EASTMAIN

RESOURCES INC.

FIRST QUARTERLY REPORT FOR THE PERIOD ENDING – January 31, 2011

The Company is focused on the exploration and discovery of ore deposits within Canada's newest mining district – the Eastmain/Opinaca (Éléonore) region of James Bay, Québec. Eastmain owns 100% of two gold deposits, Eau Claire and Eastmain, along with a new early-stage discovery in joint venture with Goldcorp Inc. and Azimut Exploration Inc. The Company also holds a number of other projects with very high mineral potential within the region.

Clearwater Project

During the period, the Company reported assay results for drilling completed within the Boomerang, SNL and 850 West target areas, along with infill sampling and composite assay results from the Main Group of Veins (P, JQ, R and S) within the Eau Claire gold deposit. Detailed field work completed in 2010 has identified important structural controls of the gold mineralization at Eau Claire which has increased the resource potential of the deposit and added a multitude of exploration targets elsewhere on the property.

Gold-bearing quartz-tourmaline veins and wide alteration zones were intersected within both the Boomerang and SNL target areas, up to 2.5 kilometres east of Eau Claire with the same structural and geological setting. Trenching and drilling has confirmed that there are gold-bearing veins matching the Eau Claire deposit within these target areas however potential for resource development is not yet evident.

850 West Zone

Nine drill holes completed within the **850 West Zone**, each intersected multiple quartz-tourmaline veins and alteration zones indicating potential for immediate resource expansion. Assays range from 0.86 g/t Au over 11.0 metres to 3.14 g/t Au over 12.0 metres to 50.20 g/t Au over a half-metre. ER10-268 intersected **6.97 g/t gold and 13.17 g/t tellurium over 5.0 metres**, including up to **36.2 g/t Au and 35.3 g/t Te** over 0.5 metre, in V16. ER10-270 also intersected **6.47 g/t Au over 6.7 metres**, including intervals containing 18.95 g/t Au and 10.05 g/t Te, over 2.0 metres, and up to **50.2 g/t Au and 22.5 g/t Te** across half-a-metre in V16. Assays are pending for several drill holes, which also intersected the same gold-bearing structures. Assays are pending for drill holes ER10-276, 278, 280 and 282 which have also intersected quartz-tourmaline veins at surface and at depth.

The 850 West Zone occurs on a topographic high, same as the 450 West Zone, and is open laterally to the west and at depth. Previous surface stripping and trenching of the 850 West Zone exposed the V series of gold-rich veins. The average gold grade from one-metre-wide channel samples taken every five metres along a length of 22 metres for V12 is 118.0 g/t. V16, also located within the 850 West Zone, has a average grade of 21.3 g/t gold over a length of 67 metres and a width of one metre.

450 West Zone

The Eau Claire gold deposit consists of a stacked series of parallel quartz-tourmaline veins, some of which have been exposed for several hundred metres at the 450 West Zone. The deposit surfaces on a topographic high and the upper portion appears amenable to extraction by open pit methods. Composite intervals of the Main Group of Veins (P, JQ, R & S) were calculated for 64 drill holes, which average 3.0 grams gold per tonne across an average thickness of 28.0 metres, centred on the 450 West Zone. Exceptional intervals include: **4.88 g/t Au over 27.5 metres** in ER07-85; **8.55 g/t Au over 36.7 metres** in ER07-87; **24.62 g/t Au over 55.6 metres** in ER07-98 and **6.75 g/t Au over 34.8 metres** in ER07-104. In-fill core sampling is on-going for unsampled intervals previously drilled holes and presumed to be barren.

Wide zones of anomalous gold have also been delineated within the footwall T Veins at Eau Claire. Results from this zone include: 2.82 g/t Au over 44.9 metres in ER09-132; 3.32 g/t Au over 27.6 metres in ER09-136 and 1.54 g/t

Au over 69.8 metres in hole ER09-145. Drill spacing within the footwall T-Vein swarm is broader and additional drilling required to delimit these structures is planned for 2011. Broad intervals of anomalous gold, outlined both within the Main Group of Veins and the footwall swarm, support a bulk-tonnage, open-pit potential for the upper portion of the Eau Claire deposit. Early drilling results from the 850 West Zone indicate there is potential for additional open pit resources in that vicinity as well.

The Corporation has allocated $5-million for exploration at Clearwater, which will include 25,000 metres of drilling focused on further defining the 850 West Zone and the Eau Claire gold deposit vertically at depth between 200 and 500 metres. The objectives of the program are to expand the global gold resources and to upgrade the resource categories.

Éléonore South Joint Venture

Éléonore South is underlain by anomalous gold-bearing sediments of the same rock formation as that hosting Goldcorp's Roberto gold deposit on the adjacent property. Goldcorp recently doubled its production forecast for its Éléonore project to 600,000 ounces of gold per year at a cash cost of $400 per ounce, representing one of the most significant discoveries in the Canadian Shield.

The 2010 exploration program focused on interpreting the controls of the gold mineralization at the JT Discovery in relation to the known mineralized structures at Roberto. Seventeen drill holes totaling 3,580 metres were completed to test the lateral extensions of the JT target, as well as other targets on the property. A $1.6 million program was funded equally by Goldcorp and Eastmain. The 2011 budget and program will be determined by the joint-venture partners in April. Eastmain will continue to fund its share of the recommended exploration program.

Eastmain Mine Property

The Corporation completed forty-six drill holes on the Eastmain Mine property with the objectives of expanding resources within the Eastmain gold deposit defined by the A, B and C zones and testing geophysical targets elsewhere on the property in search of additional resources. Seventeen of 46 drill holes intersected significant assay intervals from each of the A, B and C zones, in addition wide zones of anomalous gold were discovered along the mine trend five kilometres northwest of the Eastmain deposit.

Highlights from the **B Zone** include: 12.16 grams gold per tonne over 9.5 metres in hole EM10-28; 18.75 grams gold per tonne over 2.0 metres in hole EM10-29; 16.27 grams gold per tonne over 1.5 metres in hole EM10-36 and 16.32 grams gold per tonne over 5.5 metres in hole EM10-38, which includes a 3.5-metre interval of 25.16 grams gold per tonne plus 0.58% copper and 101 grams gold over a half metre.

Significant intersections within the **A Zone** include: 7.51 grams gold per tonne over 7.83 metres (hole EM10-04); 3.33 grams gold per tonne over 7.6 metres in hole EM10-19 and a 3.5-metre interval in hole EM10-22 containing 1.2 grams gold per tonne plus 1.54% copper. Drill hole EM10-46 intersected 16.8 grams gold over 0.5 metres within the **C Zone**.

A $3 million exploration budget has been allocated to the project including 15,000 metres of drilling designed to trace the depth extension of the known gold zones and test prospective targets along the 10-kilometre long mine trend. Target definition work will continue on "outer mine trend" including the adjacent Ruby Hill East property.

Other Projects

The Corporation holds twelve properties within the James Bay area of Quebec, including the Road King (5,704 hectares), Lac Elmer (9,379 hectares), Radisson (10,698 hectares) and Lac Hudson (9,682 hectares). Each of these properties are underlain by the same rock formations and structural setting as the known gold deposits in the district including Éléonore and Eau Claire. These projects have been made available for option or joint venture.

Financial

The Company's current assets are comprised of $19.6 million cash and cash equivalents, $1.6 million in marketable securities and $1.0 million in exploration rebates receivable from the province of Québec. During the quarter, the Corporation raised $5,181,000 from two flow-through private placements, at an issue price of $2.75 per share, with no warrants issued. As at January 31, 2011 there were 93.9 million shares issued and 0.31 million warrants outstanding at an average exercise price of $1.84 per share, and 4.0 million options at an average exercise price of $1.05 per share.

Outlook

The Corporation is well positioned with sufficient working capital to continue its exploration programs for the foreseeable future. Our $10 million exploration budget for 2011 will include 46,000 metres of drilling at our wholly-owned Eau Claire deposit, the Eastmain Mine and Reservoir Projects and the Éléonore South Joint Venture.

We will continue advancing our projects towards development with our most significant drill program and budget ever.

Donald J. Robinson, Ph.D., P. Geo.
President and Chief Executive Officer
March 17, 2011

All scientific and technical data disclosed in this report has been prepared under the supervision of, and verified by Dr. Donald J. Robinson, a "qualified person" within the meaning of National Instrument 43-101. For further details on the properties of the Corporation, please refer to the 2009 Annual Information Form available on SEDAR at www.sedar.com .

Forward-Looking Statements
Certain information set forth in this letter may contain forward-looking statements that involve substantial known and unknown risks and uncertainties. These forward-looking statements are subject to numerous risks and uncertainties, certain of which are beyond the control of the Corporation, including, but not limited to, the impact of general economic conditions, industry conditions, volatility of commodity prices, risks associated with the uncertainty of exploration results and estimates, currency fluctuations, dependence upon regulatory approvals, the uncertainty of obtaining additional financing and exploration risk. Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on forward-looking statements.

