
EAST WEST RESOURCE CORPORATION

FINANCIAL STATEMENTS

FOR THE YEAR ENDED APRIL 30, 2008

(EXPRESSED IN CANADIAN DOLLARS)

DE VISSER GRAY LLP

CHARTERED ACCOUNTANTS

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AUDITORS' REPORT

To the Shareholders of East West Resource Corporation,

We have audited the balance sheets of East West Resource Corporation as at April 30, 2008 and 2007 and the statements of operations and comprehensive loss, changes in shareholders' equity 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 the 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 April 30, 2008 and 2007 and the results of its operations and its cash flows for the years then ended in accordance with the Canadian generally accepted accounting principles.

"De Visser Gray LLP"

CHARTERED ACCOUNTANTS

Vancouver, British Columbia
August 28, 2008

EAST WEST RESOURCE CORPORATION

Balance Sheets

Expressed in Canadian Dollars

| | April 30, 2008 | April 30, 2007 |
|---------------------------------------|---------------------|---------------------|
| Assets | | |
| Current | | |
| Cash | \$ 103,612 | \$ 109,239 |
| Short term investment | 563,000 | - |
| Amounts receivable | 1,188,423 | 242,392 |
| Prepaid expenses | 5,708 | 1,431 |
| Due from related parties (Note 6) | 33,174 | - |
| | 1,893,917 | 353,062 |
| Marketable securities (Note 3) | 38,093 | - |
| Equipment | 58,208 | 14,545 |
| Mineral properties (Note 4) | 7,423,992 | 5,534,129 |
| | \$ 9,414,210 | \$ 5,901,736 |

Liabilities and Shareholders' Equity

Current

| | | |
|--|----------------|----------------|
| Accounts payable and accrued liabilities | \$ 595,351 | \$ 76,145 |
| Due to related parties (Note 6) | - | 88,870 |
| | 595,351 | 165,015 |

Shareholders' Equity

| | | |
|---------------------------|---------------------|---------------------|
| Share capital (Note 5(b)) | 19,191,553 | 15,192,629 |
| Contributed surplus | 2,018,727 | 1,337,553 |
| Deficit | (12,391,421) | (10,793,461) |
| | 8,818,859 | 5,736,721 |
| | \$ 9,414,210 | \$ 5,901,736 |

Nature of Operations and Going Concern (Note 1)

Subsequent Events (Note 11)

Approved on behalf of the Board of Directors:

"Maurice Lavigne"
Director

"Darren Kirkwood"
Director

The accompanying notes are an integral part of these financial statements

EAST WEST RESOURCE CORPORATION
Statements of Operations and Comprehensive Loss
Expressed in Canadian Dollars

| Years Ended April 30, | 2008 | 2007 |
|---|-----------------------|---------------------|
| Expenses | | |
| Amortization | \$ 9,353 | \$ 4,163 |
| Consulting | 16,250 | 39,792 |
| Bank charges | 1,602 | 622 |
| Forgiveness of debt | - | (17,090) |
| Gain on sale of investments | - | (27,228) |
| Loss on disposition of mineral property (Note 4(b)) | 346,595 | - |
| Gain on sale of mineral properties | - | (23,877) |
| Interest | (52,653) | (36,407) |
| Investor and shareholder communications | 41,429 | 16,618 |
| Legal, accounting and audit | 166,876 | 50,888 |
| Management fees | 36,600 | 30,000 |
| Office, postage and printing | 60,711 | 9,638 |
| Rent and utilities | 15,604 | 1,835 |
| Stock-based compensation (Note 7) | 720,252 | 82,880 |
| Telephone | 6,887 | 7,500 |
| Travel and field supervision | 37,482 | 13,685 |
| Trust and regulatory | 72,399 | 24,333 |
| Truck | 2,240 | 56,065 |
| Write-off of mineral property costs | 291,333 | 488,580 |
| | 1,772,960 | 721,997 |
| Net loss for the year before taxes | (1,772,960) | (721,997) |
| Future income tax recovery | 175,000 | - |
| Net loss and comprehensive loss for the year | \$ (1,597,960) | \$ (721,997) |
| Net loss per share (Note 9) | \$ (0.01) | \$ (0.01) |
| Weighted average shares outstanding | 118,086,121 | 98,109,234 |

The accompanying notes are an integral part of these financial statements

EAST WEST RESOURCE CORPORATION
Statements of Changes in Shareholders' Equity
Expressed in Canadian Dollars

| Years Ended April 30, | 2008 | 2007 |
|---|------------------------|------------------------|
| Share Capital | | |
| Balance, beginning of year | \$ 15,192,629 | \$ 14,758,104 |
| Private placement | 2,500,000 | 280,000 |
| Fair value of compensation options | (94,392) | - |
| Mineral properties | 15,000 | 51,000 |
| Exercise of stock options | - | 27,000 |
| Fair value of stock options exercised | - | 9,025 |
| Exercise of warrants | 1,906,175 | 67,500 |
| Fair value of warrants exercised | 133,470 | - |
| Cost of issue - cash | (286,329) | - |
| Cost of issue - tax effect of flow-through shares | (175,000) | - |
| Balance, end of year | \$ 19,191,553 | \$ 15,192,629 |
| Contributed Surplus | | |
| Balance, beginning of year | \$ 1,337,553 | \$ 1,263,698 |
| Stock-based compensation (Note 7) | 720,252 | 82,880 |
| Fair value of compensation options issued | 94,392 | - |
| Fair value of warrants exercised | (133,470) | (9,025) |
| Balance, end of year | \$ 2,018,727 | \$ 1,337,553 |
| Deficit | | |
| Balance, beginning of year | \$ (10,793,461) | \$ (10,071,464) |
| Net loss and comprehensive loss for the year | (1,597,960) | (721,997) |
| Balance, end of year | \$ (12,391,421) | \$ (10,793,461) |
| Total Shareholders' Equity, End of Year | \$ 8,818,859 | \$ 5,736,721 |

