

**EAST WEST RESOURCE CORPORATION**

Interim Financial Statements

January 31, 2006

These financial statements have not been reviewed by the Company's auditors.

**EAST WEST RESOURCE CORPORATION**

## Balance Sheets

	January 31, 2005 <i>(Unaudited)</i>	April 30, 2005
	\$	\$
<b>A S S E T S</b>		
<b>Current</b>		
Cash	1,283,958	123,911
Amounts receivable	136,302	96,094
Prepaid expenses	28,004	1,960
	<u>1,448,264</u>	<u>221,965</u>
Equipment (note 5)	18,502	25,751
Mineral properties (Schedule)	4,351,494	2,558,582
	<u>5,818,260</u>	<u>2,584,333</u>
<b>L I A B I L I T I E S</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	132,561	162,338
Due to related parties (note 3)	658	49,196
	<u>133,219</u>	<u>211,534</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))	15,026,849	11,986,099
Contributed surplus (note 4(d))	1,293,903	635,590
Deficit	(10,635,711)	(10,026,925)
	<u>5,685,041</u>	<u>2,594,764</u>
	<u>5,818,260</u>	<u>2,806,298</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,	
	2006	2005	2006	2005
	\$	\$	\$	\$
<b>Expenses</b>				
Accounting and legal	7,930	(18,807)	51,050	(10,503)
Advertising	4,730	1,750	5,230	1,750
Amortization	1,790	1,309	7,249	2,820
Automobile	6,044	(15,764)	8,951	(737)
Bank charges and interest	144	1,820	691	1,989
Consulting	17,096	18,900	36,588	39,674
Equipment rental	-	15,106	(3,828)	15,106
Interest income	(2,820)		(5,775)	
Management fees	1,500	-	4,500	3,000
Office, postage and printing	741	581	4,687	2,138
Property investigation	-	-	848	-
Rent	-	-	1,960	11,240
Shareholder communication	506	5,000	15,729	15,338
Stock-based compensation (note)	443,260	198,900	443,260	333,950
Telephone	1,719	2,175	4,464	5,675
Travel and field supervision	278	1,378	2,682	3,716
Trust and filing	6,211	12,916	30,500	25,379
Write-off of mineral property	-	-	-	8,209
Net loss for the period	(489,129)	(225,264)	(608,786)	(458,744)
Deficit - beginning of period	(10,146,582)	(9,615,254)	(10,026,925)	(9,381,774)
Deficit - end of period	<u>(10,635,711)</u>	<u>(9,840,518)</u>	<u>(10,635,711)</u>	<u>(9,840,518)</u>
Loss per share	\$	\$	\$	\$
Weighted average number of common shares	<u>90,783,243</u>	<u>60,716,699</u>	<u>87,068,388</u>	<u>58,190,371</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,	
	2006	2005	2006	2005
	\$	\$	\$	\$
<b>Cash Provided by (Used for):</b>				
<b>Operating Activities</b>				
Net loss for the period	(489,129)	(225,264)	(608,786)	(458,744)
Adjustment for items which do not affect cash:				
Amortization	1,790	1,309	7,249	2,820
Recovery of legal fees	-	(33,874)	-	(33,874)
Stock-based compensation	443,260	198,900	443,260	333,950
Write-off of mineral property	-	-	-	8,209
	(44,079)	(58,929)	(158,277)	(147,639)
Net changes in non-cash working capital items:				
Accounts receivable	(17,043)	(18,946)	(40,208)	(25,343)
Accounts payable	-	(117,373)	(29,777)	(63,023)
Prepaid expenses	-	-	(26,044)	-
Due from/to related parties	(42,500)	(28,215)	(48,538)	(1,570)
	(103,622)	(223,463)	(302,844)	(237,575)
<b>Investing Activities</b>				
Purchase of equipment	-	-	-	(22,169)
Mineral property:				
Acquisition costs	(26,032)	(24,302)	(123,511)	(144,538)
Exploration	(697,559)	(314,006)	(1,584,401)	(385,762)
Option payments received	-	2,950	-	66,500
	(723,591)	(335,358)	(1,707,912)	(485,969)
<b>Financing Activity</b>				
Cash received for common shares issued	719,083	728,000	3,350,083	793,000
Share issue costs	-	(5,000)	(179,280)	(5,000)
	719,083	723,000	3,170,803	788,000
Net cash (used) provided during the period	108,130	359,427	1,160,047	300,461
Cash - beginning of the period	1,392,088	6,284	123,911	106,017
Cash - end of the period	1,283,958	365,711	1,283,958	406,478

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

- During the nine month period ended January 31, 2006, the Company issued 550,000 (2005 - 200,000) common shares valued at \$85,000 (2005 - 22,000) for the acquisition of a mineral properties, recorded a fair value for agent's warrants granted in the amount of \$215,053 which was netted against share capital and recorded a fair value for stock options granted in the amount of \$443,260.

