

**EAST WEST RESOURCE CORPORATION**

**FINANCIAL STATEMENTS**

**JANUARY 31, 2005**

**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 January 31, 2005.

**EAST WEST RESOURCE CORPORATION**

## Balance Sheets

As at  
(Unaudited)

	January 31, 2005	April 30, 2004 (Audited)
	\$	\$
<b>A S S E T S</b>		
<b>Current</b>		
Cash	170,463	106,017
Amounts receivable	49,476	26,339
Prepaid expenses	10,000	10,000
	<u>229,939</u>	<u>142,356</u>
Equipment (note 5)	22,031	2,682
Mineral properties (Schedule)	<u>2,323,520</u>	<u>1,845,929</u>
	<u>2,575,490</u>	<u>1,990,967</u>
<b>L I A B I L I T I E S</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	45,713	144,826
Due to related parties (note 3)	19,606	21,176
	<u>65,319</u>	<u>166,002</u>
<b>S H A R E H O L D E R S ' E Q U I T Y</b>		
Share capital (note 4(a))	11,789,198	10,979,198
Contributed surplus (note 4(b))	561,491	227,541
Deficit	(9,840,518)	(9,381,774)
	<u>2,510,171</u>	<u>1,824,965</u>
	<u>2,575,490</u>	<u>1,990,967</u>

See accompanying notes to the financial statements

**EAST WEST RESOURCE CORPORATION**

Statements of Operations and Deficit

*(Unaudited)*

	For the Three Months Ended		For the Nine Months Ended	
	January 31,		January 31,	
	2005	2004	2005	2004
	\$	\$	\$	\$
<b>Expenses</b>				
Accounting and legal (note 6)	(18,807)	2,026	(10,503)	12,769
Advertising	1,750	4,925	1,750	5,286
Amortization	1,309	287	2,820	862
Automobile (note 6)	(15,764)	8,254	(737)	20,237
Bank charges and interest	1,820	(442)	1,989	(259)
Consulting	18,900	15,595	39,674	35,820
Equipment rental	15,106	-	15,106	-
Management fees	-	7,500	3,000	18,750
Office, postage and printing	581	4,624	2,138	6,660
Property investigation	-	15,150	-	15,933
Rent	-	-	11,240	-
Shareholder communication	5,000	1,897	15,338	6,148
Stock-based compensation (note 4b)	198,900	155,340	333,950	155,340
Telephone	2,175	2,628	5,675	5,152
Travel and field supervision	1,378	1,564	3,716	4,101
Trust and filing	12,916	16,894	25,379	23,860
Write-off of mineral property	-	-	8,209	-
Net loss for the period	(225,264)	(236,242)	(458,744)	(310,659)
Deficit - beginning of period	(9,615,254)	(8,750,298)	(9,381,774)	(8,675,881)
Deficit - end of period	<u>(9,840,518)</u>	<u>(8,986,540)</u>	<u>(9,840,518)</u>	<u>(8,986,540)</u>
Loss per share	\$	\$ (0.00)	\$ (0.01)	\$ (0.01)
Weighted average number of common shares	<u>60,716,699</u>	<u>53,460,468</u>	<u>58,190,371</u>	<u>51,688,403</u>