The accompanying notes are an integral part of these financial statements

EAST WEST RESOURCE CORPORATION

Statements of Cash Flows

Expressed in Canadian Dollars

| Years Ended April 30, | 2008 | 2007 |
|---|--------------------|--------------------|
| Cash provided by (used in): | | |
| OPERATING ACTIVITIES | | |
| Net loss for the year | \$ (1,597,960) | \$ (721,997) |
| Adjusted for items which do not affect cash: | | |
| Amortization | 9,353 | 4,163 |
| Future income tax recovery | (175,000) | - |
| Gain on sale of investment | - | (27,228) |
| Loss on disposition of mineral property (Note 4(e)) | 346,595 | - |
| Stock-based compensation expense (Note 7) | 720,252 | 82,880 |
| Write-off of mineral property costs | 291,333 | 488,580 |
| Net changes in non-cash working capital items: | | |
| Prepaid expenses | (4,277) | - |
| Amounts receivable | (946,031) | (12,585) |
| Accounts payable and accrued liabilities | (175) | 4,348 |
| Due from/to related parties | (122,044) | - |
| | (1,477,954) | (181,839) |
| INVESTING ACTIVITIES | | |
| (Redemption) proceeds of short term investment | (563,000) | 33,978 |
| Proceeds on sale of marketable securities | 192,043 | - |
| Purchase of equipment | (53,016) | (206) |
| Mineral property costs, net of recoveries | (2,223,546) | (1,092,068) |
| | (2,647,519) | (1,058,296) |
| FINANCING ACTIVITIES | | |
| Issuance of share capital, net of issue costs | 4,119,846 | 374,500 |
| | 4,119,846 | 374,500 |
| Net cash (used) during the year | (5,627) | (865,635) |
| Cash, beginning of year | 109,239 | 974,874 |
| Cash, end of year | \$ 103,612 | \$ 109,239 |
| SUPPLEMENTAL CASH FLOW INFORMATION: | | |
| Interest received | \$ 5,599 | \$ 36,407 |
| Shares issued for mineral property interests | \$ 15,000 | \$ 51,000 |
| Accounts payable related to mineral property | \$ 519,381 | \$ - |

The accompanying notes are an integral part of these financial statements

EAST WEST RESOURCE CORPORATION

Schedule of Mineral Properties

Expressed in Canadian Dollars

| Years Ended April 30, | 2008 | 2007 |
|--------------------------------|------------|------------|
| Norton Lake | | |
| Beginning balance | \$ 536,582 | \$ 492,354 |
| Acquisition | 31,120 | - |
| Assay | 2,559 | - |
| Camp accommodations and travel | 15,798 | - |
| Communications | 2,039 | - |
| Drilling | - | 98,265 |
| Field office expense | 8,824 | 86 |
| Geological and geophysical | 94,859 | 877 |
| Insurance | 2,389 | - |
| Management fees | 4,140 | - |
| Options payments received | - | (55,000) |
| Transportation | 32,807 | - |
| Other | 5,267 | - |
| | 199,802 | 44,228 |
| Ending balance | \$ 736,384 | \$ 536,582 |
| Seagull and Disraeli | | |
| Beginning balance | \$ 724,593 | \$ 585,086 |
| Assay | 7,045 | 14,558 |
| Camp accommodations and travel | 103 | 477 |
| Drilling | 188 | 106,508 |
| Geological and geophysical | 756 | 17,901 |
| Field office expense | 197 | 63 |
| Other | 216 | - |
| | 8,505 | 139,507 |
| Ending balance | \$ 733,098 | \$ 724,593 |
| Nighthawk Joint Venture | | |
| Beginning balance | \$ 239,036 | \$ 238,917 |
| Field office expense | - | 119 |
| | - | 119 |
| Ending balance | \$ 239,036 | \$ 239,036 |

The accompanying notes are an integral part of these financial statements

EAST WEST RESOURCE CORPORATION

Schedule of Mineral Properties

Expressed in Canadian Dollars

| Years Ended April 30, | 2008 | 2007 |
|--|--------------|--------------|
| Havoc | | |
| Beginning balance | \$ 310,024 | \$ 235,763 |
| Assay | - | 709 |
| Camp accommodations and travel | 512 | 433 |
| Drilling | 10,000 | 72,668 |
| Geological and geophysical | 665 | 300 |
| Field office expense | 81 | 151 |
| Other | 95 | - |
| Recovery of expenditures | (15,000) | - |
| | (3,647) | 74,261 |
| Ending balance | \$ 306,377 | \$ 310,024 |
| Armstrong | | |
| Beginning balance | \$ 560,490 | \$ 547,850 |
| Assay | 4,440 | 5,000 |
| Camp accommodations and travel | 1,761 | 5,350 |
| Drilling | 2,550 | 2,290 |
| Geological and geophysical | 7,472 | - |
| Field office | 18 | - |
| Sale of mineral property interests (Note 4(e)) | (576,731) | - |
| | (560,490) | 12,640 |
| Ending balance | \$ - | \$ 560,490 |
| Hamlin | | |
| Beginning balance | \$ 1,093,522 | \$ 1,039,839 |
| Acquisition | 9,000 | 7,750 |
| Assay | - | 384 |
| Camp accommodations and travel | 329 | 8,177 |
| Drilling | - | 12,920 |
| Geological and geophysical | 2,123 | 27,984 |
| Field office expense | 503 | 551 |
| Recovery of expenditures | - | (4,083) |
| | 11,955 | 53,683 |
| Ending balance | \$ 1,105,477 | \$ 1,093,522 |

The accompanying notes are an integral part of these financial statements

EAST WEST RESOURCE CORPORATION

Schedule of Mineral Properties

Expressed in Canadian Dollars

| Years Ended April 30, | 2008 | 2007 |
|--------------------------------|------------|------------|
| Burchell | | |
| Beginning balance | \$ 92,818 | \$ 91,316 |
| Camp accommodations and travel | - | 69 |
| Geological and geophysical | 91 | 1,658 |
| Recovery of expenditures | - | (225) |
| Write-off of exploration costs | (92,909) | - |
| | (92,818) | 1,502 |
| Ending balance | \$ - | \$ 92,818 |
| Deaty | | |
| Beginning balance | \$ 424,526 | \$ 406,412 |
| Acquisition | - | 2,500 |
| Assay | - | 1,268 |
| Camp accommodations and travel | - | 678 |
| Drilling | - | 7,675 |
| Geological and geophysical | 1,387 | 17,211 |
| Field office expense | - | 120 |
| Recovery of expenditures | (7,500) | (11,338) |
| | (6,113) | 18,114 |
| Ending balance | \$ 418,413 | \$ 424,526 |
| Powell Lake | | |
| Beginning balance | \$ 501,229 | \$ 468,491 |
| Acquisition | 9,000 | 7,500 |
| Camp accommodations and travel | - | 57 |
| Geological and geophysical | - | 24,356 |
| Field office expense | - | 900 |
| Recovery of expenditures | - | (75) |
| | 9,000 | 32,738 |
| Ending balance | \$ 510,229 | \$ 501,229 |

