

EAST WEST RESOURCE CORPORATION

FINANCIAL STATEMENTS

OCTOBER 31, 2004

Unaudited Interim Financial Statements

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators the Company discloses that its external auditors have not reviewed the unaudited financial statements for the period ended October 31, 2004.

D E V I S S E R G R A Y
CHARTERED ACCOUNTANTS

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NOTICE TO READER

We have compiled the balance sheet of East West Resource Corporation as at October 31, 2004 and the statements of operations and deficit, cash flows and mineral property costs for the three and six month periods then ended from information provided by management. We have not audited, reviewed or otherwise attempted to verify the accuracy or completeness of such information. Readers are cautioned that these statements may not be appropriate for their purposes.

CHARTERED ACCOUNTANTS

Vancouver, British Columbia
December 21, 2004

EAST WEST RESOURCE CORPORATION

Balance Sheets

As at

(Unaudited - See Notice to Reader)

	October 31, 2004	April 30, 2004 <i>(Audited)</i>
	\$	\$
A S S E T S		
Current		
Cash	6,284	106,017
Amounts receivable	32,746	26,339
Prepaid expenses	10,000	10,000
	<u>49,030</u>	<u>142,356</u>
Equipment (note 5)	23,340	2,682
Mineral properties (Schedule)	1,966,162	1,845,929
	<u>2,038,532</u>	<u>1,990,967</u>
L I A B I L I T I E S		
Current		
Accounts payable and accrued liabilities	199,176	144,826
Due to related parties (note 3)	47,821	21,176
	<u>246,997</u>	<u>166,002</u>
Obligation to issue shares	65,000	-
	<u>311,997</u>	<u>166,002</u>
S H A R E H O L D E R S ' E Q U I T Y		
Share capital (note 4(a))	10,979,198	10,979,198
Contributed surplus (note 4(b))	362,591	227,541
Deficit	(9,615,254)	(9,381,774)
	<u>1,726,535</u>	<u>1,824,965</u>
	<u>2,038,532</u>	<u>1,990,967</u>

See accompanying notes to the financial statements

EAST WEST RESOURCE CORPORATION

Statements of Operations and Deficit

(Unaudited - See Notice to Reader)

	For the Three Months Ended		For the Six Months Ended	
	October 31,		October 31,	
	2004	2003	2004	2003
	\$	\$	\$	\$
Expenses				
Accounting and legal	6,804	9,743	8,304	10,743
Advertising	-	(8)	-	361
Amortization	1,310	287	1,511	575
Automobile	6,210	5,186	15,027	11,971
Bank charges and interest	124	85	169	195
Consulting	10,857	11,225	20,774	20,225
Management fees	(4,500)	7,500	3,000	11,250
Office, postage and printing	1,072	1,364	1,557	2,036
Property investigation	-	260	-	783
Rent	11,240	-	11,240	-
Shareholder communication	10,153	4,251	10,338	4,251
Stock-based compensation (note 4b)	-	-	135,050	-
Telephone	1,715	998	3,500	2,524
Travel and field supervision	767	848	2,338	2,537
Trust and filing	11,739	5,695	12,463	6,966
Write-off of mineral property	5,089	-	8,209	-
Net loss for the period	(62,580)	(47,434)	(233,480)	(74,417)
Deficit - beginning of period	(9,552,674)	(8,702,864)	(9,381,774)	(8,675,881)
Deficit - end of period	<u>(9,615,254)</u>	<u>(8,750,298)</u>	<u>(9,615,254)</u>	<u>(8,750,298)</u>
Loss per share	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)
Weighted average number of common shares	<u>56,927,207</u>	<u>50,993,077</u>	<u>56,927,207</u>	<u>50,787,370</u>

See accompanying notes to the financial statements

EAST WEST RESOURCE CORPORATION

Statements of Cash Flows
(Unaudited - See Notice to Reader)

	For the Three Months Ended October 31,		For the Six Months Ended October 31,	
	2004	2003	2004	2003
	\$	\$	\$	\$
Cash Provided by (Used for):				
Operating Activities				
Net loss for the period	(62,580)	(47,434)	(233,480)	(74,417)
Adjustment for items which do not affect cash:				
Amortization	1,310	287	1,511	575
Stock-based compensation	-	-	135,050	-
Write-off of mineral property	5,089	-	8,209	-
	(56,181)	(47,147)	(88,710)	(73,842)
Net changes in non-cash working capital items:				
Accounts receivable	7,227	17,637	(6,407)	28,800
Accounts payable	54,039	(1,739)	54,350	(1,538)
Due from/to related parties	23,810	63,841	26,645	82,325
	28,895	32,592	(14,122)	35,745
Investing Activities				
Purchase of equipment	(22,169)	-	(22,169)	-
Mineral property:				
Acquisition costs	(34,836)	(16,302)	(56,686)	(16,502)
Exploration	(87,687)	(47,273)	(135,306)	(76,725)
Option payments received	37,500	20,000	63,550	22,500
	(107,192)	(43,575)	(150,611)	(70,727)
Financing Activity				
Cash received for common shares	65,000	10,000	65,000	30,000
Net cash used during the period	(13,297)	(983)	(99,733)	(4,982)
Cash - beginning of the period	19,581	4,761	106,017	8,760
Cash - end of the period	6,284	3,778	6,284	3,778

Supplementary disclosure of non-cash investing and financing activities:

- During the six month period ended October 31, 2003, the Company issued an aggregate of 300,000 common shares at a value of \$47,000 for the acquisition of mineral property interests..

