



**1<sup>st</sup> Quarter**  
**Financial Statements**  
*October 31, 2004*

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

	<i>October 2004 (unaudited)</i>	<i>July 2004 (audited)</i>
<b>Assets</b>		
<b>Current</b>		
Cash	177,050	394,208
Accounts receivable	18,536	20,845
	<b>195,586</b>	415,053
Property and equipment (Note 3)	47,374	51,128
Mineral properties (Note 4)	7,685,167	7,237,198
	<b>7,928,127</b>	7,703,379
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accruals	637,817	319,624
Future income tax liability (Note 5)	1,798,168	1,798,168
	<b>2,435,985</b>	2,117,792
<b>Shareholders' Equity</b>		
Share capital (Note 6)	8,267,979	8,277,645
Contributed surplus	957,588	957,588
Deficit	(3,733,425)	(3,649,646)
	<b>5,492,142</b>	5,585,587
	<b>7,928,127</b>	7,703,379

**Approved on behalf of the Board:**

\_\_\_\_\_  
"signed" Director  
Jim Evaskevich

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"signed" Director  
Gordon Bowerman

**Cascadia International Resources Inc.**  
**Statements of Earnings and Retained Earnings**  
*For the three months ended October 31*

	<i>2004</i>	<i>2003</i>
<b>Interest income</b>	<b>1,179</b>	2,109
<b>Expenses</b>		
Bank Charges	<b>886</b>	78
Depreciation	<b>3,754</b>	-
General corporate	<b>25,485</b>	16,837
Investors and shareholder relations	<b>20,576</b>	28,479
Professional fees	<b>31,970</b>	54,883
Transfer agent and regulatory fees	<b>1,719</b>	1,873
Travel and promotion	<b>568</b>	4,963
	<b>84,958</b>	107,113
<b>Net loss</b>	<b>(83,779)</b>	(105,004)
<b>Deficit, beginning of period</b>	<b>(3,649,646)</b>	(2,453,072)
<b>Deficit, end of period</b>	<b>(3,733,425)</b>	(2,558,076)

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

**Cascadia International Resources Inc.****Statement of Cash Flows***For the three months ended October 31*

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	<i>2004</i>	<i>2003</i>
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<b>Cash provided by (used for) the following activities</b>		
<b>Operating</b>		
Net loss	<b>(83,779)</b>	(105,004)
Depreciation	<b>3,754</b>	
Changes in working capital		
Accounts receivable	<b>2,309</b>	(19,758)
Marketable securities	-	300,000
Prepaid expenses and deposits	-	(135,000)
Accounts payable	<b>318,193</b>	(99,758)
	<hr/> <b>240,477</b>	45,484
<b>Financing</b>		
Issue of shares, net of share costs	<b>(9,666)</b>	2,041,973
	<hr/> <b>(9,666)</b>	2,041,973
<b>Investing</b>		
Deferred project costs of mineral properties	<b>(447,969)</b>	(116,632)
	<hr/> <b>(447,969)</b>	(116,632)
<b>Increase (decrease) in cash resources</b>	<b>(217,158)</b>	1,865,821
<b>Cash, (Bank indebtedness) beginning of period</b>	<b>394,208</b>	396,691
<b>Cash, end of period</b>	<b>177,050</b>	2,262,512

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

# Cascadia International Resources Inc.

## Notes to the Financial Statements

For the three months ended October 31, 2004

### 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 \$3,733,425. 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 consolidated 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 consolidated 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 consolidated financial statements for the year ended July 31, 2003.