See accompanying notes to the financial statements

**EAST WEST RESOURCE CORPORATION**

Statements of Cash Flows

*(Unaudited)*

	For the Three Months Ended January 31,		For the Nine Months Ended January 31,	
	2005	2004	2005	2004
	\$	\$	\$	\$
<b>Cash Provided by (Used for):</b>				
<b>Operating Activities</b>				
Net loss for the period	(225,264)	(236,242)	(458,744)	(310,659)
Adjustment for items which do not affect cash:				
Amortization	1,309	288	2,820	863
Recovery of legal fees	(33,874)	-	(33,874)	
Stock-based compensation	198,900	155,340	333,950	155,340
Write-off of mineral property	-	-	8,209	-
	(58,929)	(80,614)	(147,639)	(154,456)
Net changes in non-cash working capital items:				
Accounts receivable	(18,946)	(3,351)	(25,343)	25,449
Accounts payable	(117,373)	(33,128)	(63,023)	(34,666)
Due from/to related parties	(28,215)	(83,968)	(1,570)	(1,643)
	(223,463)	(201,061)	(237,575)	(165,316)
<b>Investing Activities</b>				
Purchase of equipment	-	-	(22,169)	-
Mineral property:				
Acquisition costs	(24,302)	(43,175)	(144,538)	(59,677)
Exploration	(314,006)	(86,441)	(385,762)	(163,166)
Option payments received	2,950	10,000	66,500	32,500
	(335,358)	(119,616)	(485,969)	(190,343)
<b>Financing Activities</b>				
Cash received for common shares	728,000	573,000	793,000	603,000
Share issue costs	(5,000)	(10,000)	(5,000)	(10,000)
	723,000	563,000	788,000	593,000
Net cash provided during the period	164,179	242,323	64,456	237,341
Cash - beginning of the period	6,284	3,778	106,017	8,760
Cash - end of the period	170,463	246,101	170,473	246,101

***Supplementary disclosure of non-cash investing and financing activities:***

- During the nine month period ended January 31, 2005, the Company issued an aggregate of 200,000 (2004 - 400,000) common shares at a value of \$22,000 (2004 - \$57,000) for the acquisition of mineral property interests.

See accompanying notes to the financial statements

**EAST WEST RESOURCE CORPORATION**  
Statement of Mineral Property Costs  
For the Nine Month Period ended January 31, 2005  
(Unaudited)

	April 30, 2004	Net Expenditures/ (Recoveries)	Write-Offs	January 31, 2005
	\$	\$	\$	\$
<b>ONTARIO</b>				
<b>Norton Lake</b>				
Acquisition	55,340	(7,500)	-	47,840
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	107	-	20,564
	<u>510,321</u>	<u>(4,580)</u>	<u>-</u>	<u>505,741</u>
<b>Seagull and Disraeli</b>				
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	5,341	-	163,330
Field office expense	14,703	1,064	-	15,767
	<u>600,882</u>	<u>(17,907)</u>	<u>-</u>	<u>582,975</u>
<b>Red Granite</b>				
Acquisition	51,762	10,273	-	62,035
Assay	-	11,324	-	11,324
Camp accommodations and travel	4,802	8,977	-	13,779
Drilling	11,495	138,211	-	149,706
Field office	-	2,605	-	2,605
Geological and geophysical	26,480	75,367	-	101,847
	<u>94,539</u>	<u>246,757</u>	<u>-</u>	<u>341,296</u>
<b>Nighthawk Joint Venture</b>				
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>
<b>Havoc</b>				
Acquisition	42,556	5,845	-	48,401
Assay	22,720	7,639	-	30,359
Camp accommodations and travel	10,900	127	-	11,027
	29,699	-	-	29,699
Geological and geophysical	80,467	5,135	-	85,602
Field office expense	5,287	33	-	5,320
	<u>191,629</u>	<u>18,779</u>	<u>-</u>	<u>210,408</u>

See accompanying notes to the financial statements

**EAST WEST RESOURCE CORPORATION**  
**Statement of Mineral Property Costs**  
**For the Nine Month Period ended January 31, 2005**  
*(Unaudited)*

	April 30, 2004	Net Expenditures/ (Recoveries)	Write-Offs	January 31, 2005
	\$	\$	\$	\$
<b>ONTARIO (continued)</b>				
<b>Hamlin</b>				
Acquisition	6,500	-	-	6,500
Assay	-	9,729	-	9,729
Camp accommodations and travel	490	1,809	-	2,299
Drilling	-	17,148	-	17,148
Geological and geophysical	14,941	65,623	-	80,564
Field office expense	-	644	-	644
	<u>21,931</u>	<u>94,953</u>	<u>-</u>	<u>116,884</u>
<b>Barbara Lake</b>				
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>
<b>Linsey Bay</b>				
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>
<b>OTHER</b>				
Acquisition	126,499	109,917	-	236,416
Assay	964	-	-	964
Camp accommodations and travel	6,022	9,512	-	15,534
Drilling	-	17,584	-	17,584
Geological and geophysical	30,554	1,865	-	32,419
Field office expense	4,628	449	-	5,077
	<u>168,667</u>	<u>139,327</u>	<u>-</u>	<u>307,994</u>
Total Mineral Property Costs	<u>1,845,929</u>	<u>485,800</u>	<u>(8,209)</u>	<u>2,323,520</u>

