estimates and assumptions which management is required to make concerning future events, and may constitute forward-looking statements under applicable securities laws. Forward-looking statements include plans, expectations, estimates, forecasts and other comments that are not statements of fact. The words "anticipate", "believe", "expect", "estimate", "plans" and similar expressions are generally intended to identify forward-looking statements. Although the Company views such expectations as reasonable, no assurance can be given that such expectations will be realized. Such forward-looking statements are subject to risks and uncertainties and may be based on assumptions that may cause actual results to differ materially from those implied herein, and therefore are expressly qualified in their entirety by this cautionary statement.*

Forward-looking statements included in this MD&A may include, but are not limited to, statements with respect to: use of proceeds from sale of certain of the Company's properties; use of funds from private placements; the ability to meet current and future obligations; the performance characteristics of the Company's mineral properties; and realization of the anticipated benefits of acquisitions, option agreements and dispositions.

Some of the risks and other factors which could cause results to differ materially from those expressed in the forward-looking statements contained in this MD&A include, but are not limited to: industry conditions; liabilities inherent in the development stage of a mineral exploration company; potential delays or changes in plans with respect to exploration or development projects or capital expenditures; interest and exchange rates, changes in government regulations in the mining industry, including environmental regulations and hazards which could result in substantial damage to the mineral properties and the environment; competition for, among other things, capital, mineral claims, and skilled personnel; and the other factors considered under "Business Risks and Uncertainties" herein.

With respect to forward-looking statements contained in this MD&A, the Company has made assumptions regarding: future exchange rates; the impact of increasing competition; conditions in general economic and financial markets; availability of equipment; availability of skilled labour; cash flow; timing and amount of capital expenditures; effects of regulation by governmental agencies and the Company's ability to obtain financing on acceptable terms. Management has included the above summary of assumptions and risks related to forward-looking information provided in this MD&A in order to provide shareholders with a more complete perspective on the Company's future outlook and may not be appropriate for other purposes.

These forward-looking statements are made as of the date of in this MD&A and the Company disclaims any intent or obligation to update publicly any forward-looking statements, whether as a result of new information, future events or results or otherwise, other than as required by applicable securities laws.

Business of Cascadia

Cascadia is a publicly traded company engaged in the exploration, acquisition, and development of mineral properties in Canada and Peru. The Company's mineral properties consist of projects specifically targeting base metal (copper, nickel and cobalt), molybdenum, tungsten, precious metal (gold, silver, platinum and palladium) and uranium exploration.

In March 2008, the Company incorporated a 99.99% owned subsidiary, Cascadia Peru S.A.C.

Overall Performance and Mineral Property Descriptions

Peru

In May 2008, the Company entered into a strategic alliance with Peru-based Quippu Exploraciones S.A.C. ("Quippu") to jointly explore for base and precious metal opportunities in Peru. In July 2008, an 800 hectare ("ha") base metal property was staked in southern Peru.

Canada

The Company currently holds Canadian exploration projects in Ontario and British Columbia. Ontario projects include Norton Lake, Midway and Awkward Lake. The Company's British Columbia project is Goat Mountain.

Norton Lake Project – Northern Ontario

The Company holds a 51% interest in a 469 claim unit group (7,504 ha) in the Norton Lake area of northern Ontario. In 2007, the Company finalized a joint venture agreement governing the future exploration plans for the area and designating the Company as operator of the project. In early summer 2007, the Company announced plans for an exploration program, and advanced the project with a combination of airborne, ground gravity and geochemical sampling. The Company also staked new ground (1,344 ha) during the 2007 exploration season. The Company is working with its joint venture partners to determine the direction of further exploration activity.

Midway Project – Northern Ontario

The Company currently owns 100% of the Midway Project, which consists of 608 claim units (9,584 ha). The property was staked and an airborne EM survey was flown over the entire property in early 2005. The survey outlined several coincident magnetic and electromagnetic anomalies potentially related to Ni-Cu-Co-PGE sulphide mineralization as well as traced several basement conductors below the Sibley sediments mapping out several untested uranium (U) targets.

In May 2008, the Company optioned the Midway Project to East West Resource Corporation ("East West"). Under the terms of the option agreement, East West may earn a 50% interest through the following:

- i.* Incurring \$175,000 of expenditures by February 8, 2009; and
- ii.* The issuance of 100,000 common shares and 100,000 warrants of East West to the Company upon approval by the TSX Venture Exchange.

