



**Financial Statements**

*April 30, 2004*

**Cascadia International Resources Inc.**  
**Balance Sheet**

	April 2004 (unaudited)	July 2003 (audited)
<b>Assets</b>		
<b>Current</b>		
Cash	380,698	396,691
Marketable securities	-	300,000
Accounts receivable	47,083	11,077
Prepaid expenses	-	-
	<b>427,781</b>	707,768
<b>Property and equipment</b> (Note 3)	<b>42,538</b>	-
<b>Mineral properties</b> (Note 4)	<b>6,243,872</b>	2,534,662
	<b>6,714,191</b>	3,242,430
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accruals	83,823	135,843
<b>Future income tax liability</b> (Note 5)	<b>1,950,930</b>	769,500
	<b>2,034,753</b>	905,343
<b>Shareholders' Equity</b>		
Share capital (Note 6)	7,053,369	4,790,159
Contributed surplus (Note 7)	611,986	-
<b>Deficit</b>	<b>(2,985,917)</b>	(2,453,072)
	<b>4,679,438</b>	2,337,087
	<b>6,714,191</b>	3,242,430

The accompanying notes are an integral part of these financial statements

**Cascadia International Resources Inc.**  
**Statement of Net Loss and Deficit**  
*(unaudited)*

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>2004</i>	<i>April 30, 2003</i>	<i>2004</i>	<i>April 30, 2003</i>
<b>Interest income</b>	<b>10,201</b>	304	<b>12,310</b>	304
<b>Expenses</b>				
General corporate	<b>3,101</b>	3,591	<b>31,708</b>	7,602
Bank Charges	<b>46</b>	(167)	<b>552</b>	-
Investors and shareholder relations	<b>83,610</b>	554	<b>131,656</b>	2,064
Management fees	-	7,500	-	22,500
Professional fees	<b>29,167</b>	7,110	<b>171,375</b>	11,198
Transfer agent and regulatory fees	<b>5,454</b>	12,766	<b>18,397</b>	22,372
Travel and promotion	<b>5,296</b>	-	<b>28,311</b>	5,000
Depreciation	<b>1,886</b>	-	<b>5,156</b>	-
	<b>128,560</b>	31,354	<b>387,155</b>	70,736
<b>Net loss from operations</b>	<b>(118,359)</b>	(31,050)	<b>(374,845)</b>	(70,432)
<b>Non-cash stock-based compensation</b>	<b>158,000</b>	-	<b>158,000</b>	-
<b>Net loss</b>	<b>(276,359)</b>	(31,050)	<b>(532,845)</b>	(70,432)
<b>Deficit, beginning of period</b>	<b>(2,709,558)</b>	(2,282,847)	<b>(2,453,072)</b>	(2,243,465)
<b>Deficit, end of period</b>	<b>(2,985,917)</b>	(2,313,897)	<b>(2,985,917)</b>	(2,313,897)

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**Cascadia International Resources Inc.**  
**Statement of Cash Flows**

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>April 30,</i>		<i>April 30,</i>	
	<i>2004</i>	<i>2003</i>	<i>2004</i>	<i>2003</i>
<b>Cash provided by (used for) the following activities</b>				
<b>Operating</b>				
Net loss	(276,359)	(31,050)	(532,845)	(70,432)
Add back depreciation	1,886	-	5,156	-
Non-cash stock-based compensation	158,000	-	158,000	-
Changes in working capital				
Accounts receivable	11,177	(560)	(24,819)	9,843
Marketable securities	-	(50,000)	300,000	(50,000)
Prepaid expenses and deposits	73,145	-	-	-
Accounts payable	(10,842)	(26,625)	(52,020)	(15,010)
	(42,993)	(108,235)	(146,528)	(125,599)
<b>Financing</b>				
Issue of shares, net of share issuance costs	379,265	1,347,501	3,823,788	1,347,501
<b>Investing</b>				
Mineral property and equipment purchases	(3,202,892)	-	(3,693,253)	-
<b>Increase (decrease) in cash</b>	<b>(2,866,620)</b>	<b>1,239,266</b>	<b>(15,993)</b>	<b>1,221,902</b>
<b>Cash, beginning of period</b>	<b>3,247,318</b>	<b>164</b>	<b>396,691</b>	<b>17,528</b>
<b>Cash, end of period</b>	<b>380,698</b>	<b>1,239,430</b>	<b>380,698</b>	<b>1,239,430</b>

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

# Cascadia International Resources Inc.

## Notes to the Financial Statements

For the nine months ended April 30, 2004

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### 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 \$2,985,917. 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. The accounting policies followed in preparing these financial statements are those used by the Company as set out in the audited financial statements for the year ended July 31, 2003. Certain information and note disclosure normally included in financial statements prepared in accordance with generally accepted accounting principles are not included. These interim financial statements should be read together with the Company's audited financial statements for the year ended July 31, 2003.

### 3. Property and equipment

	<i>Cost</i>	<i>Accumulated Depletion</i>	<i>April 2004 Net Book Value</i>	<i>July 2003 Net Book Value</i>
Computer equipment	15,750	1,772	13,978	-
Leasehold improvements	19,771	2,471	17,300	-
Office equipment	12,173	913	11,260	-
<b>Total property and equipment</b>	<b>47,694</b>	<b>5,156</b>	<b>42,538</b>	<b>-</b>

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## Cascadia International Resources Inc.