EASTMAIN RESOURCES INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

General

The following discussion of performance, financial condition and future prospects should be read in conjunction with the unaudited consolidated financial statements (the "unaudited consolidated financial statements") of Eastmain Resources Inc. (the "Company" or "Eastmain") for the three months ended January 31, 2011 and related notes thereto, which have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and approved by the Audit Committee. All dollar amounts are expressed in Canadian dollars unless otherwise indicated.

All statements, other than historical facts, included herein, including without limitation, statements regarding potential mineralization, resources, exploration results and future plans and objectives of the Company are forward-looking statements and involve various risks and uncertainties. There can be no assurance that such statements will prove to be accurate, and actual results and future events could differ materially from those anticipated. Factors which may cause actual results and events to differ materially from those anticipated include, but are not limited to, actual results of mineral exploration and development, availability of financing, changes in applicable regulations, mineral value, equity market fluctuations and cost and supply of materials. Other risk factors may include: general business, economic, competitive, political and social uncertainties; reliability of resource estimates; the actual results of current exploration activities; actual results of reclamation activities; conclusions of economic evaluations; fluctuations in the value of Canadian and United States dollars relative to each other; changes in project parameters as plans continue to be refined; changes in labour costs or other costs of production; future prices of gold and other metal prices; possible variations of mineral grade or recovery rates; failure of plant, equipment or processes to operate as anticipated; accidents, labour disputes and other risks of the mining industry, including but not limited to environmental hazards, cave-ins, pit-wall failures, flooding, rock bursts and other acts of God or unfavourable operating conditions and losses; political instability, insurrection or war; delays in obtaining governmental approvals or financing or in the completion of development or construction activities; and the factors discussed in the section entitled "Risks and Uncertainties".

This management's discussion and analysis is dated March 17, 2011.

Corporate Overview

The Company, incorporated under the laws of Ontario, and its wholly-owned subsidiary, Eastmain Mines Inc. are engaged in the mineral exploration and development of resource properties containing gold, silver, copper, nickel and zinc within Canada. However, the Company's primary focus is exploration for gold in the Eastmain/Opinaca area of James Bay, Québec, a region that is becoming a highly important area for mineral exploration and discovery in North America.

The Company holds 12 properties covering over 1200 km^2 in the frontiers of James Bay, including 100% interest in two high-grade gold deposits – Eau Claire and the Eastmain Mine. The Company also holds approximately 36.5% interest in, and manages exploration of, the Éléonore South project; a mineral exploration joint venture located immediately south of Goldcorp Inc.'s ("Goldcorp") Éléonore Project (Roberto gold deposit).

In a news release dated January 10, 2011, Goldcorp reported that it expects to reach initial production at Éléonore in late 2014, making the project a key source of large, low-cost gold production in one of the most attractive mining districts in the world. In February 2011 Goldcorp announced positive study results for the Company's Éléonore gold project (Goldcorp February 24, 2011 news release). Highlights of the press release are:

- Average annual gold production of approximately 600,000 ounces over an approximate 15-year mine life, an increase of over 80% from previous production estimate.
- Average life-of-mine cash costs of less than $400 per ounce of gold.
- Throughput of 7,000 tonnes per day from concurrent mining of upper and lower portions of deposit.

The Éléonore project demonstrates that the James Bay district has the potential to host world-class, multi-million ounce gold deposits.

In 2004 Eastmain acquired 100% interest in the Clearwater Project, which hosts the Eau Claire gold deposit, subject to a 2% Net Smelter Return Royalty ("NSR") in favour of SOQUEM Inc. Eastmain holds an option to purchase one-half of the NSR for $1 million. As at December 31, 2005, Eau Claire consisted of 1,029,332 tonnes of indicated gold resources containing 310,000 ounces at an average grade of 9.46 g/t Au, and 3,049,660 tonnes of inferred gold resources containing 680,000 ounces at an average grade of 6.93 g/t Au.

In May of 2006, Eastmain entered into a joint venture proposal with Goldcorp and Azimut Exploration Inc. ("Azimut"), in which 65 km^2 of Goldcorp's Éléonore property was combined with Azimut's C claim block, to form the Éléonore South Property. By January of 2008, Eastmain had completed its earn-in requirements for one-third ownership of the Éléonore South Property with Azimut and Les Mines Opinaca Ltée. ("Les Mines Opinaca"), a wholly-owned subsidiary of Goldcorp Inc. In January of 2009, the project became a three-way joint venture, retaining Eastmain as project manager.

As at May 31, 2010 with ownership in the property at 35% Eastmain, 35% Les Mines Opinaca and 30% Azimut, a $1.6-million exploration program was approved by the joint venture partners. Azimut declined participation in funding its share of the program, and as such will dilute its interest accordingly.

In February 2007 the Company acquired 100% interest in the Eastmain gold deposit, through its wholly-owned subsidiary Eastmain Mines Inc., for a total consideration of $4.3 million in cash, shares and purchase warrants. Campbell Resources Inc. retains a 2% NSR on the mine property. Eastmain holds a first right of refusal to purchase the NSR.

The Eastmain Mine hosts a resource of 255,700 ounces gold (measured and indicated) and 4.1 million pounds of copper. The total gold resource comprises measured resources of 91,500 tons grading 0.268 ounces/ton gold and indicated resources of 786,600 tons at 0.294 ounces/ton gold, (Campbell Resources Inc. 2004 Annual Report). Alain Blais VP Geology and Development was the qualified person for Campbell’s mineral reporting. These resources are historical estimates and should not be relied upon. These estimates may not be NI 43-101 compliant. A qualified person for Eastmain has not done sufficient work to classify the historical estimates as current mineral resources as defined by NI 43-101, however there is sufficient drilling to provide evidence of a significant copper-gold mineral system, which may be expanded through additional exploration.

The Company has formed joint-venture partnerships or strategic alliances with a number of senior mining companies including, Barrick Gold Corporation, BHP Billiton PLC, Xstrata Copper Canada Inc. (“Xstrata”) and Goldcorp, in order to capitalize on the senior explorers’ technical, financial and marketing expertise. Goldcorp currently holds 8.06% of Eastmain’s common shares and has a strategic alliance with the Company until June 2011.

In addition to its Québec projects, the Company owns exploration properties in New Brunswick and Ontario. In Northeastern Ontario, the Company holds a 70% interest in a district-scale exploration project in joint venture with Xstrata. The joint venture is designed to locate base and precious metal deposits (copper, nickel and zinc silver and gold) within trucking distance of Xstrata's existing smelters, utilizing proprietary geophysical technology. Since its current focus is gold exploration in Northern Québec, the Company has no immediate plans for any of these properties, but believes they hold potential for future exploration. As a result, the value of these mineral properties and deferred exploration expenditures has been written down.

Overall Performance

The Company’s total consolidated assets were $54.5 million as at January 31, 2011 ($49.5 million on January 31, 2010). During the three months ending January 31, 2011, the Company raised net cash proceeds of $5.2 million through the issue of shares. During this same period, the Company invested $1.9 million in gross mineral exploration expenditures.

Exploration expenditures on wholly-owned properties are discretionary. As operator and manager of the Company’s joint-ventures, Eastmain can propose exploration programs at its discretion. Should the partners not elect to participate, they dilute their interest at prescribed rates according to their relative joint-venture agreements. As per the Éléonore South joint-venture agreement, each partner is required to contribute its proportionate share of any proposed exploration expenditures for the Éléonore South project, or otherwise dilute their interest. Azimut Exploration Inc. elected not to participate in the 2010 drill program at Éléonore South. Eastmain and Les Mines Opinaca (Goldcorp) have funded the $1.6-million exploration program equally. As such, Eastmain’s and Opinaca's interests will each increase to approximately 36.5%, while Azimut’s interest will be diluted to 27%.

There are significant uncertainties regarding the trends in gold, silver and other mineral prices and the availability of equity financing. The price of gold, silver and other minerals has fluctuated widely over the short term in recent years and short-term wide fluctuations are expected to continue. For instance, for most of the 1990’s, the market price of gold was above US$350 per ounce. It fell to US$260 per ounce in 2000 and since January 2001 has shown a pronounced upward trend. The Corporation acquired 100% interest in the Clearwater project (June 12, 2004) and Eastmain Mine property (February 27, 2007) when gold was trading at $350 and $675 respectively. In 2010 the price of gold rose to over US$1,400 and has been since trading in a range between US$1050 and US$1,400 per ounce. Although world markets may experience volatility in the short term, the long-term outlook for gold remains bullish.

Increased gold prices in the last several years have encouraged the Company to participate more actively in exploration and acquisition activities. With a positive, long-term outlook for the price of gold in mind, the Company plans to increase its exploration efforts at key gold projects located in Québec. Eastmain has allocated an exploration budget of $9.3 million for its Québec-based projects in fiscal 2011.

The price of gold is typically quoted in US dollars. Exchange fluctuations between the US dollar and the Canadian dollar may impact the Company’s intrinsic value, however, the Company’s geographic area of operations is within Canada and its revenues and expenditures are almost entirely denominated in Canadian dollars. A significant portion of the Company’s exploration expenditures such as fuel and transportation are impacted by changes in the price of oil.