The Company received the East West common shares and warrants on June 3, 2008. The warrants are exercisable at \$0.15 per share until June 3, 2009.

Awkward Lake Project – Northern Ontario

This project consists of 256 claim units (4,080 ha) in the Awkward Lake area of northern Ontario in which the Company has a 100% interest. During the fall of 2008, a property visit confirmed the presence of high tenor Ni-Cu-PGE mineralization (metal grades recalculated in 100% sulphides) within several of the historical showings outlined by Harrison Minerals during the 1960's. It was also recognized that the early drilling by Harrison Minerals failed to test the base of the gabbo intrusion where Ni-Cu-PGE sulphide deposits are expected to occur. Exploration plans on the Awkward Lake property for the 2009 fiscal year are currently under review by management.

Goat Mountain Project – Southern British Columbia

In July 2007, the Company signed an agreement to option the Goat Mountain molybdenum (Mo)-tungsten (W) property comprised of approximately 4,047 ha in southern British Columbia. Under the terms of the option agreement the Company will earn a 100% interest, subject to a 2% net smelter return royalty, 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; and
- iii.* The issuance of 300,000 common shares of the Company by January 31, 2009

To date the Company has paid \$50,000 in cash options payments and issued 150,000 common shares and incurred the \$500,000 of committed expenditures. The Company may also acquire a 1% net smelter return royalty on this property at any time for \$1,000,000.

During the fall of 2008, a 900 metre diamond drill program was carried out by the Company to assess the potential for the Goat Mountain property to host economic Mo-W mineralization. The drilling returned anomalous Mo and W in 5 of the 6 holes completed including 11 metres of 0.083% MoS₂ in hole GM-07-02 and 4 metres of 0.405% MoS₂ in hole GM-07-06. The results proved the potential of the property to host high grade Mo deposit but more work is required to fully evaluate the potential of this property. Exploration plans on the Goat Mountain property for 2009 fiscal year are currently under review by management.

Other Projects

Raglan Properties – Northern Quebec

In July 2007, the Company recorded a \$2,144,776 write-down on the Raglan Properties based on their pending sale. 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 2 million 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 was estimated at \$3,306,595. At the date of disposition, the net book value of the properties exceeded the total proceeds resulting in a \$14,330 loss on disposition.

In March 2007, the Company commenced appeal proceedings on various arbitration rulings relating to the Raglan properties, 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 recorded the Company's consolidated financial statements.

Baker Lake Project – Nunavut

In May 2007, the Company signed an option agreement with Tanqueray Resources Ltd. (“Tanqueray”) for a property comprised of 22 claims (22,365 ha) located 75 km west of Baker Lake, Nunavut. Under the agreement, the Company was to 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 was 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.

In November 2007, the Company suspended exploration on Baker Lake Property and terminated the option agreement with Tanqueray, and as a result, all associated expenditures incurred on these properties to January 31, 2008, totaling \$342,899 were written off.

Mineral Property Expenditures

Annual mineral property expenditures for the three most recently completed financial years are as follows:

	July 31, 2008	July 31, 2007	July 31, 2006
Norton Lake	281,457	156,140	311,058
Midway	30,730	36,543	26,003
Awkward	56,157	–	–
Goat Mountain	540,322	29,213	–
Raglan	14,330	495,253	13,919
Baker Lake	265,205	77,693	–
Other	–	–	688
Peru	93,437	–	–
	1,281,638	794,842	351,668

Exploration expenditures during the fiscal year ended July 31, 2008 increased by 61% to \$1,281,638 compared to the \$794,842 spent in 2007 due primarily to expenditures on the Norton Lake, Goat Mountain and Baker Lake projects.