The accompanying notes are an integral part of these financial statements

EAST WEST RESOURCE CORPORATION

Schedule of Mineral Properties

Expressed in Canadian Dollars

| Years Ended April 30, | 2008 | 2007 |
|--------------------------------|------------|------------|
| Ardeen | | |
| Beginning balance | \$ - | \$ 231,237 |
| Geological and geophysical | 46 | 24,610 |
| Recovery of expenditures | - | (175) |
| Write-off of exploration costs | (46) | (255,672) |
| | - | (231,237) |
| Ending balance | \$ - | \$ - |
| Adair | | |
| Beginning balance | \$ - | \$ 129,192 |
| Acquisition | 5,000 | 12,000 |
| Assay | - | 739 |
| Camp accommodations and travel | - | 50 |
| Drilling | - | 8,638 |
| Geological and geophysical | - | 2,308 |
| Recovery of expenditures | - | (378) |
| Write-off of exploration costs | (5,000) | (152,549) |
| | - | (129,192) |
| Ending balance | \$ - | \$ - |
| Eva Kitto | | |
| Beginning balance | \$ 108,609 | \$ 75,390 |
| Camp accommodations and travel | - | 201 |
| Drilling | 1,948 | 416 |
| Geological and geophysical | 36 | 25,256 |
| Field office expense | - | 7,170 |
| General exploration | - | 176 |
| | 1,984 | 33,219 |
| Ending balance | \$ 110,593 | \$ 108,609 |
| Obadinaw | | |
| Beginning balance | \$ - | \$ 61,589 |
| Write-off of Obadinaw | - | (61,589) |
| Expenditures during the year | - | (61,589) |
| Beginning and Ending balance | \$ - | \$ - |

The accompanying notes are an integral part of these financial statements

EAST WEST RESOURCE CORPORATION

Schedule of Mineral Properties

Expressed in Canadian Dollars

| Years Ended April 30, | 2008 | 2007 |
|--------------------------------------|--------------|------------|
| Marshall Lake | | |
| Beginning balance | \$ 603,893 | \$ 29,000 |
| Acquisition | 115,469 | 83,336 |
| Assay | 73,033 | 34,884 |
| Camp accommodations and travel | 172,871 | 58,636 |
| Communications | 7,354 | - |
| Drilling, line-cutting and trenching | 733,239 | 373,241 |
| Geological and geophysical | 833,339 | 586,307 |
| Field office expense | 21,917 | 13,382 |
| General exploration | 103,229 | - |
| Recovery of expenditures | (1,030,225) | (574,893) |
| | 1,030,226 | 574,893 |
| Ending balance | \$ 1,634,119 | \$ 603,893 |
| Ox Lake Exploration Project | | |
| Beginning balance | \$ - | \$ - |
| Acquisition | 139,495 | - |
| Camp accommodations and travel | 56,164 | - |
| Communications | 157 | - |
| Drilling, line-cutting and trenching | 348,153 | - |
| Geological and geophysical | 65,215 | - |
| Field office expense | 5,012 | - |
| | 614,196 | - |
| Ending balance | \$ 614,196 | \$ - |
| Fishhook | | |
| Beginning balance | \$ - | \$ - |
| Acquisition | 239,028 | - |
| Camp accommodations and travel | 14,425 | - |
| Drilling, line-cutting and trenching | 9,839 | - |
| Geological and geophysical | 432,945 | - |
| Other | 520 | - |
| Recovery of expenditures | (355,639) | - |
| | 341,118 | - |
| Ending balance | \$ 341,118 | \$ - |

The accompanying notes are an integral part of these financial statements

EAST WEST RESOURCE CORPORATION

Schedule of Mineral Properties

Expressed in Canadian Dollars

| Years Ended April 30, | 2008 | 2007 |
|--|---------------------|---------------------|
| Max Exploration Project | | |
| Beginning balance | \$ - | \$ - |
| Acquisition | 107,979 | - |
| Camp accommodations and travel | 36,112 | - |
| Drilling, line-cutting and trenching | 12,247 | - |
| Geological and geophysical | 178,185 | - |
| | 334,523 | - |
| Ending balance | \$ 334,523 | \$ - |
| GP Project | | |
| Beginning balance | \$ - | \$ - |
| Acquisition | 100,000 | - |
| | 100,000 | - |
| Ending balance | \$ 100,000 | \$ - |
| Other | | |
| Beginning balance | \$ 338,807 | \$ 254,007 |
| Acquisition | 11,293 | 11,280 |
| Assay | - | 11,438 |
| Camp accommodations and travel | 2,193 | 6,457 |
| Drilling and line-cutting | 38,142 | 51,357 |
| Geological and geophysical | 42,744 | 64,599 |
| Field office expense | 575 | - |
| Other | 53 | 23,743 |
| Recovery of expenditures | - | (4,182) |
| Write-off of exploration costs | (193,378) | (18,769) |
| Sale of mineral property interests | - | (61,123) |
| | (98,378) | 84,800 |
| Ending balance | \$ 240,429 | \$ 338,807 |
| Total Mineral Properties, End of Year | \$ 7,423,992 | \$ 5,534,129 |

The accompanying notes are an integral part of these financial statements

EAST WEST RESOURCE CORPORATION

Notes to Financial Statements

April 30, 2008 and 2007

Expressed in Canadian Dollars

1. NATURE OF OPERATIONS AND GOING CONCERN

East West Resource Corporation (the "Company") was incorporated in the Province of British Columbia and was continued under the laws of the Province of Ontario on December 11, 2005. Its principal activity is the acquisition and exploration of resource properties. The Company is currently in the exploration stage of developing its mineral properties and has not yet determined whether these properties contain mineral reserves that are economically recoverable.

These financial statements have been prepared assuming the Company will continue on a going-concern basis. The Company has incurred losses since inception and has an accumulated operating deficit of \$12,391,421 at April 30, 2008 (April 30, 2007 - \$10,793,461). The ability of the Company to continue as a going-concern depends upon its ability to develop profitable operations and to continue to raise additional financing.

There can be no assurance that the Company will be able to continue to raise funds in the future in which case the Company may be unable to meet its obligations. Should the Company be unable to realize on its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts recorded on the balance sheet.

2. ACCOUNTING POLICIES

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of any contingent assets and liabilities as at the date of the financial statements, as well as the reported amounts of expenses incurred during the period. Actual results could differ from those estimates.

Share Capital

Common shares issued for non-monetary consideration are recorded at their fair market value based upon the trading price of the Company's shares on the TSX Venture Exchange on the date of the agreement to issue the shares and the date of share issuance. Flow-through shares are common shares which are issued under an agreement that, as provided for in the Canadian Income Tax Act, the Company transfers to the purchaser of the shares the benefits of the exploration expenditures that are financed by the proceeds of the share issue.