### Notes to the Financial Statements

*For the nine months ended April 30, 2004*

#### 4. Mineral properties

	<i>Cost</i>	<i>Accumulated Depletion</i>	<i>April 2004 Net Book Value</i>	<i>July 2003 Net Book Value</i>
Raglan – deferred exploration payments	5,521,190	-	5,521,190	2,395,875
Raglan – Thundermin acquisition	101,877	-	101,877	88,651
McGarry – deferred exploration payments	54,017	-	54,017	50,136
Norton Lake – deferred exploration payments	174,836	-	174,836	-
Attwood & Ficht Lake – deferred exploration payments	391,952	-	391,952	-
<b>Total mineral properties</b>	<b>6,243,872</b>	<b>-</b>	<b>6,243,872</b>	<b>2,534,662</b>

In October 2003, 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.

#### 5. Future income taxes

Flow-through share liability	<b>1,950,930</b>
<i>Future income tax assets</i>	
Mineral exploration costs	153,000
Loss carry forwards	338,808
Share issuance costs	170,772
	<b>662,580</b>
Valuation allowance	<b>(662,580)</b>
	<b>-</b>
Future income tax liability	<b>1,950,930</b>

**Cascadia International Resources Inc.**  
**Notes to the Financial Statements**  
*For the nine months ended April 30, 2004*

**6. Share capital**

	<b>Number</b>	<b>Value</b>
<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>		
<b>Common shares</b>		
Balance ending, July 31, 2003	<b>21,045,387</b>	4,790,159
Private placement	<b>5,000,000</b>	2,500,000
Warrants exercised	<b>5,057,500</b>	1,138,375
Agent's commission shares	<b>160,000</b>	80,000
Thundermin purchase	<b>129,900</b>	63,652
Options exercised	<b>180,000</b>	54,000
Novawest agreement	<b>500,000</b>	270,000
Share issue costs	-	(158,990)
Share issue costs – agent's options	-	(453,986)
Effect of future income taxes on flow-through expenditures	-	(1,229,841)
Balance ending, April 30, 2004	<b>32,072,787</b>	7,053,369

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. The Company, through its agent, First Associates Investments Inc, 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.

On December 23, 2003 the Company completed a private placement of 1,000,000 units at a price of \$0.50 per unit. Each unit consisted of one common share to be issued on a “flow through” basis under the *Income Tax Act* (Canada) and one share purchase warrant (the “Warrants”). Each Warrant will entitle the holder to acquire one additional common share at a price of \$0.60 per share for a period of two years from the date of closing. The proceeds will be used to incur eligible Canadian Exploration Expenses at Norton and Lindsay Bay in Northern Ontario.

***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, 2003	2,069,538	0.30	0.30	2008
Issued	883,000	0.50	0.50	2008
Exercised	(180,000)	0.30	0.30	2008
Balance ending, January 31, 2004	2,772,538	0.30 – 0.50	0.34	2008

**Cascadia International Resources Inc.**  
**Notes to the Financial Statements**  
*For the nine months ended April 30, 2004*

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**6. Share capital** *(continued from the previous page)*

**Stock options** *(continued)*

In addition to the above options, agent options of 1,800,000 remain outstanding as at April 30, 2004. During the three months ended April 30, 2004, 377,000 new options were issued at an exercise price of \$0.50.

**7. Stock based compensation**

The Company accounts for stock options granted to directors, officers, employees and consultants using the “fair value method”, whereby compensation is recorded equal to the fair value of the option granted over the term of vesting. During the third quarter, 377,000 options were granted to officers and consultants with an estimated value of \$158,000 and were recorded as non-cash stock-based compensation. During the first quarter, 1,800,000 agent options with an estimated fair value of \$453,986 were granted and recognized as an increase to share issue costs. The fair value of these options granted was estimated at the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions:

Risk free interest rate (%)	<b>4.73%</b>
Expected volatility (%)	<b>120.00%</b>
Expected life (years)	<b>5</b>
Expected dividend yield (%)	<b>-</b>

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.

**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, 2003	13,750,000	0.10 – 0.40	0.26	2004 – 2005
Issued	5,760,000	0.60	0.60	2005 – 2005
Exercised	(5,057,500)	0.10 – 0.40	0.24	
Balance ending, April 30, 2004	14,452,500	0.10 – 0.60	0.39	2004 – 2005

**8. Per share amounts**

Basic loss per share is calculated using the weighted average number of shares outstanding for the period. For purposes of the calculations, the weighted average number of shares outstanding was 27,447,469.

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

**9. Related party transactions**

During the nine months, the Company paid Yangarra Resources Inc. paid \$96,855 for rent, office services and for its share of leasehold improvements and office equipment. Yangarra Resources Inc. is a public oil and gas company based in Calgary, Alberta. James G. Evaskevich, the President and a director of the Company is also the President, Chief Executive Officer and a director of Yangarra Resources Inc.

During this period, the Company had transactions related to administration and consulting of \$101,901 with companies controlled by certain of the Company's officers and directors.

An aggregate of \$2,268 currently in accounts payable will be paid to Burstall Winger LLP for legal fees and disbursements. A director of the Company is a partner of Burstall Winger LLP.

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.