Selected Annual Information

The highlights of financial data for the Company for the three most recently completed financial years are as follows:

	July 31, 2008	July 31, 2007	July 31, 2006
Interest income	35,024	19,352	9,660
Total expenses	2,291,025	2,809,814	1,174,457
Loss from operations	(2,256,001)	(2,790,462)	(1,164,797)
Loss from operations per share	(0.05)	(0.060)	(0.028)
Net loss	(1,447,605)	(1,399,922)	(780,993)
Net loss per share	(0.03)	(0.03)	(0.02)
Total assets	4,378,945	5,822,973	7,813,867
Total liabilities	305,863	1,078,864	2,165,439
Weighted average number of shares			
- Basic	49,095,396	43,198,011	41,932,121

Financial Information

Below is a comparison of the Company's results of operations:

	Three months ended July 31		Year ended July 31	
	2008	2007	2008	2007
Interest income	5,337	931	35,024	19,352
Expenses				
Bank charges	535	326	1,946	580
Depreciation	1,304	910	5,212	2,291
Foreign exchange	2,008	–	2,008	–
General corporate	15,834	11,403	55,968	39,906
Interest expense	2,949	–	5,186	17,712
Investor and shareholder relations	13,623	19,340	57,168	78,759
Legal fees	60,104	9,583	60,104	276,928
Professional fees	76,168	172,858	494,666	174,709
Transfer agent and regulatory fees	4,118	5,043	18,265	15,572
Travel and promotion	11,945	5,596	29,474	7,095
Stock-based compensation	215,350	(64,648)	327,840	51,486
Write-down of mineral properties	–	2,144,776	357,229	2,144,776
Unrealized loss on investments	89,605	–	922,438	–
Overhead recoveries	(3,421)	–	(46,479)	–
Total expenses	490,122	2,305,187	2,291,025	2,809,814
Loss from operations	(484,785)	(2,304,256)	(2,256,001)	(2,790,462)
Loss from operations per share	(0.01)	(0.05)	(0.05)	(0.06)
Income tax reduction	808,396	1,390,540	808,396	1,390,540
Net income (loss)	323,611	(913,916)	(1,447,605)	(1,399,922)
Net income (loss) per share	0.01	(0.02)	(0.03)	(0.03)
Weighted average number of shares				
- Basic	49,702,121	45,690,817	49,095,396	43,198,011

Results of Operations

The Company reported net income of \$323,611 for the three months ended July 31, 2008 and a net loss of \$1,447,605 for the year ended July 31, 2008. For the three months and year ended July 31, 2007, the Company reported a net loss of \$971,627 and \$1,399,922, respectively. The variance between the comparable 2008 and 2007 periods are explained by changes in the following income and expense items:

Interest income was higher in the three months and year ended July 31, 2008 than interest earned in the same 2007 periods due to an increase in the average cash balance resulting from the cash portion of Raglan disposition and private placements proceeds.

Foreign exchange expense relates to the currency translation of Cascadia Peru operations which commenced in April 2008.

General corporate expenses increased for the three months and year ended July 31, 2008 periods due to the establishment of an office in Peru as well as to higher communications costs due to the varied locations of management personnel.

Interest expense relates to Part XII.6 interest on the unspent portion of flow-through proceeds for which expenditures are incurred using the look-back rule. During fiscal 2008, the Company incurred Part XII.6 interest on the unspent portion of flow-through proceeds raised in October and November 2007. During fiscal 2007, the Company incurred Part XII.6 interest on the unspent portion of flow-through proceeds raised in December 2005.

Investor and shareholder relations expenses decreased in the 2008 periods due to the Company handling all shareholder communication and investor relations in-house, and due to the change of transfer agents.

Legal fees for fiscal 2008 were incurred in the fourth quarter for the Cascadia Peru subsidiary setup and Raglan appeal proceedings. Legal fees incurred in fiscal 2007 related to Raglan arbitration proceedings.

Professional fees were higher for the year ended July 31, 2008 as compared to 2007 due to the addition of management consulting fees.

Professional fees for the fourth quarter of 2008 decreased over those incurred in the fourth quarter of 2007 due to the increase in the allocation of management consulting towards the Peru property.

Travel and promotion expenses were higher in the three months and year ended July 31, 2008 than those incurred in the same 2007 periods due to costs associated with the evaluation and establishment of operations in Peru.

Stock-based compensation recorded in 2007 is comprised of a pro-rata portion of the fair value of 2,575,000 options granted in March and April 2007 which vest over a two-year period offset by the reversal of previously recorded stock-based compensation related to the unvested portion of options cancelled in the second quarter of 2007. In 2008, the Company granted 1,875,000 options granted which vested immediately resulting in the entire estimated fair value recorded as stock-based compensation on the grant date. 2008 stock-based compensation also includes a pro-rata portion of the fair value of 2007 stock options.