See accompanying notes to the financial statements

**EAST WEST RESOURCE CORPORATION**

Statement of Mineral Property Costs  
(Unaudited)

<b>ONTARIO</b>	April 30, 2005	Net Expenditures	January 31, 2006
	\$	\$	\$
<b>Norton Lake</b>			
Acquisition	47,840	-	47,840
Assay	22,308	-	22,308
Camp accommodations and travel	112,338	643	112,981
Drilling	179,986	-	179,986
Geological and geophysical	108,348	27	108,375
Field office expense	20,564	-	20,564
	<u>491,384</u>	<u>670</u>	<u>492,054</u>
<b>Seagull and Disraeli</b>			
Acquisition	43,906	-	43,906
Assay	33,068	-	33,068
Camp accommodations and travel	20,101	364	20,465
Drilling	306,870	913	307,783
Geological and geophysical	163,330	-	163,330
Field office expense	15,766	(9)	15,757
	<u>583,041</u>	<u>1,268</u>	<u>584,309</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	22,765	-	22,765
	<u>238,917</u>	<u>-</u>	<u>238,917</u>
<b>Havoc</b>			
Acquisition	48,401	-	48,401
Assay	30,498	-	30,498
Camp accommodations and travel	16,027	-	16,027
Drilling	29,699	-	29,699
Geological and geophysical	105,817	-	105,817
Field office expense	5,321	-	5,321
	<u>235,763</u>	<u>-</u>	<u>235,763</u>

See accompanying notes to the financial statements

**EAST WEST RESOURCE CORPORATION**  
Statement of Mineral Property Costs  
(Unaudited)

	April 30, 2005	Net Expenditures	January 31, 2006
	\$	\$	\$
<b>Armstrong</b>			
Acquisition	100,803	5,000	105,803
Assay	14,582	-	14,582
Camp accommodation & travel	28,561	300	28,861
Drilling	216,911	-	216,911
Field office	3,690	3,150	6,840
Geological and geophysical	167,926	6,928	174,854
	<u>532,473</u>	<u>15,378</u>	<u>547,851</u>
<b>Hamlin</b>			
Acquisition	15,463	13,181	28,644
Assay	13,495	75,489	88,984
Camp accommodations and travel	14,223	43,522	57,745
Drilling	81,023	359,652	440,675
Geological and geophysical	90,403	213,896	304,299
Field office expense	1,019	1,115	2,134
	<u>215,626</u>	<u>706,855</u>	<u>922,481</u>
<b>Burchell</b>			
Acquisition	5,288	-	5,288
Assay	219	156	375
Camp accommodations and travel	2,084	1,366	3,450
Drilling	29,837	39,389	69,226
Geological and geophysical	3,459	4,435	7,894
Field office expense	1,069	-	1,069
	<u>41,956</u>	<u>45,346</u>	<u>87,302</u>
<b>Deaty</b>			
Acquisition	6,580	8,000	14,580
Camp accommodation and travel	141	13,186	13,327
Drilling	-	89,001	89,001
Geological and geophysical	13,199	52,812	66,011
Field office expense	231	-	231
	<u>20,151</u>	<u>162,999</u>	<u>183,150</u>

See accompanying notes to the financial statements

**EAST WEST RESOURCE CORPORATION**  
Statement of Mineral Property Costs  
(Unaudited)

	April 30, 2005	Net Expenditures	January 31, 2006
	\$	\$	\$
<b>Powell Lake</b>			
Acquisition	37,993	2,000	39,993
Assay	1,402	18,956	20,358
Camp accommodations and travel	1,128	9,745	10,873
Drilling	2,489	107,705	110,194
Geological and geophysical	8,574	200,989	209,563
Field office expense	45	3,000	3,045
	51,631	342,395	394,026
<b>Ardeen</b>			
Acquisition	-	45,809	45,809
Camp accommodations and travel	-	2,893	2,893
Drilling	-	78,260	78,260
Geological and geophysical	-	103,973	103,973
	-	230,935	230,935
<b>OTHER</b>			
Acquisition	102,731	134,521	237,252
Assay	964	-	964
Camp accommodations and travel	12,465	3,702	16,167
Drilling	-	73,504	73,504
Geological and geophysical	28,278	74,607	102,885
Field office expense	3,202	732	3,934
	147,640	287,066	434,706
Total Mineral Property Costs	2,558,582	1,792,912	4,351,494