Results of Operations

Project Overview

Clearwater Project

The 200 km^2 Clearwater Project, located in the mining district of James Bay, Québec, hosts the high-grade Eau Claire gold deposit within the western third of the property. Eau Claire is approximately two kilometres from permanent road access and five kilometres from Hydro Québec's EM-1 hydroelectric facility. Trenching and drilling have defined more than 30 en echelon high-grade, gold-bearing, quartz-tourmaline veins at Eau Claire containing accessory metals (Te-Bi-Ag-Mo) as well as wide zones of lower-grade altered rock. Definition drilling completed from 2007 to 2009 within the upper one-third of the deposit, or the indicated portion of the 2005 mineral resource, comprises the bulk of an updated resource estimate currently being audited by SRK Consulting (Canada) Inc. Metallurgical test-work completed by SGS Lakefield Research on this near-surface material has confirmed high gold recoveries with gravity and flotation techniques.

Gold deposits often occur in clusters with several deposits in the same area creating a mining camp. Once one deposit is found, the chance of finding a second one increases significantly. Major gold-bearing structures or metal pathways often continue at depth and or along strike for many miles. With this in mind, 2010 exploration at Clearwater focused on searching for a second gold deposit using key structural controls within the favourable "mine series" rocks both east and west of the Eau Claire gold deposit. Trenching and drilling within the Boomerang and SNL target areas identified gold-bearing, quartz-tourmaline veins located within the same geological setting as Eau Claire Additional work is required in these areas to prove auxiliary resources. Drilling within the 850 West Zone has confirmed that the Eau Claire deposit is open to the west, suggesting the potential of additional resources in this area.

Gold-bearing, quartz-tourmaline veins and wide-alteration zones were intersected up to 2.5 km east of the Eau Claire gold deposit. In the Boomerang Lake area, located about 500 metres east of Eau Claire, drilling intersected a gold-bearing vein system over a lateral distance of 200 metres. These veins are coincident with gold-rich veins delineated in trench CW2010-15, which assayed up to 19.40 g/t gold and 15.95 g/t tellurium (Oct 6, 2010 news release) and earlier trenching, which assayed up to 25.0 g/t Au. Drill holes also intersected a series of gold-bearing, quartz-tourmaline veins within the SNL target area, two kilometres east of Eau Claire, where earlier trenching reported up to 10.0 g/t gold. Further east, a string of four drill holes define a set of quartz-tourmaline veins over a strike-length of 225 metres. Assays from this zone include 0.23 g/t Au over 43.7 metres and 14.75 g/t Au over 0.5 metres. Still further east within the SNL target area, wide zones of alteration and gold-bearing, quartz-tourmaline veins were intersected in several drill holes, while hole ER10-269, located in this vicinity, intersected gold veining coincident with surface grab samples assaying up to 41.50 g/t Au and 23.10 g/t Te.

Additional drilling and trenching is recommended within the Boomerang and SNL target areas to search for a swarm of high-grade veins similar to those found at Eau Claire and for wide "bulk tonnage" type mineralization.

850 West Zone

Drilling at the 850 West Zone detected both high-grade and wide lower-grade zones of gold-bearing rock near surface. Assays range from 0.86 g/t Au over 11.0 metres to 3.14 g/t Au over 12.0 metres to 50.20 grams over a half-metre**.** ER10-268 intersected 6.97 g/t gold and 13.17 g/t tellurium over 5.0 metres, including up to 36.2 g/t Au and 35.3 g/t Te over 0.5 metre, in Vein 16. ER10-270 also intersected 6.47 g/t Au over 6.7 metres, including intervals containing 18.95 g/t Au and 10.05 g/t Te, over 2.0 metres, and up to 50.2 g/t Au and 22.5 g/t Te across half-a-metre in Vein 16. Logging and sampling is in progress for holes ER10-276, 278, 280 and 282, which were also drilled along this trend in December 2010. The 2010 drill program confirmed that the Eau Claire deposit is open to the west and at depth where a new swarm of quartz-tourmaline veins have been intersected.

The 850 West Zone occurs on a topographic high, as does the 450 West Zone. Previous surface stripping and trenching of the 850 West Zone exposed a series of gold-rich veins (V12 to V16). The average gold grade from one-metre-wide channel samples taken every five metres along a length of 22 metres for Vein 12 is 118.0 g/t. Vein 16, also located within the 850 West Zone, has a average grade of 21.3 g/t gold over a length of 67 metres and a width of one metre. 2011 exploration will continue definition drilling to build resources in this area.

450 West Zone Composite Intervals

Composite intervals (several gold zones amalgamated over an extended interval length), which average 3.0 grams gold per tonne across an average thickness of 28.0 metres, were reported for 64 drill holes, completed within the Main Group of Veins (P, JQ, R & S). These composite intervals are centred on the 450 West Zone and extend over a total strike length of more than 230 metres. Exceptional intervals within the series include: 4.88 g/t Au over 27.5 metres in ER07-85; **8.55 g/t Au over 36.7 metres** in ER07-87; **24.62 g/t Au over 55.6 metres** in ER07-98 and 6.75 g/t Au over 34.8 metres **in** ER07-104.

Wide zones of anomalous gold have also been delineated within the footwall T Veins at Eau Claire. Results from this zone include: 2.82 g/t Au over 44.9 metres in ER09-132; 3.32 g/t Au over 27.6 metres in ER09-136 and 1.54 g/t Au over 69.8 metres in hole ER09-145. Drill spacing within the footwall T-Vein swarm is broader and additional drilling, required to delimit these structures, is planned for 2011. Broad intervals of anomalous gold, outlined both within the Main Group of Veins and the footwall swarm, confirm the bulk-tonnage, open-pit potential for the upper portion of the

Eau Claire deposit. Early drilling results from the 850 West Zone indicate there is potential for additional open pit resources in this vicinity as well.

A $5-million exploration budget has been allocated to the project for 2011.

The Company's investment in the Clearwater project to January 31, 2011 net of rebates received is $ 13,599,049.

Eastmain Mine Property

The Eastmain Mine project comprises 152 mineral claims and one mining license located in the Upper Eastmain River Greenstone Belt of James Bay, Québec. The Eastmain Mine project, which hosts the Eastmain gold deposit, a copper-gold-silver, sulphide-rich deposit, consisting of three known zones, “A”, “B” and “C”, is in the target definition and drilling stages of exploration. The Company's exploration focus at Eastmain is the expansion of known resources and discovery of a second deposit regionally along the mine trend.

46 drill holes totalling 14,584 metres were completed during the 2010 program to expand the known limits of the A, B and C Zones laterally and vertically within the Eastmain deposit, to define controls on gold mineralization, and to test the "mine horizon" regionally on the property. Gold mineralization at the Eastmain Mine occurs within a siliceous, sulphide-bearing unit associated with komatiite and highly altered mafic volcanic rocks. The three designated zones of the Eastmain Mine deposit (A, B and C) have a known mineralized footprint extending for a length of 1.8 kilometres, to a vertical depth of 300 metres. However, the favourable mine trend has been delineated for more than 10 kilometres across the property.

Significant drill intersections from 2010 drilling within the A Zone include: 7.51 grams gold per tonne over 7.83 metres; 3.33 grams gold per tonne over 7.6 metres; and a 3.5-metre interval in containing 1.2 grams gold per tonne plus 1.54% copper. Highlights from the B Zone include: 12.16 grams gold per tonne over 9.5 metres; 18.75 grams gold per tonne over 2.0 metres; 16.27 grams gold per tonne over 1.5 metres; and 16.32 grams gold per tonne over 5.5 metres, which includes a 3.5-metre interval of 25.16 grams gold per tonne plus 0.58% copper and 101 grams gold over a half metre. Drill hole EM10-46 intersected 16.8 grams gold over 0.5 metres within the C Zone**.** Wide zones of anomalous gold were also discovered on the property five kilometres northwest of the deposit area.

2010 exploration demonstrated that the Eastmain Mine is open at depth and the immediate mine trend has very high discovery potential in both directions. The project also envelopes the "outer mine trend", which covers an area of 100 km^2 that has received virtually no work for decades.

A minimum $3-million exploration program has been allocated to the project for 2011, commencing with a 6,750-metre winter diamond drill program targeting the extension of known deposit mineralization.

The Company's investment in the Eastmain Mine project to January 31, 2011, including the purchase price, net of rebates received, is $8,484,063.

Éléonore South Joint Venture

The Éléonore South project is an exploration-drilling-stage property, which lies within the Eastmain/Opinaca geologic district of James Bay, Québec. The Éléonore South project is jointly held by Eastmain, Les Mines Opinaca Ltée, a wholly owned subsidiary of Goldcorp Inc., and Azimut Exploration Inc.

Located near the Opinaca Reservoir, the property consists of 282 mining claims covering 147 km^2 along the southern boundary of Les Mines Opinaca's Éléonore project, 14 km south of the Roberto Gold Deposit and 45 km northwest of Eau Claire.