Write-down of mineral properties reported in fiscal 2008 totaling \$357,229 is comprised of \$342,899 of mineral property expenditures incurred on the Baker Lake property and an additional \$14,330 of mineral property expenditures incurred on the Raglan properties prior to the closing of the disposition in August 2007. In July 2007, the Company recorded a \$2,144,776 write-down on the Raglan Properties based on their pending sale.

Unrealized loss on investments for the year ended July 31, 2008 is the \$922,438 difference between the estimated fair value of share and warrant consideration received by the Company as disposition proceeds for the Raglan properties and option proceeds for the Midway project recorded on the date of receipt and the mark-to-market value of the shares and warrants on July 31, 2008. The \$89,605 unrealized loss on investments for the fourth quarter is the difference between the mark-to-market value on April 30, 2008 and July 31, 2008.

Overhead recoveries relate to the Norton Lake joint venture agreement for which the Company is the operator. As operator, the Company recovers a portion of its corporate overhead based on mineral property expenditures incurred on the Norton Lake project as specified in the joint venture agreement.

Income tax reduction in both 2008 and 2007 primarily relates to the expected income tax reduction based on the reported loss at the combined federal and provincial tax rate plus the tax effect of previously unrecognized future income tax assets.

Summary of Quarterly Results

The following table sets out, for each of the previous eight quarters, information relating to the Company's revenue, net income (loss) and net income (loss) per share:

Year ended July 31, 2008

	1st Quarter Oct 2007	2nd Quarter Jan 2008	3rd Quarter Apr 2008	4th Quarter Jul 2008
Revenues	9,496	12,025	8,166	5,337
Net income (loss)	172,302	(1,486,052)	(457,466)	323,611
Net income ((loss) per share	0.003	(0.031)	(0.009)	0.007

Year ended July 31, 2007

	1st Quarter Oct 2006	2nd Quarter Jan 2007	3rd Quarter Apr 2007	4th Quarter Jul 2007
Revenues	5,058	8,400	4,963	931
Net loss	(134,007)	(176,347)	(175,852)	(913,716)
Net loss per share	(0.003)	(0.004)	(0.003)	(0.021)

Related party transactions

The Company was charged \$18,000 (2007 – \$15,500) for rent and office services by Yangarra Resources Ltd. (“Yangarra”). Yangarra is a public oil and gas company based in Calgary, Alberta. James G. Evaskevich, the CEO and Executive Chairman of the Company is also the President, Chief Executive Officer and a director of Yangarra Resources Ltd.

The Company was charged \$594,500 (2007 – \$170,500) by officers and directors for management and geological consulting fees, of which \$168,800 (2007 – \$33,700) was capitalized to mineral properties.

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

As the Company does not have revenue generating projects at this time, the ability of the Company to carry out its business plan rests with the ability to raise equity, other financings, and sales of properties.

In October and November, 2007 the Company completed a non-brokered private placement for the issuance of 3,750,000 units at a price of \$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.

In November 2007, 20,000 warrants were exercised for cash proceeds of \$3,000.

In connection with the sale of the Company's interest in the Raglan properties to Goldbrook, the Company received a \$2 million cash payment on August 16, 2007.

As of July 31, 2008, the Company had incurred approximately \$570,725 qualifying flow-through expenditures related to the flow-through private placements completed in October and November 2007. The Company has until December 31, 2008 to incur the remaining \$179,275.

The Company may require additional financing to fund new exploration programs, new acquisitions, and ongoing costs on 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. The Company proposes to meet any additional financing requirements through the exercise of outstanding warrants, sale or option of current properties, or arranging other forms of equity financing.

Share Capital

Common shares

The Company commenced the year with 45,782,121 common shares outstanding. During fiscal 2008, the Company issued a total of 3,920,000 common shares, increasing the number of shares outstanding as at July 31, 2008 and the date of this MD&A to 49,702,121.

Warrants

As at July 31, 2007, the Company had 1,875,000 warrants outstanding. During fiscal 2008, 20,000 warrants were exercised, 1,855,000 warrants expired and 1,875,000 warrants were issued. As at July 31, 2008 and the date of this MD&A, the Company had 1,875,000 warrants outstanding.