See accompanying notes to the financial statements

# EAST WEST RESOURCE CORPORATION

Notes to the Financial Statements

January 31, 2006

(Unaudited)

## 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 cash flows from operations and has therefore relied principally upon the issuance of equity securities to finance its exploration activities. The Company intends to continue relying upon the issuance of equity 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 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, 2005. 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, 2006 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 \$22,500 for management services and was owed \$658 at January 31, 2006 (April 30, 2005 - \$49,126) for unpaid fees and other expenses incurred on behalf of the Company.

## 4. SHARE CAPITAL

a) Authorized share capital consists of unlimited common shares without par value.

	Number of Shares	Amount \$
Issued at April 30, 2005	67,858,317	11,986,099
Private placements	10,416,666	1,250,000
Private placements - flow through	11,508,333	1,381,000
Mineral property	550,000	85,000
Exercise of warrants	4,956,110	677,083
Exercise of options	350,000	42,000
Fair value of agent's warrants granted	-	(215,053)
Share issue costs	-	(179,280)
Issued at January 31, 2006	<u>95,639,426</u>	<u>15,026,849</u>

*\*170,000 common shares for \$25,500 were flow-through*

#### 4. SHARE CAPITAL (continued)

##### b) Stock option continuity:

Expiry Date	Exercise Price	April 30, 2005	Granted	Exercised	January 31, 2006
	\$				
11/07/08	0.12	1,200,000	-	350,000	850,000
06/27/09	0.10	1,100,000	-		1,100,000
01/05/10	0.12	1,700,000	-		1,700,000
03/30/10	0.16	1,070,000	-		1,070,000
12/06/10	0.15	-	3,700,000		3,700,000
		<u>5,070,000</u>	<u>3,700,000</u>	<u>350,000</u>	<u>8,420,000</u>
Weighted average exercise price		<u>0.12</u>	<u>-</u>	<u>-</u>	<u>0.14</u>
Weighted average remaining life		<u>4.60</u>	<u>-</u>	<u>-</u>	<u>3.90</u>

##### c) Warrants outstanding at January 31, 2006:

Number Outstanding	Exercise Price \$	Expiry Date
1,000,000	0.15	December 14, 2006
2,236,945	0.15	December 21, 2006
611,112	0.15	January 23, 2007
500,000	0.20	January 28, 2007
1,200,000	0.15 / 0.20	March 14, 2006 / 07
8,591,666	0.15	June 2, 2007
14,950,832	0.15	June 21, 2007
<u>29,090,555</u>		

##### d) Contributed surplus:

During the period ended January 31, 2006, the Company recorded the fair value of the agent's warrants granted as share issue costs of \$215,053 and the fair value of the stock options granted as stock-based compensation expense of \$443,260. All fair values have been estimated using the Black Scholes Options Pricing Model with the following assumptions: a risk-free interest rate of 3.5% - 3.87%; an expected stock price volatility of 108.84% - 113.3%; an expected option life of 2 - 5 years; and no expectation for the payment of dividends.

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 agent's warrants.

4. **SHARE CAPITAL** *(continued)*

<b>Balance at April 30, 2005</b>	635,590
Change during current interim period:	
Fair value of agents warrants	215,053
Non-cash stock-based compensation	443,260
<b>Balance at January 31, 2006</b>	<b>\$ 1,293,903</b>

5. **EQUIPMENT**

	January 31, 2006		April 30, 2005	
	Cost \$	Accumulated Amortization \$	Net Book Value \$	Net Book Value \$
Computer equipment	11,156	11,156	-	1,878
Field equipment	5,917	2,019	3,898	5,029
Vehicle	22,169	7,565	14,604	18,844
	<u>39,242</u>	<u>20,740</u>	<u>18,502</u>	<u>25,751</u>

6. **SUBSEQUENT EVENTS**

In addition to items disclosed elsewhere in these notes, the following occurred during the period subsequent to January 31, 2006:

- The Company issued 1,100,000 common shares for proceeds totaling \$165,000 for warrants exercised.
- The Company entered into an agreement with Canadian Golden Dragon Resource (Dragon) Ltd. to jointly acquire the Copper Island Claim Group near Thunder Bay, Ontario by the payment of \$67,000 and the issue by each of the Company and Dragon of 100,000 shares, subject to a 2% NSR royalty of which the companies can acquire 1% for \$1,000,000.