Eléonore South is underlain by anomalous gold-bearing sediments of the same rock formations as those hosting Goldcorp's Roberto gold deposit. As of February 9, 2011, the Roberto Deposit contained 12.48 million tonnes at 7.56 grams gold per tonne containing 3.03 million ounces of proven and probable reserves, 1.36 million tonnes at 10.95 grams gold per tonne for 0.48 million ounces of measured and indicated resources and 12.25 million tonnes at 10.6 grams gold per tonne for 4.17 million ounces of inferred resources (Goldcorp February 9, 2011 news release).

2010 field exploration at Éléonore South focused on interpreting structural controls of gold mineralization in the JT discovery area in relation to known mineralizing structures at the Roberto deposit and drill-testing the lateral extensions of the JT target zone. Previous trenching and drilling identified a large gold-bearing geochemical anomaly within a succession of sedimentary rocks similar to those underlying the Roberto deposit.

Drilling to date completed by the Company at Éléonore South has intersected wide intervals of altered, gold-enriched sediments and felsic intrusive rocks forming a 1.2-kilometre-long geochemical halo in the JT Gold Target area. Three parallel gold-rich zones have been intersected in arsenopyrite-bearing sediments, similar to those hosting the multi-million-ounce Roberto gold deposit at Éléonore. The JT Gold Target remains open to the south and at depth. Continued drilling is required to search for gold resources on this early-stage but high-priority target.

The Company's investment in the project to January 31, 2011 net of rebates received is $4,711,844. Exploration expenditures of $1.6 million were shared equally between Eastmain and Les Mines Opinaca in 2010. Eastmain's share of this program was $800,000. The Eléonore South exploration cost sharing program operates on a 12 month period ending on or about March 31. The budget for the 2011-2012 exploration program will be established by the partners at their next project review meeting which is expected to be held in April 2011.

Ruby Hill Project

The Ruby Hill Project is located approximately 800 km north of Montréal and 320 km north-northeast of Chibougamau, within the Upper Eastmain River Greenstone Belt of James Bay, Québec. The property includes 268 mineral claims divided into two blocks (Ruby Hill East and Ruby Hill West) covering approximately 14,125.47 hectares. The centre of the Ruby Hill West block is located about 32 kilometres west of the Eastmain Mine Deposit and consists of 180 claims covering an area of 9,485.42 hectares. The Ruby Hill East block is contiguous with the Eastmain Mine property and consists of 88 claims, which cover an area of 4,640.05 hectares including key mine horizon stratigraphy.

The Ruby Hill claims exhibit similar geology, alteration and mineralization to the mine property and thus are also highly prospective with respect to economic potential. Drilling completed by the Company in 2008, confirmed that key komatiitic flows and sulphide-bearing chert zones, which host the Eastmain Gold Deposit, extend onto the property. Additional work is required to evaluate and test the potential of what may be the folded equivalent of Eastmain Mines series rocks at Ruby Hill.

The Company's investment in the project to January 31, 2011 net of rebates received is $1,901,309.

Reservoir Project

The Reservoir Project, comprised of 156 claims, covering approximately 8,098 hectares, is located in the Eastmain-Opinaca district of James Bay, Québec approximately 60 kilometres southwest of Goldcorp's Roberto deposit and approximately 45 kilometres west of the Eau Claire gold deposit. This property hosts a large copper-gold occurrence in albite altered volcanic-sedimentary rocks comparable to those hosting the past producing 10-million-ounce MacIntyre Mine in Timmins, Ontario.

The Reservoir project is in the target-definition and early-drilling stage. Previous drilling by the Company includes intervals which assayed up to 8.0 g/t gold, 23.5 g/t silver and 4.21% copper. Surface channel samples included up to 36 g/t gold, 52 g/t silver and 5% copper. A $1-million exploration program including 5,000 metres of drilling has been recommended for 2011.

The Company's investment in the project to January 31, 2011 net of rebates received is $426,729.

Xstrata Joint Venture "MegaTEM Project"

The MegaTEM project covers an area of over 14,500 line-kilometres of airborne geophysical surveys, which have generated in excess of 225 top-priority drill targets, within the Abitibi Greenstone belt of Northeastern Ontario and Northwestern Québec. One of the most prolific mineral districts in the world, the Abitibi Belt has accounted for more than $120 billion in past metal production. Over 200 million ounces of gold has been produced from the belt in addition to 8.5 million tonnes of copper, 20 million tonnes of zinc and 900 million ounces of silver. The presence of major felsic volcanic centres, anomalous assays and alteration assemblages intersected in past drilling, and proximity to known base- and precious-metal occurrences suggest that any one of the Company's selected 225 priority geophysical anomalies has the potential to lead to discovery.

Eastmain is project operator and currently holds a 70% interest in any discovery made from these surveys. Xstrata, who holds the remaining 30% has no back-in rights. MegaTEM is a greenfields project in the preliminary to early stages of exploration. Based on results from deep penetrating geophysical surveys, combined with the knowledge of geologic signatures associated with known ore deposits elsewhere in the Abitibi, the project has the potential to generate a significant discovery. To date however, there has been insufficient exploration work completed to define mineral resources on the MegaTEM Project and it is uncertain if further exploration will result in a target being delineated as a mineral resource. Therefore, the Company has written-down the carrying value of its investment in this project to $1,268,284 as at January 31, 2011. Although no fieldwork is planned for the MegaTEM project this year, primarily due to the Company's current focus on its 100% owned gold projects in James Bay Québec, further work is warranted.

Projects Available for Option or Joint Venture

Radisson Project

The Radisson property is located near the La Grande River, approximately 500 km north of Matagami, Québec. Radisson comprises 207 mineral claims covering approximately 10,698 hectares within the LaGrande Greenstone Belt district of James Bay, Québec and straddles a similarly-aged structural and stratigraphic setting, near a break between complex volcanic and sedimentary rocks, to the setting at Goldcorp's Roberto Gold deposit. Historic gold discovered within well-developed iron formations on the property suggest that Radisson may also be prospective for Lupin-style (Northwest Territories) gold mineralization.

The Radisson project is in the early exploration stage. Geological mapping, prospecting and soil geochemical sampling completed by the Company at Radisson in 2009 identified highly enriched precious metal values in both rocks and soils. Numerous surface gold showings occur on the property coincident with a regional stratigraphic break between two major rock "Supergroups" as is the case at many major gold camps. The project is available for option or joint venture.

The Company's investment in the project to January 31, 2011 net of rebates received is $531,969.

Other Projects

The Other Project category is composed of a collection of properties of geological interest located in the James Bay area of northern Québec (including Road King, Lac Hudson and Lac Elmer listed below), the Timmins district of Ontario and the Bathurst mining region of New Brunswick. The carrying value of the Company's investment in all other projects to January 31, 2011, net of write-downs and rebates, is $1,737,233. These projects are available for option or joint venture.

Road King Property

The Road King project is located within the Eastmain/Opinaca district, 85 kilometres west of the Roberto gold deposit. Similar to Roberto, this 108-claim property straddles the major structural and stratigraphic break between the Eastmain greenstone belt and Opinaca sedimentary rocks. The property is also accessible from the LG2 highway. Road King is in the very early stages of exploration. Although the property has been covered by airborne geophysics, regional wide-spaced soil geochemical surveys and minimal prospecting, there has been very limited work on the property and additional exploration is warranted.

Lac Hudson Project

The Lac Hudson project is located immediately south of the Reservoir Project within the central part of the Eastmain River Greenstone Belt, 35 kilometres west of Clearwater. The property consists of 187 claims covering 9,682 hectares underlain by volcanic and sedimentary rocks containing sulphide facies iron formation and chemical exhalatives. Several local concentrations of gold and base metals have been detected in iron formation on the property. Previous drilling intersected up to 15.2 g/t gold and 22.3 g/t silver. This early-stage exploration property is prospective for a sedimentary- or volcanic-hosted gold deposit.

Lac Elmer Project

The Lac Elmer project is located at the western end of the Eastmain Greenstone Belt approximately 35 kilometres west of the LG2 highway and roughly 80 kilometres west of the Reservoir property. The property consists of 178 claims covering 9,379 hectares. Lac Elmer is in the target definition and drilling stage of exploration.

Lac Elmer is underlain by two structural blocks separated by the Opinaca fault. A felsic to intermediate volcanic rock assemblage in the northern block is characterized by a widespread highly altered mineralized horizon that geologically resembles the multi-million-ounce Hemlo gold mine in Northern Ontario and the La Ronde gold deposit, located in Val d'Or, Québec, while the southern block comprises mafic to intermediate volcanic rocks and iron formations.

The Lac Elmer property hosts a kilometric-size mineralized horizon enriched in silver-gold-copper and zinc. Intensely sericite-silica altered rocks throughout the northern block display several zones of disseminated pyrite enriched in gold (up to 7.0 g/t). Previous exploration detected multi-ounce silver and ounce-level gold assays in surface showings and up to 50 g/t silver and 0.5 g/t gold across 30 metres in drilling within felsic volcanics. Quartz veins in sheared gabbro/mafic volcanic and quartz-ankerite stockwork in biotite-rich diorite returned assays of up to and 42 g/t and 102 g/t gold respectively. Altered, mineralized and folded iron formation also assayed up to 5.0 g/t gold. Auriferous, sericitized intermediate volcanic rocks within the lower sequence locally grade up to 1-2% Cu-Zn. Additional exploration is warranted.