Stock-based Compensation

The Company follows the Recommendations of the Canadian Institute of Chartered Accountants ("CICA") in connection with accounting for stock option-based compensation. The standard now requires that all stock option-based awards made to consultants and employees be recognized in these consolidated financial statements and measured using a fair value-based method.

Consideration received on the exercise of stock options and compensation options and warrants is recorded as share capital. The related contributed surplus originally recognized when the options were granted, is transferred to share capital.

Mineral Properties

The Company records its interests in mineral properties and all direct expenditures incurred on them at cost. All direct and indirect costs relating to the acquisition of these interests are capitalized on the basis of specific claim blocks or areas of geological interest until the properties to which they relate are placed into production, sold or management has determined there to be an impairment in value. These costs will be amortized on the basis of units produced in relation to the proven reserves available on the related property following commencement of production or charged to operations in the year of abandonment or sale. Mineral properties which are sold before that property reaches the production stage will have all revenues from the sale of the property credited against the cost of the property. Properties which have reached the production stage will have a gain or loss calculated based on the portion of that property sold.

EAST WEST RESOURCE CORPORATION

Notes to Financial Statements

April 30, 2008 and 2007

Expressed in Canadian Dollars

2. ACCOUNTING POLICIES (Continued)

Mineral Properties (Continued)

The recorded cost of mineral exploration interests is based on cash paid, the value of any common share consideration issued and exploration costs incurred. The recorded amount may not reflect recoverable value as this will be dependent on the development program, the nature of the mineral deposit, commodity prices, adequate funding and the ability of the Company to bring its projects into production.

Equipment

Equipment consists is recorded at cost and amortized over its estimated useful economic life on the declining-balance basis at the rate of 30% per annum.

Asset Retirement Obligations

The Company recognizes a liability for an asset retirement obligation when it is determinable and calculates the liability based upon discounted future payments to be made. A corresponding amount is added to the carrying amount of the related long-lived asset, and this amount is subsequently allocated to expense over its expected life. Adjustment will also be made in subsequent periods to changes in asset retirement obligations due to changes in estimates. As at April 30, 2008 the Company does not have any determinable asset retirement obligations.

Flow-through shares

The Company may issue securities referred to as flow-through shares, whereby the investor may claim the tax deductions arising from the expenditure of the proceeds. When resource expenditures are renounced to the investors and the Company has reasonable assurance that the expenditures will be completed, future income tax liabilities are recognized (renounced expenditures multiplied by the effective corporate tax rate), and share capital is reduced. Previously unrecognized tax assets may then offset or eliminate the liability recorded.

Income taxes

The Company accounts for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be settled. When the future realization of income tax assets does not meet the test of being more likely than not to occur, a valuation allowance in the amount of the potential future benefit is taken and no net assets are recognized. Such an allowance has been applied to all potential income tax assets of the Company.

Loss per share

Loss per share has been calculated using the weighted-average number of common shares outstanding during the year. Diluted loss per share is anti-dilutive and is not disclosed.

Accounting Changes

CICA Handbook Section 1506, Accounting Changes, allows for voluntary changes in accounting policy only when they result in the financial statements providing reliable and more relevant information, requires changes in accounting policy to be applied retrospectively unless doing so is impracticable, requires prior period errors to be corrected retrospectively and calls for enhanced disclosures about the effects of changes in accounting policies, estimates and errors on the financial statements. The impact that the adoption of Section 1506 will have on the Company's results of operations and financial condition will depend on the nature of future accounting changes. The Company has adopted these accounting standards effective May 1, 2007.

EAST WEST RESOURCE CORPORATION

Notes to Financial Statements

April 30, 2008 and 2007

Expressed in Canadian Dollars

2. ACCOUNTING POLICIES (Continued)

Financial Instruments, Comprehensive Income (Loss) and Hedges

In January 2005, the Canadian Institute of Chartered Accountants ("CICA") issued Handbook Sections 3855, "Financial Instruments – Recognition and Measurement", 1530, "Comprehensive Income", and 3865, "Hedges". These new standards are effective for interim and annual financial statements relating to fiscal years commencing on or after October 1, 2006 on a prospective basis; accordingly, comparative amounts for prior periods have not been restated. The Company has adopted these new standards effective May 1, 2007.

(a) Financial Instruments - Recognition and Measurement

Section 3855 prescribes when a financial instrument is to be recognized on the balance sheet and at what amount. It also specifies how financial instrument gains and losses are to be presented. This Section requires that:

- All financial assets be measured at fair value on initial recognition and certain financial assets to be measured at fair value subsequent to initial recognition;
- All financial liabilities be measured at fair value if they are classified as held for trading purposes. Other financial liabilities are measured at amortized cost using the effective interest method; and
- All derivative financial instruments be measured at fair value on the balance sheet, even when they are part of an effective hedging relationship.

(b) Comprehensive Income (Loss)

Section 1530 introduces a new requirement to temporarily present certain gains and losses from changes in fair value outside net income. It includes unrealized gains and losses, such as: changes in the currency translation adjustment relating to self-sustaining foreign operations; unrealized gains or losses on available-for-sale investments; and the effective portion of gains or losses on derivatives designated as cash flow hedges or hedges of the net investment in self-sustaining foreign operations.

(c) Hedges

Section 3865 provides alternative treatments to Section 3855 for entities which choose to designate qualifying transactions as hedges for accounting purposes. It replaces and expands on Accounting Guideline 13 "Hedging Relationships", and the hedging guidance in Section 1650 "Foreign Currency Translation" by specifying how hedge accounting is applied and what disclosures are necessary when it is applied.

(d) Impact upon adoption of Sections 1530, 3855 and 3865

Under adoption of these new standards, the Company designated its cash, short term investment, and marketable securities as held-for-trading, which requires that these items be measured and reported at fair value. Amounts receivable and prepaid expenses are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities and due to related parties are classified as other financial liabilities, which are measured at amortized cost. The Company's investments in marketable securities that do not have a quoted market price in an active market are measured at cost.

The Company has evaluated the impact of these new standards on its financial statements and has determined that no adjustments are currently required.