Options

As at July 31, 2007, the Company had 4,564,538 options outstanding. During fiscal 2008, 1,739,538 options expired and 2,125,000 options were granted. As at July 31, 2008 and the date of this MD&A, the Company had 4,950,000 options outstanding.

Outlook

The Company is committed to developing new quality low risk international exploration opportunities with particular focus on base and precious metals in Peru and Brazil. The Company will also continue to explore its current base and precious metal opportunities in North American and will continually evaluate new prospects as the opportunities arise. Cascadia is committed to working with exploration partners to minimize exploration risk through joint ventures.

Subsequent Events and Contingency

In March 2007, the Company commenced the appeal proceedings on various rulings of the Arbitration awards. As at July 31, 2008 the Court's decision hear the appeal of 2007 arbitration ruling between Novawest and the Company remains outstanding.

Financial Instruments

As at July 31, 2008 the carrying amount of cash, accounts receivable, accounts payable and accrued liabilities approximates their fair value due to the short-term maturities of these items. Investments

are marked-to-market each balance sheet date. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial statements. The Company had no off-balance sheet arrangements as at July 31, 2008 or the date of this MD&A.

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.

Changes in Accounting Policies

On August 1, 2007, the Company adopted the new or revised Canadian accounting standards for inventories, accounting changes, financial instruments—recognition and measurement, financial instruments—presentation and disclosures, and comprehensive income. Prior periods have not been restated.

Accounting changes

Voluntary changes in accounting policies are permitted only if they result in financial statements which provide more reliable and relevant information. Accounting policy changes are applied retrospectively unless it is impracticable to determine the period or cumulative impact of the change. Corrections of prior period errors are applied retrospectively and change in accounting estimates are applied prospectively by including the effect of the change in earnings.

Financial instruments – recognition and measurement

This new standard requires all financial instruments within its scope, including all derivatives, to be recognized on the balance sheet initially at fair value. Subsequent measurement of all financial assets and liabilities except those held-for-trading and available for sale are measured at amortized cost determined using the effective interest rate method. Held-for-trading financial assets are measured at fair value with changes in fair value recognized in earnings. Available-for-sale financial assets are measured at fair value with changes in fair value recognized in comprehensive income and reclassified to earnings when derecognized or impaired. There were no changes to the measurement of existing financial assets and liabilities at the date of adoption.

The Company has classified its financial assets and liabilities as follows:

<u>Held-for-trading</u>	<u>Loans and receivables</u>	<u>Other liabilities</u>
Cash	Accounts receivable	Accounts payable and accrued liabilities
Investments		

Comprehensive income

Comprehensive income is the change in shareholders' equity during a period from transactions and other events and circumstances from non-owner sources and includes unrealized gains and losses on financial assets classified as available-for-sale. The Company has reported a consolidated statement of comprehensive loss combined with the consolidated statement of loss and deficit. When related amounts are recorded in accordance with this new standard, a new category for accumulated other comprehensive income will be presented in the shareholders' equity section of the consolidated balance sheet.

Derivative instruments

Derivative instruments, including embedded derivatives, are recorded on the balance sheet at fair value. Changes in the fair values of derivative instruments are recognized in net loss with the exception of derivatives designated as cash flow hedges. The Company did not identify any derivatives which require separate recognition and measurement.

Pending accounting pronouncements

The Company is currently assessing the impact of these following new standards on its consolidated financial statements:

i) Capital Disclosures and Financial Instruments – Disclosures and Presentation

Three new accounting standards have been issued by the CICA: Section 1535 Capital Disclosures, Section 3862 Financial Instruments – Disclosure and Section 3863 Financial Instruments – Presentation. These new standards will be effective for the Company's fiscal year commencing August 1, 2008.

Section 1535 specifies the disclosure of (i) an entity's objectives, policies, and processes for managing capital, (ii) quantitative data about what the entity regards as capital, (iii) whether the entity has complied with any capital requirements, and (iv) if it has not complied, the consequences of such non-compliance.