Financial Overview

The Company does not earn any significant revenue from consolidated operations. Interest is derived from the investment of funds for the period between the receipt of funds from equity placements and the disbursement of exploration expenditures. Other income is derived from management fees and charges for the use of Company facilities by third parties.

The Company maintains a high liquidity by holding a large cash balance in an interest-bearing bank account. The Company's investment in bonds and GIC's as at January 31, 2011 was $3.8 million, reflecting the transfer of $0.5 million to higher yielding GICs and the reinvestment of investment income. With interest rates at all-time lows, the Company is investing in short-term instruments only.

The Company has little exposure to foreign exchange fluctuations. With the exception of some promotional expenditures incurred in foreign currencies, all administrative and exploration expenditures are denominated in Canadian dollars.

For a description of the proposed future activities of the Company, see "Future Outlook" below.

Three months ended January 31, 2011 compared to the three months ended January 31, 2010

Net loss for the quarter ended January 31, 2011 was $211,032, a decrease of $12,411 or 6.2% over the January 31, 2010 quarter end loss.

- Stock option compensation increased by $44,600. In Q1 2010, in accordance with the Stock Option Plan, the Company extended the term from 5 to 10 years on service provider stock options to help optionees retain an ownership stake without having to having sell stock. The Black-Scholes value associated with extending 250,000 stock options was $297,500 of which $44,600 was charged to operations and $252,900 was charged to mineral properties. In Q1 2010, the Company did not grant any stock options. The Black-Scholes valuation attributes a cost to the Company for issuing stock options as compensation. The factors affecting the cost are the exercise price of the option, dividend rate of the stock, the risk-free interest rate, the expected term of the option and the volatility of the stock's trading range over the historical period of time compared to the expected term of the option. The Black-Scholes assumptions used in stock option pricing are detailed in Note 6 to the interim consolidated financial statements. The Black-Scholes value attributed to security-based compensation is a non-cash transaction in the Company's financial statements.

  The 2010 income tax changes to the deferred tax treatment of options, particularly those exercised to hold shares, negatively impacts the Company's endeavours to encourage the retention of a proprietary interest by favouring the disposal of shares acquired through the exercise of options, in order to pay income taxes on the deemed gain at the time of exercise. To restore the incentive for proprietary interest, the Company has increased the maximum length of the option term to ten years. Management estimates the expected term will be 7.5 years based on its past option exercise experience and estimates regarding maturing exploration projects. The effect of the increase in term on the factors that determine the Black-Scholes value of the options has increased the cost attributed to stock option compensation by approximately 58%.

- Management fees and camp rentals on the Eléonore South Joint Venture included in interest and other income increased by $49,549 (180%).

Selected Quarterly Information

	Quarter ended 01/31/2011	**Quarter ended 10/31/2010**	**Quarter ended 07/31/2010**	**Quarter ended 04/30/2010**
Interest / other Income	$ 77,026	$ 85,736	$ 51,952	$ 97,548
Net loss	(211,032)	(593,371)	(1,327,632)	(402,065)
Per share basic	$(0.0023)	$(0.0067)	$(0.0150)	$(0.0046)
Per share diluted	$(0.0023)	$(0.0067)	$(0.0150)	$(0.0046)
Trading Range of Shares				
High	$2.17	$1.85	$1.44	$1.60
Low	$1.57	$1.16	$1.15	$1.27
	Quarter ended 01/31/2010	**Quarter ended 10/31/2009**	**Quarter ended 07/31/2009**	**Quarter ended 04/30/2009**
Interest / other Income	$ 27,477	$ 72,738	$ 12,241	$ 48,947
Net loss	(198,621)	(2,064,055)	$ (632,959)	$ (276,592)
Per share basic	$(0.0022)	$(0.0184)	$(0.0074)	$(0.0032)
Per share diluted	$(0.0022)	$(0.0184)	$(0.0074)	$(0.0032)
Trading Range of Shares				
High	$1.75	$1.50	$1.35	$1.15
Low	$1.24	$1.06	$0.89	$0.80

Risks and Uncertainties

Exploration and Development

The exploration and development of mineral deposits involves significant risks and while the discovery of an ore body may result in substantial rewards, few properties that are explored are ultimately developed into producing mines. All of the Corporation's properties are in the exploration stage and the Corporation is presently not exploiting any of its properties. The Corporation's future success will depend on its capacity to generate revenues from an exploited property.

The discovery of mineral deposits depends on many factors. Whether a mineral deposit will be commercially viable depends on a number of factors: some of which include the particular attributes of the deposit, such as size, grade and proximity to infrastructure; metal prices, which are highly cyclical; and government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. In the event that the Corporation wishes to commercially exploit one of its properties, the exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Corporation not receiving an adequate return on invested capital. The Corporation's operations will be subject to all the hazards and risks normally encountered in the exploration and development of mineral deposits. Mining operations generally involve a high degree of risk, including but not limited to: unusual and unexpected geologic formations; possible cave-ins; unexpected labour disputes; aboriginal land claim issues; and changes in commodity prices.

There can be no guarantee that sufficient quantities of minerals will be discovered or that one of the Corporation's properties will reach the commercial production stage. Few properties that are explored are ultimately developed into producing mines. If the Corporation discovers profitable mineralization, the Corporation does not currently have sufficient financial means to bring a producing mine into operation. Considering that the Corporation has no properties with proven reserves and considering the aforementioned risk factors, it is unlikely that the Corporation will develop a profitable commercial operation in the near future.

Regulatory Matters

The Corporation's mining activities are subject to governmental regulation. Mining activities can be affected at various levels by governmental regulation governing prospecting and development, price control, taxes, labour standards and occupational health, expropriation, mine safety, toxic substances, environmental protection, aboriginal land claims and other matters.

Exploration and commercialisation are subject to various federal, provincial and local laws and regulations relating to the protection of the environment. These laws impose high standards on the mining industry to: monitor the discharge of wastewater and report the results of such monitoring to regulatory authorities; reduce or eliminate certain effects on or into land, water or air; progressively rehabilitate mine properties; manage hazardous wastes and materials and reduce the risk of worker accidents. A violation of these laws may result in the imposition of substantial fines and other penalties.

Reliability of Resource Estimates

There is no certainty that any of the mineral resources on the Clearwater Project or any other project with mineral resources will be realized. Until a deposit is actually mined and processed the quantity of mineral resources and grades must be considered as estimates only. In addition, the quantity of mineral resources may vary. Any material change in quantity of mineral resources, grade or stripping ratio may affect the economic viability of any project undertaken by the Corporation. There is also no assurance that gold recoveries or other metal recoveries in small-scale laboratory tests will be duplicated in larger-scale tests under on-site conditions or during industrial production.

Fluctuations in gold and base or other precious metals prices, results of drilling, metallurgical testing and production and the evaluation of studies, reports and plans subsequent to the date of any estimate may require revision of such estimate. Any material reductions in estimates of mineral resources could have a materially adverse effect on the Corporation's results of operations and financial condition.

No History of Mineral Production

The Corporation has never operated a mineral producing property. There is no assurance that commercial quantities of minerals will be discovered at any of the properties currently held by the Corporation or any future properties it may hold, nor is there any assurance that the exploration programs of the Corporation thereon will yield positive results. Even if commercial quantities of minerals are discovered, there can be no assurance that any property held by the Corporation will ever be brought to a stage where mineral resources can profitably be produced thereon. Factors which may limit the ability of the Corporation to produce mineral resources from its properties include, but are not limited to: the price of the mineral resources which are currently being explored for; availability of additional capital and financing; and the nature of any mineral deposits.

Permits, Licenses and Approvals

The operations of the Corporation require licenses and permits from various governmental authorities. The Corporation believes it holds or is in the process of obtaining all necessary licenses and permits to carry on the activities, which it is currently conducting under applicable laws and regulations. Such licenses and permits are subject to changes in regulations and in various operating circumstances. There can be no guarantee that the Corporation will be able to obtain all necessary licenses and permits that may be required to maintain its mining activities, construct mines or milling facilities and commence operations of any of its exploration properties. In addition, if the Corporation proceeds to production on any exploration property, it must obtain and comply with permits and licenses, which may contain specific conditions concerning: operating procedures; water use; the discharge of various materials into or onto land, air or water; waste disposal; spills; environmental studies; abandonment and restoration plans and financial assurances. There can be no assurance that the Corporation will be able to obtain such permits and licenses or that it will be able to comply with any such conditions.

Title to Property

Although the Corporation has taken reasonable measures to ensure proper title to its properties, there is no guarantee that title to any of its properties will not be challenged or impugned. Third parties may have valid claims underlying portions of the Corporation's interests in its properties.