EAST WEST RESOURCE CORPORATION

Notes to Financial Statements

April 30, 2008 and 2007

Expressed in Canadian Dollars

2. ACCOUNTING POLICIES (Continued)

Financial Instruments, Comprehensive Income (Loss) and Hedges (Continued)

Section 3861 establishes standards for presentation of financial instruments and non-financial derivatives, and identifies the information that should be disclosed about them. Under the new standards, policies followed for periods prior to the effective date generally are not reversed and therefore, the comparative figures have not been restated except for the requirement to restate currency translation adjustment as part of other comprehensive income. Section 3865 describes when and how hedge accounting can be applied as well as the disclosure requirements. Hedge accounting enables the recording of gains, losses, revenues and expenses from derivative financial instruments in the same period as for those related to the hedged item.

Accounting Policy Choice for Transaction Costs

On June 1, 2007, the Emerging Issues Committee of the CICA issued Abstract No. 166, Accounting Policy Choice for Transaction Costs (EIC-166). This EIC addresses the accounting policy choice of expensing or adding transaction costs related to the acquisition of financial assets and financial liabilities that are classified as other than held-for-trading. Specifically, it requires that the same accounting policy choice be applied to all similar financial instruments classified as other than held-for-trading, but permits a different policy choice for financial instruments that are not similar. The Company has adopted EIC-166 effective September 30, 2007 and requires retroactive application to all transaction costs accounted for in accordance with CICA Handbook Section 3855, Financial Instruments- Recognition and Measurement. The Company has evaluated the impact of EIC-166 and determined that no adjustments are currently required.

Future Accounting Changes

Capital Disclosures and Financial Instruments – Disclosures and Presentation

On December 1, 2006, the CICA issued three new accounting standards: Handbook Section 1535, Capital Disclosures, Handbook Section 3862, Financial Instruments – Disclosures, and Handbook Section 3863, Financial Instruments – Presentation. These new standards are effective for interim and annual financial statements for the Company's reporting period beginning on May 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 Handbook 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.

The Company is currently assessing the impact of these new accounting standards on its financial statements.

International Financial Reporting Standards ("IFRS")

In January 2006, the CICA's Accounting Standards Board ("AcSB") formally adopted the strategy of replacing Canadian GAAP with IFRS for Canadian enterprises with public accountability. The current conversion timetable calls for financial reporting under IFRS for accounting periods commencing on or after January 1, 2011. On February 13, 2008 the AcSB confirmed that the use of IFRS will be required in 2011 for publicly accountable profit-oriented enterprises. For these entities, IFRS will be required for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Company is currently assessing the impact of IFRS on its financial statements.

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2. ACCOUNTING POLICIES (Continued)

Future Accounting Changes (Continued)

Goodwill and Intangible Assets

In October 2007, the CICA approved Handbook Section 3064, "Goodwill and Intangible Assets" which replaces the existing Handbook Sections 3062, "Goodwill and Other Intangible Assets" and 3450 "Research and Development Costs". This standard is effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2009, with earlier application encouraged. The standard provides guidance on the recognition, measurement and disclosure requirements for goodwill and intangible assets. The Company is currently assessing the impact of this new accounting standard on its financial statements.

3. MARKETABLE SECURITIES

Marketable securities consist of common shares of Treslow Limited ("Treslow"), a private company registered in England and Wales. As at April 30, 2008, the Company owned 1,533 common shares of Treslow recorded at their fair value of \$24.85 per share, or an aggregate of \$38,093. Common shares of Treslow held by the Company are considered to be held-for-trading and are reported at fair value with any unrealized holding gains and losses included in current net income (loss) for the year in which they arise. Refer to Note 4(e).

4. MINERAL PROPERTIES

Ontario, Canada

Thunder Bay Mining Division

a) Norton Lake

The Company had earned a 100% interest in 164 claim units in the Norton Lake area, subject to a 2% Net Smelter Returns ("NSR") royalty. In order to earn its interest the Company paid \$5,000 and issued 100,000 common shares. The Company may purchase 1% of the NSR for \$1,000,000 and has a right of first refusal on the remaining 1% NSR.

The Company and Trillium North Minerals Ltd. ("Trillium") subsequently earned 20% interests in each of the other company's Norton Lake properties by spending a total of \$65,000 on the other's claim units. Trillium had a 100% interest in 152 claims which are contiguous to the Company's initial claim holdings.

During the comparative year Cascadia International Resources Inc. ("Cascadia") earned a 51% interest in the Norton claims by spending a total of \$1,500,000 on the properties and by paying each company \$55,000 in option payments. The proportionate interests of the Company and Trillium are now allocated pro-rata in respect to the residual 49% interest.

b) Seagull and Disraeli

The Company and Trillium (collectively, "the Companies") have jointly acquired a 100% interest in two mineral claim groups totaling 478 mineral claim units in the Anders Lake and Leckie Lake areas. The Companies obtained their 100% interest by each paying \$15,000 and issuing 150,000 common shares, and by collectively incurring \$700,000 in exploration expenditures.

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4. MINERAL PROPERTIES (Continued)

c) Nighthawk Joint Venture

The Company has a 40% interest in a joint venture comprising a 339 unit pooled mineral claim group, together with Selkirk Metals Holding Corp. ("Selkirk") (40%) and Trillium (20%). During a previous fiscal year, Repadre Capital Corporation sold its original 60% interest in the joint venture to the three remaining participants, based on their existing pro-rata joint venture interests relative to each other, in exchange for a 2.5% NSR royalty, which can be reduced to 1% with the payment of \$1,500,000. In addition, certain portions of the property are subject to NSRs ranging from 2% to 3%.

d) Havoc

The Company acquired a 100% interest in 348 mineral claim units by making a cash payment of \$25,000 and issuing 100,000 common shares. During the 2004 year, the Company staked an additional 112 claims in the same area.

During 2005, the Company granted to Cascadia an option to earn a 51% interest in the claims by completing 1,100 metres of diamond drilling and spending \$750,000 on the property by February, 2011. Cascadia had an option to earn up to an additional 19% interest by completing a feasibility study and by financing the project to completion, but has since dropped this option.

On May 1, 2007, the Company has entered into an option agreement with Universal Exploration Corp. "Universal". The agreement allows Universal to earn up to a 60% interest in the Havoc remaining 217 claim units property by spending \$1,500,000 on the properties in stages over 5 years, with a minimum of \$100,000 spend in the first year.

e) Armstrong

During the 2002 year, the Company was granted an option to acquire a 100% interest in 169 claim units in the Thunder Bay Mining Division by making a total of \$28,000 in cash payments in stages to 2007 (\$18,000 paid), issuing 200,000 common shares (issued).

During 2005, the Company expanded the project by staking an additional 427 claims in the adjacent area. The Company has granted an option to the Ethelburga Group to earn a 70% interest in these claims by spending ten times the Company's current expenditures by June, 2009.