### 3. Property and equipment

	<i>Cost</i>	<i>Accumulated Depletion</i>	<i>October 2004 Net Book Value</i>	<i>July 2004 Net Book Value</i>
Computer equipment	30,518	6,524	23,994	25,940
Leasehold improvements	19,771	4,667	15,104	16,476
Office equipment	9,680	1,404	8,276	8,712
	<b>59,969</b>	<b>12,595</b>	<b>47,374</b>	51,128

### 4. Mineral properties

	<i>Cost</i>	<i>Accumulated Depletion</i>	<i>October 2004 Net Book Value</i>	<i>July 2004 Net Book Value</i>
Raglan – deferred exploration payments	6,794,227	-	6,794,227	6,458,177
Raglan – Thundermin acquisition	88,65	-	88,651	88,651
Raglan – True North properties	76,39	-	76,398	-
McGarry – deferred exploration payments	54,99	-	54,993	54,993
Norton Lake – deferred exploration payments	209,385	-	209,385	173,864
Attwood & Ficht Lake – deferred exploration payments	461,513	-	461,513	461,513
	<b>7,685,167</b>	<b>-</b>	<b>7,685,167</b>	7,237,198

During the quarter, mineral property expenditures and acquisitions totaled \$447,969 (2003 - \$116,632).

**Cascadia International Resources Inc.**  
**Notes to the Financial Statements**

*For the three months ended October 31, 2004*

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

a) Raglan, Ungava Bay Properties in Quebec, Canada

During 2003, the Company 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.

Share 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 accrual for the finder’s fee for the current year is \$117,000.

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 \$1.0 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, two from Novawest, two from the Company, and one independent.

Expenses, such as advance royalties, claim renewal fees, etc. incurred to maintain the 660 sq. km. (161,500 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 exploration commitments. This second provision is intended to cover the Company should a third party wish to simultaneously buy-out the interests of both parties.

**Cascadia International Resources Inc.**  
**Notes to the Financial Statements**

*For the three months ended October 31, 2004*

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

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

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 is comprised of \$25,000 cash and 129,900 common shares at a price of \$0.49 per share for a total of \$63,652 (Note 6). The common share consideration was accrued in accounts payable and accruals in the prior year.

*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 the Phase 1 drilling program in 2001 and the Company resumed the Phase 2 drilling program and spent \$4,857 during the year. The minimum expenditure requirement for the Phase 2 drilling program is \$50,000.

*d) Norton Lake Property, Thunder Bay, Ontario*

In October 2003, the Company optioned a 164 and 152 claim unit group in the Norton Lake area, Thunder Bay from East West Resource Corp. ("East West") and Canadian Golden Dragon Resources Ltd. Under the terms of the option agreement, the Company has agreed to spend a minimum of \$150,000 on drilling within 12 months of the agreement. During the year, the Company spent \$173,864 thereby exceeding this requirement. The Company may earn the following interests in both claims groups:

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

Option payments are to be made in stages, totaling \$125,000 over 7 years commencing November 1, 2004. An option payment of \$25,000 was paid upon the signing of the agreement.

*e) Attwood & Ficht Lake Property, Armstrong, Ontario*

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 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 in the winter. During the year, the Company spent \$461,513 thereby exceeding this requirement. The Company may earn the following interests in both groups:

- 51% by spending \$1.0 million by November 1, 2010;
- 60% by completing a feasibility study to the standards of the TSX by November 1, 2011;
- 70% by financing the property to production.

Option payments to East West are to be made in stages, totaling \$95,000 over 7 years. Payments to the underlying vendor, are to be made in stages, totaling \$90,000 over 4 years. During the year, \$30,000 was paid under these arrangements.

**Cascadia International Resources Inc.**  
**Notes to the Financial Statements**  
*For the year ended October 31, 2004*

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

*f) True North Project, Ungava Bay Properties in Quebec, Canada*

In April 2004, the Company acquired a 35% interest in the 30,774 acre True North Project on the north Raglan Trend in partnership with NovaWest Resources Inc. (35% interest). The acquisition of the True North property from Minera Capital is on condition of spending a minimum of \$440,000 over 3 years split 50/50 between Cascadia and NovaWest Resources Inc. As at October 31, 2004, no expenditures have been incurred on this property.