Competition

The Corporation's activities are directed towards the exploration, evaluation and development of mineral deposits. There is no certainty that the expenditures to be made by the Corporation will result in discoveries of commercial quantities of mineral deposits. There is aggressive competition within the mining industry for the discovery and acquisition of properties considered to have commercial potential. The Corporation will compete with other interests, many of which have greater financial resources than it will have, for the opportunity to participate in promising projects. Significant capital investment is required to achieve commercial production from successful exploration efforts.

Additional Funding

Additional funds will be required for future exploration and development. The source of future funds available to the Corporation is through the sale of additional equity capital or borrowing of funds. There is no assurance that such funding will be available to the Corporation. Furthermore, even if such financing is successfully completed, there can be no assurance that it will be obtained on terms favourable to the Corporation or will provide the Corporation with sufficient funds to meet its objectives, which may adversely affect the Corporation's business and financial position.

Programs planned by the Corporation may necessitate additional funding, which could cause a dilution to the value of the investment of the current shareholders of the Corporation. The recuperation value of mining properties indicated in the balance sheet depends on the discovery of mineralization that can be profitably exploited and on the Corporation's capacity to obtain additional funds in order to realize these programs.

The Corporation's exploration activities can therefore be interrupted at any moment if the Corporation is incapable of obtaining funds necessary in order to continue any additional activities that are not described in the exploration programs outlined in the Corporation's geological reports for its properties.

Dependence on Management

The Corporation is dependent on certain members of management, particularly its President. The loss of his services could adversely affect the Corporation. Investors must rely on the Corporation's directors and those who are unwilling to do so should refrain from investing in the Corporation.

Management of the Corporation rests with a few key people, the loss of any of whom could have a detrimental effect on the Corporation's operations.

Conflicts of Interest

Certain directors and officers of the Corporation also serve as directors and officers of other companies involved in natural resource exploration and development, consequently, there is a possibility that such directors and officers will be in a position of conflict of interest. Any decision made by such directors and officers involving the Corporation will be made in accordance with their duties and obligations to deal fairly and in good faith with the Corporation and such other companies. In addition, such directors and officers will declare, and refrain from voting on, any matter in which such directors and officers may have a material conflict of interest.

Commercialisation

The commercialisation of minerals depends on a number of factors that are independent from the Corporation's desire to proceed with said commercialisation. An excessive supply of certain minerals may arise from time to time due to the absence of a market for said minerals and to governmental restrictions on exports. Other factors include market fluctuations and governmental regulations concerning prices, taxes, fees, authorized production, imports and exports. The exact effect of these factors cannot be accurately evaluated.

Uninsured Hazards

The Corporation could be held responsible for certain risks including environmental pollution, cave-ins or other hazards against which a corporation such as Eastmain cannot insure or against which it may elect not to insure, taking into consideration the importance of the premiums or other reasons. The payment of amounts relating to liability of the aforementioned hazards could cause the loss of the Corporation's assets.

Land Claims

At the present time, none of the properties in which the Corporation has an interest or an option to acquire an interest is the subject of an aboriginal land claim. However, no assurance can be provided that such will not be the case in the future.

Deferred Mineral Property Costs and Exploration Expenditures

The cost of exploration and development is recorded on a property-by-property basis and deferred in the Company's accounts, pending recovery, based on the discovery and/or extraction of economically recoverable reserves. When it is determined that there is little prospect of minerals being economically extracted from a property, the deferred costs associated with that property are charged to operations. The Company has a policy, described in Note 2b to the consolidated financial statements, whereby the carrying amounts of exploration properties are reviewed for events or changes in circumstances that suggest that the carrying amount may not be recoverable.

The Company and Azimut Exploration Inc. ("Azimut / Azimut Exploration") had letters of agreement for two claim blocks, Opinaca C and Opinaca D ("Azimut C and Azimut D"), held by Azimut and located in the Éléonore district.

According to the original agreements, Eastmain could acquire 50% interest in the properties during a five-year period and acquire an additional 15% interest upon delivery of a bankable feasibility study.

In April 2006 the Azimut C Agreement was superseded, when Eastmain, Azimut and Goldcorp's wholly-owned subsidiary, Les Mines Opinaca Ltée, formed a 3-way joint venture by combining Azimut's mining claims from the Azimut C Block and selected mining claims from Les Mines Opinaca's Éléonore claim block to create a new property, referred to as the Éléonore South project. The 3-way joint venture agreement, is also described in Note 5c to the consolidated financial statements.

Under the terms of the Azimut Block D agreement Eastmain had the option to earn a 50% interest in the Opinaca D project from Azimut by making total cash payments of $140,000, issuing 45,000 common shares of the Company, and completing $1.9 million in total work expenditures over the five-year term of the agreement, of which an aggregate of $900,000 in work expenditures was required to be completed prior to the third anniversary of the agreement. Eastmain made cash payments of $55,000, issued 45,000 common shares of the Company to Azimut and satisfied its work expenditure commitments for the third year anniversary. In January 2009, the Company elected to withdraw from its option in the Opinaca D project with no further financial obligations. Deferred exploration expenditures of $847,219 related to this project were written-off in the fiscal year ended October 31, 2008.

Liquidity and Capital Resources

During the three months ended January 31, 2011, the Company received net proceeds of $5.6 million from the issue of shares ($0.5 million in the three months ended January 31, 2010). During the same period, the Company invested $1.9 million in claim maintenance and exploration of mineral resource properties ($0.9 million in the three months ended January 31, 2010). As at January 31, 2011, the Company had working capital of $19.5 million compared to $12.3 million January 31, 2010. The Company has no long-term debt. The Company's base operating cost is approximately $65,000 per month. All exploration expenditures to be made by the Company, except the flow-through commitments described below, are discretionary. As such, management believes the Company has sufficient working capital to fund the ongoing overheads and cost of its exploration activities for the foreseeable future.

In December 2010 the Company issued 1,819,000 flow-through shares in a brokered private placement at $2.75 per share for gross proceeds of $5,002,250. Issue costs in connection with the private placement were $421,010, which includes legal fees, a brokerage commission of 6% of gross proceeds and 109,091 broker warrants. Each warrant entitles the holder to purchase one common share at a price of $1.85 until December 7, 2011. The Black-Scholes value associated with these broker warrants was $38,400. On December 31, 2010 the Company also completed a non-brokered private placement financing with directors, officers, employees and other service providers of the Company. This issue of 65,000 flow-through common shares at $2.75 per share raised net proceeds of $178,750. Issue costs were $5,000. Other private placements may be completed if market conditions are appropriate. Stock options exercised between November 1, 2010 and January 31, 2011 contributed another $453,600 to treasury funds.

The Company is committed to spending $13,401,000 in Québec flow-through expenditures by December 31, 2011 in respect of the flow-through shares issued in 2010. If the Company fails to spend these funds, in compliance with the Government of Canada flow-through regulations, it may be subject to litigation from various counterparties. The Company intends to fulfill all flow-through commitments within the given time constraints. To date the Company has spent $7,282,263 in eligible flow-through expenditures toward this commitment.

Exploration expenditures on the Company's Québec projects, with the exception of those renounced in favour of Québec flow-through investors currently generate mining duty and provincial resource exploration refunds to the Company of 46% of the qualifying expenditures. Québec resource credits are refunds from the government that are paid to companies with eligible exploration expenditures on mineral projects in Québec. The expenditures are subject to verification and adjustment by both the Québec Ministry of Natural Resources and the Ministry of Revenue. Rebates are recorded when they are actually received or confirmed receivable.

As at January 31, 2011, the Company has an estimated $1.0 million in mining duty rebates recoverable from the Province of Québec for qualified expenditures in respect of the fiscal years ended October 31, 2008, 2009 and 2010. Since no confirmation of the amounts has been received, the estimated refund has not been recorded in the Company's financial statements. As at January 31, 2010 the Company was eligible for resource tax credits and mining duty rebates estimated at more than $2.6 million for qualified expenditures up to October 31, 2009. Provincial resource tax credits available to the Company are transferred to the investor upon the issuance of flow-through shares to Québec residents, as a result these flow through shares sell at a premium.

The properties held by the Company are not income generating. The Company is reliant on equity markets over the long term to raise capital to fund its exploration activities. In the past, the Company has been successful in raising funds through equity offerings, and while there is no guarantee that this will continue, there is no reason either to believe that this capacity will diminish.

Funds on-hand for future exploration costs are invested from time-to-time in money market funds, term deposits, and bonds or certificates of deposit with maturities matching the Company's cash-flow requirements, which in management's opinion, yield the greatest return with the least risk. The Company's policy is to maintain its investment portfolio in very low-risk liquid securities, which are selected and managed under advice from independent professional advisors. Shares in other companies acquired as a result of property transactions are classified as available-for-sale and are also a component of the funds on-hand for exploration. Due to currently low interest rates, funds are being kept in short-term notes and interest-bearing bank accounts.

Marketable securities are subject to changes in valuation depending on market fluctuations. Under current reporting requirements for corporations with year-ends after October 1, 2006, financial assets designated as available-for-sale must be recorded at fair-market values. Unrealized gains or losses arising from the valuation of these financial assets are reported in the balance sheet as “Other Comprehensive Income (Loss)”. Realized gains and losses are transferred to the statement of operations. The Company adopted this accounting standard on a prospective basis as of November 1, 2006 and has classified all of its marketable securities as available-for-sale.