On July 16, 2007, the Company sold its interest in its Armstrong property for consideration totaling 9,261 common shares of Treslow Limited, a private company registered in England and Wales. The Company immediately sold 7,728 of these shares to a third parties for proceeds of \$192,043 and accordingly has recorded a net loss on the property disposition of \$346,595 and has recorded its remaining investment in these shares at their implied fair value of \$38,093. Refer also to Note 3.

f) Hamlin

During the 2004 year, the Company was granted an option to acquire a 50% interest in 77 claim units in the Thunder Bay Mining Division by making cash payments totaling \$44,000 in stages to 2008 (paid) and issuing 100,000 common shares of the Company (issued).

On January 2, 2008, the Company and its joint venture partner, Mega Uranium Ltd., have signed an option agreement with Xstrata Copper, whereby Xstrata Copper may earn a 51-per-cent interest in two contiguous properties (Hamlin and Deaty Creek) totalling 157 claim units by spending \$3.0-million over four years, with an option to earn an additional 24-per-cent interest by completing or spending \$20-million toward a feasibility study.

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4. MINERAL PROPERTIES (Continued)

g) Deaty

During 2003, the Company was granted an option to acquire a 100% interest in 7 claim units in the Thunder Bay Mining Division by making cash payments totaling \$42,000 in stages to 2008 (\$42,000 paid) and issuing 100,000 common shares of the Company (issued).

The Company has entered into a joint venture with Mega Uranium Ltd. (formerly Maple Minerals Inc.) ("Mega") under which Mega may earn 50% of the Company's interest by fulfilling 50% of the obligations under the option.

On January 2, 2008, the Company and its joint venture partner, Mega, signed an option agreement with Xstrata Copper, whereby Xstrata Copper may earn a 51-per-cent interest in two contiguous properties (Hamlin and Deaty Creek) totalling 157 claim units by spending \$3.0-million over four years, with an option to earn an additional 24-per-cent interest by completing or spending \$20 million on a feasibility study.

h) Powell Lake

During 2003, the Company and Mega were granted an option to acquire a 100% (50% each) interest in 11 claims located in the Thunder Bay Mining Division by paying a total of \$88,000 (\$44,000 each) (\$44,000 paid by the Company) and issuing 100,000 common shares of the Company (issued).

i) Marshall Lake

The Company has an interest in approximately 50 claim units through staking as well as agreements as follows:

- (i) The Company acquired 100% interest in 3 mineral leases from Teck Cominco Ltd. ("Teck") and the underlying titleholder by issuing 250,000 units, each unit consisting of one common share and one two-year warrant to purchase an additional common share for \$0.13 (issued), and spending \$100,000 on exploration on these claims prior to December 31, 2009 (incurred). The vendors retain a 2% NSR royalty and Teck has a right to back-in to a 51% interest in the claims by spending double what the Company has incurred in exploration work on the claims. This right will exist for 5 years subsequent to date that the Company completes its initial \$100,000 exploration commitment (March 2008).
- (ii) The Company has the option to acquire a 100% interest in certain surface and mineral rights comprising 421 claim units in consideration for the issuance of 200,000 shares and payment of \$150,000 in stages over seven years.
- (iii) The Company can acquire a 100% interest in 86 leases and 9 claim units from NWT Copper Mines ("NWT") by making aggregate cash payment of \$75,000 and incurring \$1.0 million in exploration over three years. NWT will retain a 3% NSR royalty on precious metals and a 2% NSR on base metals, with 1% of either royalty purchasable by the Company for \$2 million and the Company having a right of first refusal on the remaining portions of the royalties.

The Marshall Lake property is subject to a joint venture agreement with Eyeconomy Holdings plc ("Eyeconomy") whereby Eyeconomy can acquire a 50% interest in these properties by matching the Company's exploration expenditures on them. At April 30, 2008 the Company was owed \$567,618 by Eyeconomy for its share of these expenditures, an amount which has been recorded in amounts receivable. Subsequent to year end, Eyeconomy has advanced the Company \$425,000 of this amount.

EAST WEST RESOURCE CORPORATION

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4. MINERAL PROPERTIES (Continued)

j) Ox Lake Exploration Project

On January 29, 2008, the Company announced that it has staked 572 claim units known as the Ox Lake Exploration Project.

k) Fishhook

On April 1, 2008, the Company announced that it has acquired 968 claim units covering 34,560 acres, pursuant to a joint venture agreement with Temex as a 50% partner, located 15 kilometres east of the GP Property.

l) Max Exploration Project

On February 25, 2008, the Company announced that it has staked 587 claim units known as the Max Exploration Project.

m) GP Project

On February 19, 2008, the Company announced that it has entered into a binding letter of intent (the "LOI") with Temex Resources Corp. ("Temex") whereby Temex has granted the Company the option to acquire a 50% interest in 25 staked mining claims (the "Claims") totaling 333 units (13,320 acres), in the general area of the Noront Resources Ltd. ("Noront") recent Nickel-Copper-Platinum-Palladium ("Ni-Cu-PGE") discovery.

In order to earn its undivided 50% interest in the claims the Company shall, upon execution and delivery of a definitive Option and Joint Venture Agreement, make a cash payment of \$100,000 and issue to Temex 250,000 common shares, and complete an aggregate of \$1,000,000 of exploration expenditures ("the Work Commitment") over a three-year period. The Company must also issue an additional 250,000 shares on the first anniversary of the agreement.

The Company shall be entitled to extend for one year the time for completion of each milestone of the Work Commitment by notice to Temex if given prior to the applicable anniversary of signing. Each extension shall require the Company to issue to Temex 250,000 common shares of the Company.

During the earn-in period, the Company may appoint Temex as its Agent to carry out the exploration programs and Temex would be entitled to charge an industry standard management fee. Upon the Company earning its 50% interest in the Claims, Temex shall have 60 days from the date of exercise of the Option to elect either to form a 50:50 Joint Venture with the Company for further exploration and development of the claims or to forego the Joint Venture and reduce its undivided 50% interest in the Claims to a 15% carried and non-assessable interest in the Claims to the date of commencement of commercial production from the Claims. Should Temex elect to form a joint venture, Temex shall be the operator and the Joint Venture shall be governed by a joint management committee.

n) GP 2 Project

On March 19, 2008, the Company announced that it has acquired 333 claim units known as the GP 2 Project.