**5. Future income taxes**

<i>Future income tax liabilities</i>	
Mineral exploration costs	<b>1,798,168</b>
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<i>Future income tax assets</i>	
Property and equipment	<b>3,059</b>
Mineral exploration costs	-
Loss carry forwards	<b>497,512</b>
Share issuance costs	<b>105,217</b>
	<hr/> <b>605,788</b>
Valuation allowance	<b>(605,788)</b>
	<hr/> -
Future income tax liability	<hr/> <b>1,798,168</b> <hr/>

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

	<i>October 2004</i>
Loss before taxes	<b>(83,779)</b>
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Expected tax recovery at 34.60% (2003 – 38.00%)	<b>28,988</b>
Tax effect of expenses not deductible for tax purposes:	
Rate differential	<b>61,138</b>
Change in valuation allowance	<b>(60,731)</b>
Resource allowance	<b>(29,395)</b>
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Future income tax recovery	-
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**Cascadia International Resources Inc.**  
**Notes to the Financial Statements**  
*For the three months ended October 31, 2004*

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**5. Future income taxes** *(continued from the previous page)*

At July 31, 2004, the Company has the following estimated tax pools available for deduction against future taxable income:

	<i>2004</i>
Mining exploration depletion base	<b>17,000</b>
Canadian development expense	<b>86,500</b>
Canadian exploration expense	<b>1,802,000</b>
Foreign exploration and development expense	<b>133,900</b>
Undepreciated capital cost	<b>60,000</b>
Share issuance costs	<b>304,000</b>
Non-capital losses	<b>1,419,000</b>

The non-capital losses will expire as follows:

2005	122,000
2006	158,000
2007	133,000
2008	123,000
2009	123,000
2010	163,000
2011	597,000

**Cascadia International Resources Inc.**  
**Notes to the Financial Statements**  
*For the three months ended October 31, 2004*

**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*

<b>Common shares</b>	<b>Number</b>	<b>Value</b>
<i>Balance ending, July 31, 2003</i>	<b>21,045,387</b>	4,790,159
Flow through shares private placement (i)	<b>4,000,000</b>	2,000,000
Flow through shares private placement (ii)	<b>1,000,000</b>	500,000
Private placement (iii)	<b>833,334</b>	500,000
Warrants exercised	<b>7,565,000</b>	1,655,500
Options exercised	<b>180,000</b>	54,000
Thundermin payment ( <i>Note 4b</i> )	<b>129,900</b>	63,652
Raglan Claims option agreement – 2 <sup>nd</sup> payment ( <i>Note 4a</i> )	<b>500,000</b>	270,000
Agent’s commission shares (i)	<b>160,000</b>	80,000
Share issue costs	-	(239,595)
Share issue costs – agent’s commission options	-	(311,575)
Effect of future income taxes on share issue costs	-	144,345
Effect of future income taxes on flow-through expenditures	-	(1,238,507)
<i>Balance ending, October 31, 2004</i>	<b>35,413,621</b>	8,267,979

(i) On September 19, 2003 the Company completed a private placement of 4,000,000 units at a price of \$0.50 per unit for gross proceeds of \$2,000,000 through its agent, First Associates, pursuant to a short-form offering document. 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 2005. The Agent received 600,000 unit options at \$0.50 per unit, and commissions of \$80,000 cash and 160,000 common shares valued at \$80,000. The proceeds will be used to incur eligible Canadian Exploration Expenses at Norton and Lindsay Bay in Northern Ontario.

(ii) On December 23, 2003 the Company completed a private placement of 1,000,000 units at a price of \$0.50 per unit for gross proceeds of \$500,000. Each unit consisted of one common share to be issued on a “flow-through” basis under the *Income Tax Act* (Canada) and one common 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 December 2005. The proceeds will be used to incur eligible Canadian Exploration Expenses at Norton and Lindsay Bay in Northern Ontario.