EAST WEST RESOURCE CORPORATION
Statement of Mineral Property Costs
For the Six Month Period ended October 31, 2004
(Unaudited - See Notice to Reader)

	April 30, 2004	Net Expenditures/ (Recoveries)	Write-Offs	October 31, 2004
	\$	\$	\$	\$
ONTARIO				
Norton Lake				
Acquisition	55,340	-	-	55,340
Assay	21,544	765	-	22,309
Camp accommodations and travel	111,004	697	-	111,701
Drilling	179,986	-	-	179,986
Geological and geophysical	121,990	1,351	-	123,341
Field office expense	20,457	91	-	20,548
	<u>510,321</u>	<u>2,904</u>	<u>-</u>	<u>513,225</u>
Seagull and Disraeli				
Acquisition	78,403	(34,497)	-	43,906
Assay	23,701	9,367	-	33,068
Camp accommodations and travel	19,216	818	-	20,034
Drilling	306,870	-	-	306,870
Geological and geophysical	157,989	6,059	-	164,048
Field office expense	14,703	1,064	-	15,767
	<u>600,882</u>	<u>(17,189)</u>	<u>-</u>	<u>583,693</u>
Red Granite				
Acquisition	51,762	10,000	-	61,762
Assay	-	2,941	-	2,941
Camp accommodations and travel	4,802	2,255	-	7,057
Drilling	11,495	1,209	-	12,704
Geological and geophysical	26,480	700	-	27,180
	<u>94,539</u>	<u>17,105</u>	<u>-</u>	<u>111,644</u>
Nighthawk Joint Venture				
Acquisition	87,683	-	-	87,683
Assay	7,255	-	-	7,255
Camp accommodations and travel	7,172	-	-	7,172
Drilling	27,117	-	-	27,117
Geological and geophysical	86,925	-	-	86,925
Field office expense	22,501	262	-	22,763
	<u>238,653</u>	<u>262</u>	<u>-</u>	<u>238,915</u>
Havoc				
Acquisition	42,556	5,845	-	48,401
Assay	22,720	-	-	22,720
Camp accommodations and travel	10,900	-	-	10,900
	29,699	-	-	29,699
Geological and geophysical	80,467	(163)	-	80,304
Field office expense	5,287	-	-	5,287
	<u>191,629</u>	<u>5,682</u>	<u>-</u>	<u>197,311</u>

See accompanying notes to the financial statements

EAST WEST RESOURCE CORPORATION
Statement of Mineral Property Costs
For the Six Month Period ended October 31, 2004
(Unaudited - See Notice to Reader)

	April 30, 2004	Net Expenditures/ (Recoveries)	Write-Offs	October 31, 2004
	\$	\$	\$	\$
ONTARIO (continued)				
Hamlin				
Acquisition	6,500	-	-	6,500
Assay	-	9,729	-	9,729
Camp accommodations and travel	490	1,800	-	2,290
Drilling	-	16,372	-	16,372
Geological and geophysical	14,941	20,888	-	35,829
Field office expense	-	278	-	278
	<u>21,931</u>	<u>49,067</u>	<u>-</u>	<u>70,998</u>
Barbara Lake				
Acquisition	14,088	-	-	14,088
Camp accommodations and travel	117	-	-	117
Geological and geophysical	5,008	-	-	5,008
Field office expense	94	-	-	94
	<u>19,307</u>	<u>-</u>	<u>-</u>	<u>19,307</u>
Linsey Bay				
Acquisition	-	(15,000)	15,000	-
Camp accommodations and travel	-	1,720	(1,720)	-
Drilling	-	3,555	(3,555)	-
Equipment rental	-	4,322	(4,322)	-
Geological and geophysical	-	13,160	(13,160)	-
Field office expense	-	452	(452)	-
	<u>-</u>	<u>8,209</u>	<u>(8,209)</u>	<u>-</u>
Posh				
Acquisition	-	-	-	-
Assay	-	-	-	-
Camp accommodations and travel	-	-	-	-
Geological and geophysical	-	-	-	-
Field office expense	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
OTHER				
Acquisition	126,499	32,837	-	159,336
Assay	964	-	-	964
Camp accommodations and travel	6,022	9,419	-	15,441
Drilling	-	-	-	-
Geological and geophysical	30,554	19,605	-	50,159
Field office expense	4,628	541	-	5,169
	<u>168,667</u>	<u>62,402</u>	<u>-</u>	<u>231,069</u>
Total Mineral Property Costs	<u>1,845,929</u>	<u>128,442</u>	<u>(8,209)</u>	<u>1,966,162</u>