EAST WEST RESOURCE CORPORATION

Notes to Financial Statements

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5. SHARE CAPITAL

(a) **Authorized**

Unlimited number of common shares without par value

(b) **Issued**

| | Shares | Amount |
|--|--------------------|----------------------|
| Balance, April 30, 2006 | 97,166,426 | \$ 14,758,104 |
| Mineral properties (i) | 450,000 | 51,000 |
| Exercise of stock options | 225,000 | 27,000 |
| Fair value of stock options | - | 9,025 |
| Exercise of warrants | 450,000 | 67,500 |
| Private placement | 2,000,000 | 280,000 |
| Balance, April 30, 2007 | 100,291,426 | 15,192,629 |
| Mineral properties (ii) | 100,000 | 15,000 |
| Exercise of warrants | 12,979,665 | 1,906,175 |
| Fair value of warrants exercised | - | 133,470 |
| Private placements (iii) | 16,274,510 | 2,500,000 |
| Fair value of compensation options (iii) | - | (94,392) |
| Costs of issue - cash | - | (286,329) |
| Costs of issue - tax effect of flow-through shares (iii) | - | (175,000) |
| Balance, April 30, 2008 | 129,645,601 | \$ 19,191,553 |

(i) During fiscal 2007, the Company issued 350,000 common shares valued at \$42,500 pursuant to the Marshall option agreements, and 100,000 common shares valued at \$8,500 pursuant to the Adair option agreement which was written-off in fiscal 2007.

(ii) During the year, the Company issued an aggregate of 100,000 common shares valued at \$15,000 to satisfy the terms of the Marshall Lake option agreements.

(iii) On December 6, 2007, the Company closed a brokered private placement financing through PowerOne Capital Markets Limited ("PowerOne") that raised gross proceeds of \$2.5 million.

A total of 13,333,334 non-flow-through ("NFT") units were issued at a price of \$0.15 per unit, with each unit consisting of one common share of the Company and one common share purchase warrant. Each common share purchase warrant is exercisable for one common share of the Company at a price of \$0.17 per share for a period of 24 months after the closing of the offering. A total of 2,941,176 flow-through ("FT") units were issued at a price of \$0.17 per unit, with each FT unit consisting of one FT common share of the Company and one-half of one FT common share purchase warrant. This amount was renounced during the year. The renunciation initially created a future income tax liability of \$175,000 which was charged as a cost of issuing the flow-through shares. Each whole FT common share purchase warrant is exercisable for one common share of the Company at a price of \$0.22 per share for a period of 24 months after the closing of the offering.

PowerOne received a cash commission of \$200,000 (8% of the gross proceeds) and, together with its subagents, compensation options entitling them to purchase 1,627,451 broker units (10% of the total number of NFT units and FT units sold) at \$0.15 per broker unit. Each broker unit will have the same characteristics as the NFT units. The fair value of the compensation options was determined to be \$94,392 at the date of grant and was estimated using the Black Scholes pricing model based on the following assumptions: expected dividend yield of 0%; risk-free interest of 3.66%; expected life of two years; and volatility of 118.5%.

EAST WEST RESOURCE CORPORATION

Notes to Financial Statements

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6. RELATED PARTY TRANSACTIONS

| | April 30, | |
|---|------------|-----------|
| | 2008 | 2007 |
| Management fees paid to the Company's exploration manager | \$ 30,000 | \$ 30,000 |
| Management fees paid to the Company's President and CEO | \$ 6,600 | \$ - |
| Geological fees paid to the Company's exploration manager | \$ 48,295 | \$ 57,463 |
| Geological fees paid to the Company's President and CEO | \$ 6,600 | \$ - |
| Other miscellaneous fees paid on behalf of the Company by the Company's exploration manager | \$ 172,591 | \$ 81,002 |
| Other miscellaneous fees paid on behalf of the Company by the Company's President and CEO | \$ 12,587 | \$ - |

All transactions with related parties have occurred in the normal course of operations and are recorded at fair value as determined by management.

At April 30, 2008, the related parties owed \$33,174 (2007 - were owed \$88,870) to the Company for the net balance of advances in excess of fees and expense reimbursements.

7. STOCK OPTIONS

The following table reflects the continuity of stock options granted under the Company's stock option plan.

| | Number of Options | Weighted Average Exercise Price \$ |
|--------------------------------------|----------------------|--|
| Balance, April 30, 2006 | 8,625,000 | 0.14 |
| Options granted (i) | 925,000 | 0.17 |
| Options cancelled/expired | (1,125,000) | (0.13) |
| Options exercised | (225,000) | (0.12) |
| Balance, April 30, 2007 | 8,200,000 | 0.14 |
| Options granted (ii)(iii)(iv)(v)(vi) | 7,164,560 | 0.15 |
| Options cancelled/expired | (2,680,000) | (0.15) |
| Balance, April 30, 2008 | 12,684,560 | 0.14 |

At April 30, 2008, the weighted average remaining contractual life of stock options outstanding is 3.36 years. The weighted average grant date fair value of options granted during the year ended April 30, 2008 was \$0.10 (2007 - \$0.09).

- (i) The Company granted to certain eligible participants options to purchase a total of 925,000 common shares at a price of \$0.17 per share, exercisable on or before January 31, 2012 (the "Options"). Any share issued on exercise of the Options will be subject to the TSX-Venture Exchange's four month hold period commencing on the date of grant. The fair value of the 925,000 stock options was estimated using the Black-Scholes pricing model based on the following assumptions: dividend yield of 0%; risk-free interest rate of 4.03%; expected life of five years; and volatility of 93%. A fair value of \$82,880 was estimated.

EAST WEST RESOURCE CORPORATION

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7. STOCK OPTIONS (Continued)

- (ii) On May 14, 2007, 200,000 stock options were granted to a consultant of the Company. The options are exercisable at \$0.17 and expire within a period of 5 years. The fair value of each option was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions: dividend yield of 0%; risk-free interest rate of 4.19%; expected life of five years; and volatility of 153.9%. The stock options vest immediately. The impact on earnings was \$34,000.
- (iii) On July 5, 2007, 750,000 stock options were granted to an officer of the Company. The options are exercisable at \$0.17 and expire within a period of 5 years. The fair value of each option was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions: dividend yield of 0%; risk-free interest rate of 4.65%; expected life of five years; and volatility of 153.4%. The stock options vest immediately. The impact on earnings was \$118,500.
- (iv) On February 25, 2008, 4,564,560 stock options were granted to directors, officers and consultants of the Company. The options are exercisable at \$0.15 and expire within a period of 5 years. The fair value of each option was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions: dividend yield of 0%; risk-free interest rate of 3.53%; expected life of five years; and volatility of 129.5%. The stock options vest immediately. The impact on earnings was \$392,552.
- (v) On March 14, 2008, 900,000 stock options were granted to consultants of the Company. The options are exercisable at \$0.15 and expire within a period of 5 years. The fair value of each option was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions: dividend yield of 0%; risk-free interest rate of 3.03%; expected life of five years; and volatility of 129.1%. The stock options vest immediately. The impact on earnings was \$92,700.
- (vi) On April 10, 2008, 750,000 stock options were granted to a consultant of the Company. The options are exercisable at \$0.15 and expire within a period of 5 years. The fair value of each option was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions: dividend yield of 0%; risk-free interest rate of 3.03%; expected life of five years; and volatility of 128.3%. The stock options vest immediately. The impact on earnings was \$82,500.