The difference between the historical cost and their fair-market value of the Company’s marketable securities as at January 31, 2011 was a cumulative unrealized loss of $83,808. The comprehensive unrealized gain for the three months ended January 31, 2011 was $161,682. The gain in market value for the three months ended January 31, 2010, was $65,332. As at January 31, 2010 the cumulative unrealized loss on the fair market valuation of marketable securities was $245,490. The comprehensive unrealized gain for the three months ended October 31, 2009 was $128,633. The decrease in the Company’s cumulative comprehensive income loss is a reflection of the improvement in financial markets. Actual gains or losses are recorded upon disposal of the investments. Investments maturing or cashable investments are re-invested at prevailing rates.

Accounts receivable as at January 31, 2011 includes an amount of $451,906 for recoverable sales taxes, which are subject to verification and normally refunded within 60 to 90 days of the claim. Refunds of taxes are not considered a financial instrument since governments are not obligated to make these payments. Other prepaid accounts and accounts receivable were $46,016.

Accounts payable and accrued liabilities outstanding as at January 31, 2011 were $665,694 ($1,204,686 – October 31, 2010). Accounts payable balances vary from quarter-to-quarter depending on the season and the amount of work performed during the quarter.

For tax year-ends after December 31, 2005, non-capital losses can be carried forward and used to offset future gains for a period of twenty years, after which they expire (ten years for losses in tax years ending prior to December 31, 2005 and seven years for losses in tax years ending prior to March 22, 2004). To the extent that loss carry-forwards could be used to reduce future tax liabilities, they are a financial resource that can be managed. The Company, by its nature as a mineral exploration business, generates non-capital tax losses, which are not recognized on the income statement because, at this point in time, it is not certain that they will be used to offset tax liabilities within their carry-forward life. Canadian tax legislation allows an enterprise to issue securities to investors, whereby the deductions for tax purposes, relating to resource expenditures, may be claimed by the investors when not claimed by the enterprise. These securities are referred to as flow-through shares. Under recommendation number 146, issued by the Emerging Issues Committee (EIC-146), regarding GAAP for the accounting treatment of flow-through shares, the issuer recognizes part of the proceeds from the sale of flow-through shares as tax credits associated with the expenditures being transferred to the shareholders, records this amount as a future income tax liability and the rest of the net proceeds as shareholders’ equity. As a result, the Company has recorded future income taxes of $4,087,305 in the three months ended January 31, 2011, in connection with the renunciation of expenditures associated with the issue of flow-through shares.

As at March 15, 2011 there were 313,091 common share purchase warrants outstanding at an average exercise price of $1.84 expiring between December 2011 and September 2012. If exercised, these warrants would result in proceeds to the Company of $576,218.

As at March 15, 2011, 4,009,605 options with a weighted average exercise price of $1.05 were outstanding, which if exercised, would result in proceeds of $4,214,272 to the Company.

The Company does not hold, and has never held, any Asset-Backed Commercial Paper (ABCP).

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Transactions with Related Parties

Related party transactions include $18,000 per month salary and $1,000 per month premises rent paid to the President of the Company. Consulting fees of $600 per day and out of pocket expenditures are paid to a related service provider.

Share Capital

The authorized capital of the Company consists of an unlimited number of common shares of which, as of March 15, 2010, there are 93,968,933 common shares outstanding, 4,009,605 share purchase options and 313,091 common share purchase warrants outstanding.

Critical Accounting Estimates

Critical accounting estimates used in the preparation of the financial statements include the Company’s estimate of the recoverable value of its mineral properties, related deferred exploration expenditures and stock-based compensation. These critical accounting estimates significantly affect the values attributed to the following line items in the Company's financial statements: mining properties and deferred exploration expenditures; total assets; shareholders' equity; stock-based compensation; total expenses; loss for the period; net loss; deficit; and basic and diluted loss per share.

These estimates involve considerable judgment and are, or could be, affected by factors that are out of the Company's control. Factors affecting stock-based compensation include estimates of when stock options and compensation warrants might be exercised and stock-price volatility. The timing for exercise of options is out of the Company's control and will depend upon the market value of the Company's shares and the financial objectives of the holders of the options. The Company has used historical data to determine volatility in accordance with the Black-Scholes model, however future volatility is uncertain and the model has its limitations. These estimates can have a material impact on the stock-based compensation and hence results of operations. The assumptions used for options issued are detailed in Note 7 to the consolidated financial statements and assumptions used for warrants are detailed in Note 8.

The Company's recorded value of its mineral properties and associated deferred exploration expenses is based on historical costs that may be recovered in the future. The Company's recoverability evaluation is based on market conditions for minerals, underlying mineral resources associated with its properties and future costs that may be required for ultimate realization through mining operations or by sale. The Company operates in an industry that is exposed to a number of risks and uncertainties, including but not limited to: exploration risk; development risk; commodity-price risk; operating risk; ownership and political risk; currency risk; and environmental risk. The ability of the Company to obtain necessary financing to complete the development of its properties and obtain future profitable production is also uncertain.

Change in Accounting Policy

There have been no changes in accounting policy since October 31, 2010.

Future Accounting Pronouncements

Business Combinations and Consolidated Financial Statements

In January 2009, the CICA issued Handbook Section 1582 "Business Combinations", Section 1601 "Consolidated Financial Statements" and section 1602 "Non-controlling Interests". These sections replace the former Handbook Section 1581 "Business Combinations" and Section 1600 "Consolidated Financial Statements" and establish a new section for accounting for non-controlling interest in a subsidiary.

Sections 1582 and 1601 will require net assets, non-controlling interests and goodwill acquired in a business combination to be recorded at fair value and non-controlling interests will be reported as a component of equity. In addition, the definition of a business is expanded and is described as an integrated set of activities and assets that are capable of being managed to provide a return to investors or economic benefits to owners. Acquisition costs are not part of the consideration and are not to be expensed when occurred. Section 1601 establishes standards for the preparation of consolidated financial statements.

These new sections are not expected to have a material impact on the Company's financial condition or operating results, as they are not expected to be adopted prior to adoption of IFRS.

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. 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 will issue its first annual and interim consolidated financial statements prepared under IFRS for the fiscal year ended October 31, 2012 and the three months ended January 31, 2012 respectively with IFRS compliant comparative information.

The four phases of the Company's IFRS transition plan are as follows: scoping and planning ("phase 1"), detailed assessment ("phase 2"), operations implementation ("phase 3"), and post implementation ("phase 4"). Phases 1 and 2 have been completed. The first stage of phase 3, the design of business, reporting and system processes to support the compilation of IFRS compliant financial data for the opening balance sheet November 1, 2011 will be completed in the second quarter of fiscal 2011. The implementation of changes to the reporting system and processes to support preparation of the IFRS opening balance sheet at November 1, 2011 will be completed and the review and approval of the changes implemented will be finalized during the third quarter of 2011. The second stage of phase 3, the ongoing training for key personnel, identification and documentation of impact and required changes to, and ensuring the effectiveness of the Company's internal control environment and disclosure controls and procedures will be conducted throughout fiscal 2011. Phase 4 will be carried out throughout fiscal 2012.

Impact of adopting IFRS on the Company's Financial Statements

The adoption of IFRS will result in some changes to the Company's accounting policies that are applied in recognition, measurement and disclosure of balances and transactions in its financial statements. The following provides a summary of management's evaluation to date of the potential changes to accounting policies in key areas based on the current standards and guidance within IFRS. This is not intended to be a complete list of policy areas impacted by IFRS, but rather to address those areas identified by management as having the most potential for significant changes.

Exploration and Evaluation Expenditures

Currently under IFRS, companies deferring exploration and evaluation expenditures as permitted under Canadian GAAP will be allowed to continue this practice. They may however, elect to expense exploration expenditures until such time as either reserves are proven or permits to operate a mineral resource property are received and financing to complete the project has been obtained, as is the practice under US GAAP. Those currently treating exploration expenditures as operating expenses or those opting to write-off their deferred exploration expenditures will not be permitted to reverse these deferrals or defer any future exploration expenditures.

Under IFRS, pre-exploration expenditures such as acquisition expenditures, leasing, staking, etc. are expensed. Companies that have elected to use the deferral method will also be allowed to continue the deferral of pre-exploration costs, if such has been their past practice under Canadian GAAP. The Company's current policy is to defer both exploration and pre-exploration expenditures.

Management has not as yet determined what policy it will adopt with respect to exploration and evaluation expenditures, under IFRS. The Company will comply with any accounting standards where required and follow industry norms where choices are available. A change in accounting policy in respect of exploration and evaluation expenditures would result in a material change to the Company's financial statements.