See accompanying notes to the financial statements

# EAST WEST RESOURCE CORPORATION

Notes to the Financial Statements

January 31, 2005

## 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 nine months ended January 31, 2005 are stated utilizing the same accounting policies as those applicable to 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 period end balances referred to below are non-interest bearing, unsecured, payable on demand and have arisen from the provision of services and outstanding expense reimbursements net of advances.

The Company's exploration manager was paid \$7,500 for management services and was owed \$19,606 at January 31, 2005 (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	56,927,207	10,979,198
Issued for: Mineral property	200,000	22,000
Private placements	2,180,555	200,000
Private placements (flow-through)	5,680,555	490,000 <sup>(1)</sup>
Exercise of warrants	200,000	30,000
Exercise of options	600,000	68,000
Issued at January 31, 2005	<u>65,788,317</u>	<u>11,789,198</u>

(1) Net of share issue costs of \$5,000.

Unaudited

4. **SHARE CAPITAL** (continued)

b) Stock option continuity:

	For the nine Months Ended January 31, 2005		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	3,470,000	0.11	1,800,000	0.12
Expired/Cancelled	(2,035,000)	0.20	(2,180,000)	0.13
Exercised	<u>(600,000)</u>	0.11	<u>(100,000)</u>	0.11
Outstanding and exercisable at end of period/year	<u>4,670,000</u>	0.11	<u>3,835,000</u>	0.16

At January 31, 2005, the weighted-average remaining contractual life of outstanding stock options is 4.41 years.

During the nine month period ended January 31, 2005, the Company recorded the fair value of 3,470,000 stock options granted to directors and consultants as stock-based compensation expense of \$333,950.

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 January 31, 2005:

<u>Number Outstanding</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
	\$	
100,000	0.15	July 24, 2005
5,000,000	0.20	December 18, 2005
500,000	0.20	January 16, 2006
1,000,000	0.20	December 14, 2006
5,312,500	0.12 / 0.15	December 21, 2005 / 2006
1,166,665	0.12 / 0.15	December 21, 2005 / 2006
<u>500,000</u>	0.20	January 28, 2007
<u>7,880,000</u>		

Unaudited

5. **EQUIPMENT**

	January 31, 2005		April 30, 2004
	Cost \$	Accumulated Amortization \$	Net Book Value \$
Truck	22,169	2,217	17,952
Computers	11,156	9,077	2,079
	<u>33,325</u>	<u>11,294</u>	<u>20,031</u>
			<u>2,682</u>

6. **EXPENSE RECOVERIES**

During the period, the Company:

- Settled \$74,788 in accrued legal fees for \$38,698 in cash, resulting in a recovery in legal fees.
- Received \$16,785 of insurance proceeds, net of the settlement of the outstanding operating lease obligation in respect to the vehicle, resulting in a recovery of automobile expenses.

7. **COMMITMENT**

At January 31, 2005, the Company is committed, on a best-efforts basis, to incur approximately \$140,500 in eligible exploration expenditures before December 31, 2005 and an additional \$75,000 before December 31, 2006 in order to fulfill obligations pursuant to flow-through share purchase agreements.

8. **SUBSEQUENT EVENTS**

In addition to items described elsewhere in the notes, the following events occurred subsequent to January 31, 2005:

- The Company issued an aggregate of 670,000 common shares on the exercise of stock options and warrants to raise proceeds of \$71,000
- The Company completed a private placement and issued 1,200,000 units, each consisting of one common share and one share purchase warrant exercisable at a price of \$0.15 until March 13, 2005 and \$0.20 until March 13, 2006 for gross proceeds of \$150,000
- The Company granted to employees and consultants 955,000 stock options exercisable for five years at a price of \$0.12 per share.