The new Sections 3862 and 3863 replace Section 3861 Financial Instruments – Disclosure and Presentation, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks.

ii) International Financial Reporting Standards (“IFRS”)

In 2005, the Accounting Standards Board of Canada (“AcSB”) announced that accounting standards in Canada are to converge with IFRS. The AcSB has indicated that Canadian entities will need to begin reporting under IFRS by the first quarter of 2011 with appropriate comparative data from the prior year. Under IFRS, the primary audience is capital markets and as a result, there is significantly more disclosure required, specifically for quarterly reporting. Further, while IFRS uses a conceptual framework similar to Canadian GAAP, there are significant differences in accounting policy which must be addressed.

iii) Goodwill and intangible assets

In January 2008, Section 3064 Goodwill and Intangible Assets was issued to replace Section 3062 Goodwill and Other Intangible Assets and Section 3450 Research and Development Costs. This standard aligns Canadian GAAP with IFRS and will be effective on October 1, 2008.

Critical Accounting Estimates

The Company's financial statements are prepared in accordance with Canadian generally accepted accounting principles. A comprehensive discussion of the Company's significant accounting policies is contained in Note 2 to the audited consolidated financial statements for the year ended July 31, 2008. The Company's significant accounting policies are subject to estimates and key judgments about future events, many of which are beyond management's control.

The Company believes the following are the most critical accounting estimates used in the determination of its financial results:

Valuation of mineral properties

The Company records its interest in mineral claims and properties at cost whereby all direct and indirect costs of acquiring, exploring for and developing mining properties are capitalized as separate areas of interest. When the areas of interest are brought into production, the costs will be amortized using the unit-of-production method based on estimated proved reserves. Where a property shows no promise from prior exploration results and is dormant, the claims may be allowed to lapse, and would be written down to a nominal value where an interest in claims remained. Management will also determine if an exploration property is impaired, and whether the carrying value of such property should be written down and whether exploration costs incurred should be charged against earnings rather than being deferred, on each occasion that financial statements are issued.

Income taxes

The Company records future tax assets and liabilities to account for the expected future tax consequences of events that have been recorded in its consolidated financial statements and its tax returns. These amounts are estimates and the actual tax consequences may differ from the estimates due to changing tax rates and regimes, as well as changing estimates of cash flows and capital expenditures in current and future periods. A valuation allowance is recorded to the extent that there is uncertainty regarding utilization of future tax assets.

The determination of the Company's income and other tax liabilities requires interpretation of complex laws and regulations, often involving multiple jurisdictions. All tax filings are subject to audit and potential reassessment after the lapse of considerable time. Accordingly, the actual income tax liability and expense may differ from that estimated and recorded.

Stock-based compensation

Stock-based compensation expense is recorded in the statement of loss and deficit for all options granted based on the estimated fair value at the time of the grant and recognized as expense over the vesting period of the option. The fair value of options is estimated using the Black-Scholes pricing model based on estimates and assumptions for expected life of the options, expected volatility, risk-free interest rate and dividend yield. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates could be material in future periods.

Disclosure Controls and Procedures

Disclosure controls and procedures have been designed to ensure that information required to be disclosed by the Company is accumulated and communicated to our management as appropriate to allow timely decisions regarding required disclosure. The Company's Chief Executive Officer and Chief Financial Officer have concluded, based on their evaluation as of July 31, 2008, that the Company's disclosure controls and procedures are effective to provide reasonable assurance that material information related to the Company, is made known to them by others with the entity. It

should be noted that while the Company's Chief Executive Officer and Chief Financial Officer believe that our disclosure controls and procedures provide a reasonable level of assurance and that they are effective, they do not expect that the disclosure controls and procedures will prevent all errors and fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

Internal Controls over Financial Reporting

The Chief Executive Officer and Chief Financial Officer of the Company are responsible for designing internal controls over financial reporting or causing them to be designed under their supervision in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP. We have assessed the design of our internal control over financial reporting and during this process we have identified certain weaknesses in internal controls over financial reporting which are follows:

- Due to the limited number of staff at the Company, it is not possible to achieve complete segregation of duties; and
- Due to the size of the Company and the limited number of staff, the Company does not have the technical accounting expertise and knowledge to address all complex and non-routine accounting transactions that may arise.

These weaknesses in the Company's internal controls over financial reporting result in a more than remote likelihood that a material misstatement would not be prevented or detected. Management and the board of directors work to mitigate the risk of material misstatement in financial reporting. In addition, when complex accounting and technical issues arise during preparation of the quarterly financial statements outside consulting expertise is engaged. In spite of management's best efforts, there can be no assurance that this risk can be reduced to less than a remote likelihood of a material misstatement.