See accompanying notes to the financial statements

EAST WEST RESOURCE CORPORATION

Notes to the Financial Statements

October 31, 2004

1. NATURE OF OPERATIONS

The Company's major activity is the acquisition and exploration of mineral properties. The recoverability of amounts shown for mineral properties is dependent upon the discovery of economically recoverable reserves. The Company does not generate sufficient cash flow from operations to adequately fund its exploration activities and has therefore relied principally upon the issuance of equity securities for financing. The Company intends to continue relying upon the issuance of securities to finance its operations and exploration activities to the extent that such instruments are issuable under terms acceptable to the Company. Accordingly, the Company's interim financial statements are presented on a going concern basis, which assumes that the Company will continue to realize its assets and discharge its liabilities in the normal course of operations. If such future financing is unavailable, the Company may not be able to meet its ongoing obligations, in which case the realizable values of its assets may decline materially from current estimates.

2. ACCOUNTING PRINCIPLES AND USE OF ESTIMATES

The accompanying unaudited interim financial statements of the Company are prepared in accordance with Canadian generally accepted accounting principles for interim financial statements. These interim financial statements should be read in conjunction with the Company's annual audited financial statements as at and for the year ended April 30, 2004. All material adjustments which, in the opinion of management, are necessary for a fair presentation of the results for the interim periods have been reflected. The results for the six months ended October 31, 2004 are stated utilizing the same accounting policies and methods of application as the most recent annual financial statements, but are not necessarily indicative of the results to be expected for the full year.

3. RELATED PARTY TRANSACTIONS

All transactions with related parties have occurred in the normal course of operations and are measured at fair value as determined by management. The year end balances referred to above are non-interest bearing, unsecured, receivable or payable on demand and have arisen from the provision of services, expense reimbursements or advances described.

The Company's exploration manager was paid \$7,500 for management services and was owed \$47,821 at October 31, 2004 (April 30, 2004 - \$21,176) for unpaid fees and other expenses incurred on behalf of the Company.

4. SHARE CAPITAL

- a) Authorized share capital consists of 100,000,000 common shares without par value.

	Number of Shares	Amount
		\$
Issued at April 30, 2004 and October 31, 2004	56,927,207	10,979,198

4. **SHARE CAPITAL** (continued)

b) Stock option continuity:

	For the six Months Ended October 31, 2004		Year Ended April 30, 2004	
	Number of Shares	Weighted Average Exercised Price	Number of Shares	Weighted Average Exercised Price
		\$		\$
Fixed options:				
Balance at beginning of period/year	3,835,000	0.16	4,315,000	0.17
Granted	1,770,000	0.10	1,800,000	0.12
Expired/Cancelled	(2,035,000)	0.20	(2,180,000)	0.13
Exercised	-	-	(100,000)	0.11
Outstanding and exercisable at end of period/year	<u>3,570,000</u>	0.11	<u>3,835,000</u>	0.16

At October 31, 2004, the weighted-average remaining contractual life of outstanding stock options is 4.59 years.

During the period ended October 31, 2004, the Company recorded the fair value of 1,770,000 stock options granted to directors and consultants as stock-based compensation expense of \$135,050.

This fair value has been determined using the Black-Scholes Option Pricing Model with the following assumptions: a risk free interest rate of 4.2%; an expected stock price volatility of 125.44%; an expected option life of 5 years; and no expectation for the payment of dividends.

Option pricing models require the input of highly subjective assumptions, including the expected volatility of the stock price. Changes in these subjective input assumptions can materially affect the fair value estimate, and therefore in management's opinion the existing models do not necessarily provide a reliable measure of the fair value of the Company's stock options.

c) Warrants outstanding at October 31, 2004:

<u>Number Outstanding</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
	\$	
600,000	0.15	December 31, 2004
1,580,000	0.15	January 14, 2005
100,000	0.15	January 21, 2005
100,000	0.15	July 24, 2005
5,000,000	0.20	December 18, 2005
500,000	0.20	January 16, 2006
<u>7,880,000</u>		

5. **EQUIPMENT**

	October 31, 2004		April 30, 2004
	Cost \$	Accumulated Amortization \$	Net Book Value \$
Truck	22,169	1,109	21,060
Computers	11,156	8,876	2,280
	<u>33,325</u>	<u>9,985</u>	<u>23,340</u>
			<u>2,682</u>

6. **SUBSEQUENT EVENTS**

In addition to items described elsewhere in the notes, the following events occurred subsequent to October 31, 2004:

- The Company issued 100,000 common shares for the exercise of flow-through warrants
- The Company issued 500,000 common shares for the exercise of stock options
- The Company issued 1,000,000 common shares for a private placement at a price of \$0.10 per unit for total proceeds of to \$100,000.