8. WARRANTS

As of April 30, 2008, the following warrants were outstanding:

| Expiry Date | Exercise Price | April 30, 2007 Balance | Issued | Exercised | Expired | April 30, 2008 Balance |
|-----------------------|----------------|------------------------|------------|--------------|--------------|------------------------|
| June 2, 2007 | \$0.15 | 8,333,333 | - | - | (8,333,333) | - |
| June 21, 2007 (i) | \$0.15 | 14,003,832 | 1,359,166 | (12,979,655) | (2,383,343) | - |
| December 15, 2008 | \$0.13 | 250,000 | - | - | - | 250,000 |
| February 5, 2008 | \$0.20 | 2,000,000 | - | - | (2,000,000) | - |
| December 6, 2009 (ii) | \$0.17 | - | 13,333,334 | - | - | 13,333,334 |
| December 6, 2009 (ii) | \$0.22 | - | 1,470,588 | - | - | 1,470,588 |
| December 6, 2009 (ii) | \$0.15 | - | 1,627,451 | - | - | 1,627,451 |
| | | 24,587,165 | 17,790,539 | (12,979,655) | (12,716,676) | 16,681,373 |

- (i) During 2007, 1,359,166 warrants were issued pursuant to a step up provision accompanying the June 21, 2007 warrants issued with a \$0.12 exercise price. These warrants are issued on a one to one basis upon exercise of the original grant.

- (ii) Refer to Note 5(b)(iii).

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9. LOSS PER SHARE (LPS)

Basic loss per share is computed by dividing the loss for the year by the weighted average number of common shares outstanding during the year. Diluted loss per share is not presented as it is anti-dilutive to the loss per share figures.

10. INCOME TAXES

A reconciliation of income taxes at statutory rates as follows:

| | 2008 | 2007 |
|--|----------------|--------------|
| Loss for the year | \$ (1,597,960) | \$ (721,997) |
| Expected income tax recovery | (535,317) | (246,345) |
| Net adjustment for current amortization and deductible and non-deductible amounts | 368,303 | 175,770 |
| Current change in valuation allowance | 167,014 | 70,575 |
| Tax assets recognized on flow-through renunciation | (175,000) | - |
| Total income tax recovery | \$ (175,000) | \$ - |

The significant components of the Company's future income tax assets (liabilities) are as follows:

| | 2008 | 2007 |
|--------------------------------|--------------|--------------|
| Future income tax assets: | | |
| Mineral properties | \$ (402,172) | \$ (770,736) |
| Equipment | 35,744 | 26,195 |
| Non-capital loss carryforwards | 2,141,662 | 1,783,422 |
| Share issue costs | 300,774 | - |
| | 2,076,008 | 1,038,881 |
| Valuation allowance | (2,076,008) | (1,038,881) |
| Net future tax assets | \$ - | \$ - |

The Company has non-capital losses of approximately \$2.1 million (2007 - \$1.8 million) which may be carried forward and applied against taxable income in future years. These losses, if not utilized, will expire in stages through to 2028 Subject to certain restrictions; the Company also has mineral property expenditures of approximately \$7.5 million available to reduce taxable income in future years. Future tax benefits which may arise as a result of these losses and resource deductions have not been recognized in these financial statements and have been offset by a valuation allowance as noted above.

11. SUBSEQUENT EVENTS

In addition to other items mentioned in these notes, subsequent to year end:

- (i) The Company and its 50:50 joint venture partner, Eyeconomy, have staked additional claims resulting in control of 50 square miles contiguous to the existing Marshall Lake claims. The Company has also received acknowledgement from Teck Cominco Limited that the Company has met its expenditure commitment required to earn 100% interests in 3 mining leases on the Marshall Lake property, subject "to Back in Rights".

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11. SUBSEQUENT EVENTS (Continued)

(ii) A 608 claim unit, 9,687 hectares property has been optioned by the Company from Cascadia. The Company may earn a 50% interest by spending \$175,000 by February 28, 2009 and by issuing 100,000 shares and 100,000 warrants at \$0.15 per share upon approval of the TSX Venture Exchange. The property is located 75km north of the Lac des Iles Mines.

(iii) On June 23, 2008, the Company announced that Northern Shield Resources has been granted an option to earn a 50% interest in the company's 91 square kilometer Max Exploration Project.

The terms of the option agreement consist of an initial payment of \$75,000 and the issue 300,000 shares (upon approval of the TSX Venture Exchange), and an expenditure commitment of \$250,000 in 2008 (\$1.0 million within 2 years). An additional option payment of \$50,000 and issuance of 100,000 shares is to be made within 12 months of the approval by the TSX Venture Exchange. After earning its 50% interest, Northern Shield can increase its interest to 66% with an additional expenditure of \$2.5 million, and the issuance of an additional 250,000 shares.

(iv) On July 9, 2008, the Company announced that it has entered into a Letter of Intent ("LOI") with Canadian Orebodies Inc. ("Orebodies") to sell an 80% legal and beneficial interest in its "Trump" 96 claim unit property, comprising 1,536 hectares in the James Bay Lowlands near the Norton Lake.

In order to complete the purchase, Orebodies is required to pay to the Company \$10,000 cash, issue to the Company an aggregate amount of 280,000 common shares of Orebodies and to commission a VTEM airborne survey on the property. The Company will hold a 20% carried interest in the property until a Bankable Feasibility study is produced.

(v) On July 23, 2008, the Company announced that it has entered into a Letter of Intent ("LOI") with KWG Resources Inc ("KWG") to grant KWG an option to earn up to a 65% interest in a 12 claim property known as the "Feeder Claims". KWG will issue 2 million shares and pay \$50,000 for the option; it must incur exploration expenditures of \$250,000 in each of 2008 and 2009 to earn 50% and incur an additional \$1.5 million by August 2012 to earn 60%. An additional 5% may be earned in any mineral deposit discovered by KWG providing development and production financing.