Impairment of (Non-financial) Assets

IFRS like Canadian GAAP, requires an assessment at each reporting date as to whether there are indicators of impairment of deferred exploration and evaluation costs. The factors considered under IFRS are similar to Canadian GAAP, but there are some differences. IFRS requires a write down of assets if the higher of the fair-market value and the value in use of assets is less than its carrying value. Value is determined using discounted estimated future cash flows. Canadian GAAP requires a write down to estimated fair value only if the undiscounted estimated future cash flows of a group of assets are less than its carrying value.

Should the Company elect to continue deferral of its exploration and evaluation expenditures, policies relating to the impairment of deferred exploration costs will need to be changed to reflect these differences and the Company will perform impairment assessments at the transition date in accordance with IFRS.

Share-based Payment

Under certain circumstances, IFRS requires a different measurement than Canadian GAAP of security-based compensation related to stock options. Management does not expect that any changes to its accounting policies in compliance with IFRS on share-based payments will result in any significant change to its financial statements.

Property and Equipment

IFRS guidance related to recognition and measurement of property and equipment contains differences to Canadian GAAP. Management does not expect that any changes to its accounting policies in compliance with IFRS on recognition and measurement of property and equipment will result in any significant change to its financial statements.

Income Taxes

Under certain circumstances, IFRS contains different requirements related to the recognition and measurement of future income taxes. The recognition of future income taxes is affected by the Company's choice of policy in respect of the deferral of exploration and evaluation expenditures and may result in a significant change in the Company's financial statements.

The International Accounting Standards Board ("IASB") continues to amend and add to current IFRS standards with several projects underway. The Company's transition plan includes monitoring actual and anticipated changes to IFRS and related rules and regulations and assessing the impact of these changes on the Company and its financial statements, including the dates of when such impacts are effective.

Use of Financial Instruments

The Company has not entered into any specialized financial agreements to minimize its investment risk, currency risk or commodity risk. There are no off-balance-sheet arrangements and the Company does not hold any asset-backed commercial paper. The principal financial instruments affecting the Company's financial condition and results of operations currently are its cash and marketable securities portfolio. To minimize risk, the funds are managed by independent financial advisors with ultimate administration by the Company. All of the Company's investment portfolio has been designated as available-for-sale and is recorded at fair-market value, in accordance with CICA Handbook Section 3855.

Future Outlook

The focus of the Company is the exploration and development of its core gold assets located in James Bay, Québec. This region is soon to become Québec's newest mining district, endowed with a vast array of mineral deposits complimented by essential mine-building infrastructure including roads, power and communications, all of which is supported by provincial financial incentives.

The 2011 exploration budget is $9.3 million. 46,000 metres of diamond drilling is planned on four key projects; Clearwater, Eastmain Mine, Éléonore South and Reservoir, all located within the James Bay mining district.

The 2011 objectives are to expand total gold resources at both the Eau Claire and Eastmain gold deposits and advance these projects towards development. At Clearwater a $5-million drill program will continue to delineate the main deposit area of Eau Claire (450 West Zone) and the 850 West Zone. Deeper drilling is planned to increase gold resources down plunge to the southeast within the deposit and to test a newly defined grade x thickness trend identified to the southwest. The program is also designed to evaluate bulk-tonnage-style mineralization in the main, upper and lower group of veins where composite intervals near surface are of economic interest at prevailing metal prices.

Research for other polymetallic quartz-tourmaline deposits demonstrates that the multi-million ounce Sigma-Lamaque mine, located in Val d'Or Québec, and Eau Claire are geologically similar, reinforcing the size potential of Eau Claire. Metallurgical test-work has demonstrated excellent results for gold recovery, comminution (grinding) and the non-acid generating behaviour of gold-rich rocks at Eau Claire. Additional test-work has been recommended to fine tune the flow sheet design for gold and further evaluate tellurium recoveries. Preliminary test-work confirmed tellurium recoveries responded best to gravity plus flotation techniques.

An updated resource estimate is expected to upgrade the resource category and have a positive impact on gold resources within the upper one-third of the deposit.

A $3-million exploration budget has been allocated to the Eastmain Mine project to follow-up very positive results obtained from the 2010 program. Exploration completed to date has identified a mine trend extending for 10 kilometres across the property. Drilling will focus on expanding the A, B and C zones and will continue to test new prospects discovered along the mine trend.

Goldcorp recently announced that throughput at its Éléonore project is expected to increase significantly beyond previous estimates, thereby enhancing the value of other gold projects within the district. 3,622-metres of drilling, completed to test the lateral extension of the JT gold zone and other priority prospects on the Éléonore South property during 2010, defined a wide envelope of anomalous gold-bearing rocks, which may be a distal expression of an ore-body at depth. Additional drilling is warranted below the large gold anomaly outlined at the JT gold zone.

A $1.0-million drill program has been recommended to further evaluate the C-52 gold-silver-copper zone at the Company's 100%-owned Reservoir Project. Previous wide-spaced drilling completed by Eastmain in the 1990's identified a very large gold prospect straddling a structural/stratigraphic break common to each of the major gold camps of the Canadian Shield.

The Corporation is well positioned to capitalize on rising precious metal prices with 100% ownership in two high-grade gold deposits and a pipeline of exploration projects situated within one of the most favourable mining locations in the world.

Subsequent events

1. In February 2011 the Company renounced exploration expenditures of $13,401,000 for tax purposes as a result of flow-through shares issued in 2010. As prescribed under EIC-146, the Company has recognized the future tax liability of $4,087,305 and has reduced shareholders' equity accordingly. The future income tax liability can be offset against unrecognized future income tax assets, if certain criteria are met.

Scientific and Technical Disclosure

All disclosure of a scientific or technical nature herein concerning the currently published Eau Claire resource estimate is based upon the technical report entitled "Clearwater Project (1170) – Report on the 2004 Exploration Activities for Eastmain Resources Inc." dated December 30, 2005, which was prepared by E. Canova and M.J. Perkins (the "Clearwater Report"). E. Canova is a "qualified person" within the meaning of National Instrument 43-101 of the Canadian Securities Administrators and has verified the data underlying the statements contained herein concerning the currently published Eau Claire resource estimate. Further information concerning the Clearwater Project is contained in the Clearwater Report available at www.sedar.com.

Disclosure Controls and Procedures

Disclosure controls and procedures are designed to provide assurance that all relevant information is gathered and reported to senior management, which includes the Company's President and Chief Executive Officer, Chief

Financial Officer and the Corporate Secretary on a timely basis so that appropriate decisions can be made regarding public disclosure. As of January 31, 2011, the company's certifying officers, being the President and Chief Executive Officer and the Chief Financial Officer, evaluated the effectiveness of the Company's disclosure controls and procedures. Based on that evaluation, the certifying officers have concluded that, as of January 31, 2011, the disclosure controls and procedures effectively provide reasonable assurance that information required to be disclosed in the Company's annual filings and interim filings, (as such terms are defined in National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings), and reports filed or submitted under Canadian securities laws were recorded, processed, summarized and reported within the time periods specified by those laws. The certifying officers also concluded that material information was accumulated and communicated to management of the Company, including the President and Chief Executive Officer and the Chief Financial Officer, as appropriate to allow timely decisions regarding disclosure.

Internal Controls over Financial Reporting

The Company's President and Chief Executive Officer and the Chief Financial Officer are responsible for establishing and maintaining the Company's internal controls over financial reporting in accordance with National Instrument 52-109 of the Canadian Securities Administrators. These controls were reviewed as at January 31, 2011. There were no changes during the three months ended January 31, 2011, which materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting. The Company's President and Chief Executive Officer and the Chief Financial Officer are satisfied that these controls and procedures are operating effectively.

Accounting Responsibilities, Procedures and Policies

The Board of Directors, which among other things is responsible for the financial statements of the Company, delegates to management the responsibility for the preparation of the financial statements. Responsibility for their review rests with the Audit Committee. Each year the shareholders appoint independent auditors to audit and report directly to them on the financial statements.

The Audit Committee is appointed by the Board of Directors and all of its members are non-management directors. The Audit Committee meets periodically with management and the external auditors to discuss internal controls, auditing matters and financial reporting issues, and to confirm that all administrative duties and responsibilities are properly discharged. The Audit Committee also reviews the financial statements, Management's Discussion and Analysis and considers the engagement or reappointment of external auditors. The Audit Committee reports its findings to the Board of Directors for its consideration when approving the financial statements for issuance to the shareholders. The external auditors have full and free access to the Audit Committee.

The accounting systems employed by the Company include appropriate controls, checks and balances to provide reasonable assurance that the Company's assets are safeguarded from loss or unauthorized use as well as facilitating the preparation of comprehensive, timely and accurate financial information. There are limits inherent in all systems based on the recognition that the cost of such systems should not exceed the benefits to be derived. Management believes that its policies and procedures provide the best controls achievable under the constraints described above.

Use of Accounting Estimates

In preparing the financial statements, great care is taken to use appropriate Canadian generally accepted accounting principles and estimates, considered necessary by management, to present the financial position and results of operations on a fair and consistent basis. The principal accounting policies followed by the Company are summarized in Note 2 to the consolidated financial statements.

Additional Information

Additional information relating to the Company, including any published Annual Information Forms, can be found on SEDAR at www.sedar.com.