(iii) On June 21, 2004, the Company completed a private placement with SIDEX of 833,334 shares at \$0.60 per unit for gross proceeds of \$500,000. Each unit will consist of one common share and one share purchase warrant. Each share purchase warrant entitles SIDEX to acquire one additional common share at a price of \$0.75 per share until June 2006.

## Cascadia International Resources Inc.

### Notes to the Financial Statements

*For the three months ended October 31, 2004*

#### 6. Share capital *(continued from the 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, 2003	2,069,538	0.30	0.30	2008
Issued	1,573,000	0.50	0.50	2008
Exercised	(180,000)	0.30	0.30	2008
Balance ending, October 31, 2004	3,462,538	0.30 – 0.50	0.34	2008

##### *Agent options*

The Company also has a stock option plan under which the Board of Directors may grant options to agents of 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	-	-	-	-
Issued	1,200,000	0.30	0.30	2008
Balance ending, July 31, 2003	1,200,000	0.30	0.30	2008
Issued	600,000	0.50	0.50	2008
Balance ending, October 31, 2004	1,800,000	0.30 – 0.50	0.36	2008

The 1,800,000 agent options outstanding have an estimated fair value of \$311,576, 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>100.00%</b>
Expected life (years)	<b>1 to 2</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.

**Cascadia International Resources Inc.**  
**Notes to the Financial Statements**  
*For the three months ended October 31, 2004*

**6. Share capital** (continued from the 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, 2003	13,750,000	0.10 – 0.40	0.26	2004 – 2005
Issued	6,593,334	0.60 – 0.75	0.62	2005 – 2006
Exercised	(7,555,000)	0.10 – 0.40	0.22	
Balance ending, July 31, 2004	12,788,334	0.10 – 0.75	0.51	2004 – 2006
Exercised	(10,000)	0.10	0.10	
Balance ending, October 31, 2004	12,778,334	0.10 – 0.75	0.51	2004 – 2006

**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 fiscal year ended July 31, 2004, 1,573,000 options with an estimated fair value of \$646,012 were granted. The fair value of options granted during 2004 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>100.00%</b>
Expected life (years)	<b>5</b>

Had the fair value method been used since August 1, 2002, the Company’s proforma net loss for 2003 would have been \$729,607 or \$0.12 per share - basic.

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.

**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 calculation, the weighted average number of shares outstanding was 35,407,099 (October 31, 2004 – 24,713,605).

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

**Cascadia International Resources Inc.**  
**Notes to the Financial Statements**

*For the three months ended October 31, 2004*

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**9. 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.

**10. Related party transactions**

During the quarter, the Company paid Yangarra Resources Inc. ("Yangarra") \$16,077 (2003 - \$15,000) for rent, office services. At the quarter end, included in accounts payable and accruals are \$16,077 relating to transactions with Yangarra. Yangarra is a public oil and gas company based in Calgary, Alberta. James G. Evaskevich, the President and a director of the Company is also the President, Chief Executive Officer and a director of Yangarra Resources Inc.

During the year, the Company had transactions related to administration and consulting of \$6,340 with companies controlled by certain of the Company's officers and directors.

An aggregate of \$3,050 was 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.

**11. Comparative figures**

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

**12. Subsequent events**

On November 30, 2004 the Company announced that it has accepted the terms and conditions for Credit Facilities as offered by the National Bank of Canada. The revolving term loan has a maximum available credit of \$500,000, bearing interest at prime plus two percent per annum, requiring repayment of interest only.

On December 1, 2004 the Company announced its intention to complete a non-brokered private placement of up to 4,450,000 units ("Units") at \$0.40 per Unit. Each Unit will be comprised of one common share of the Corporation issued on a "flow-through" basis under the *Income Tax Act* (Canada) and one-half of one common share purchase warrant, with each whole warrant exercisable for a period of 12 months at \$0.60 per share. Cascadia may pay registered dealers a commission of up to 6.0% of the proceeds from the offering.