EASTMAIN

# EASTMAIN RESOURCES INC.

## Condensed Consolidated Interim Financial Statements

## Three months ended January 31, 2012
## (Unaudited)

### NOTICE TO SHAREHOLDERS

Responsibility for condensed consolidated interim financial statements:

The accompanying interim condensed consolidated financial statements for Eastmain Resources Inc. have been prepared by management in accordance with International Financial Accounting Standard 34 Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards ("IFRS") appropriate to the circumstances and approved by the Audit Committee. These statements are presented on the accrual basis of accounting. Accordingly, a precise determination of many assets and liabilities is dependent upon future events. Therefore, estimates and approximations have been made using careful judgment. Recognizing that the Company is responsible for both the integrity and objectivity of the financial statements, management is satisfied that these unaudited interim consolidated financial statements have been fairly presented.

Auditors' involvement

The auditors of Eastmain Resources Inc. have not performed any review of the unaudited interim financial statements for the three months ended January 31, 2012 and January 31, 2011.

# EASTMAIN RESOURCES INC.

## Condensed Consolidated Interim Statement of Financial Position
## (Unaudited)

| | January 31, 2012 | October 31, 2011 | November 1, 2010 |
|---|---|---|---|
| **Assets** | | | |
| Current assets | | | |
| Cash and cash equivalents | $ 12,449,201 | $ 11,529,234 | $ 14,472,115 |
| Marketable securities maturing in one year (Note 4) | 2,502,169 | 2,490,963 | 1,721,066 |
| Prepaid and sundry receivables (Note 5) | 2,011,771 | 1,186,694 | 950,217 |
| | 16,963,141 | 15,206,891 | 17,143,398 |
| Marketable securities (Note 4) | 1,190,101 | 1,216,618 | 1,512,406 |
| Property and equipment (Note 6) | 105,560 | 114,123 | 94,510 |
| Mineral properties (Note 7) | 42,835,942 | 42,004,423 | 30,785,659 |
| | $ 61,094,744 | $ 58,542,055 | $ 49,535,973 |
| **Liabilities and Shareholders' Equity** | | | |
| Current liabilities | | | |
| Accounts payable and accrued liabilities (Note 8) | $ 2,296,250 | $ 4,339,427 | $ 1,204,686 |
| Deferred premium on flow-through shares (Note 9) | 2,157,253 | - | $ 456,416 |
| | 4,453,503 | 4,339,427 | 1,661,102 |
| Deferred income tax liability | 3,194,364 | 3,158,402 | 1,221,539 |
| Shareholders' equity | 53,446,877 | 51,044,226 | 46,653,332 |
| | $ 61,094,744 | $ 58,542,055 | $ 49,535,973 |

*The attached notes form an integral part of these financial statements.*

# EASTMAIN RESOURCES INC.

## Condensed Consolidated Interim Statements of Comprehensive Loss (Unaudited)

| | Three months ended January 31 | |
|---|---|---|
| | **2012** | **2011** |
| Operating expenses | | |
| General and administrative (Note 13) | $ 262,568 | $ 289,849 |
| Write down of mineral properties (Note 7h) | 634,142 | - |
| Operating loss before the following | (896,710) | (289,849) |
| Interest and other income | 45,008 | 77,026 |
| Gain (loss) on marketable securities | (24,168) | 163,473 |
| Premium on flow-through shares | 456,249 | 414,380 |
| Net income (loss) before income taxes | (419,621) | 365,030 |
| Deferred income taxes | (35,962) | (417,886) |
| Comprehensive net loss | (455,583) | (52,856) |
| | | |
| Loss per share (Note 14): | | |
| Basic | $ (0.005) | $ (0.001) |
| Diluted | $ (0.005) | $ (0.001) |

*The attached notes form an integral part of these financial statements.*

# EASTMAIN RESOURCES INC.

Condensed Consolidated Interim Statements of Cash Flows
(Unaudited)

| | Three months ended January 31, | |
|---|---|---|
| | **2012** | **2011** |
| **Operating activities** | | |
| Comprehensive net loss for the period | $ (455,583) | $ (52,856) |
| Amortization | 8,563 | 7,091 |
| Loss (gain) on the sale of investments | 24,168 | (163,473) |
| Premium on flow-through shares | (456,249) | (414,380) |
| Deferred income taxes | 35,962 | 417,886 |
| Stock-based compensation | - | 44,600 |
| Other receivables and prepaids | 75,771 | 452,295 |
| Accounts payable and other liabilities | (2,043,177) | (538,992) |
| | (2,810,545) | (247,829) |
| **Financing activities** | | |
| Proceeds on issue of common shares | 5,862,520 | 5,181,000 |
| Proceeds on exercise of stock options | 39,000 | 453,600 |
| Share issue costs | (429,784) | (387,610) |
| | 5,471,736 | 5,246,990 |
| **Investing activities** | | |
| Exploration and evaluation expenditures | (1,732,367) | (1,631,816) |
| Government exploration tax credits received | - | 9,895 |
| Purchase of marketable securities | (1,365,357) | (1,150,956) |
| Proceeds on sale and redemption of marketable Securities | 1,356,500 | 742,705 |
| | (1,741,224) | (2,030,172) |
| Change in cash and cash equivalents | 919,967 | 2,968,989 |
| Cash and cash equivalents, beginning of the period | 11,529,234 | 14,472,115 |
| Cash and cash equivalents, end of the period | $ 12,449,201 | $ 17,441,104 |

*The attached notes form an integral part of these financial statements.*

| | Common Shares | | Reserves | | | Accumulated | |
|---|---|---|---|---|---|---|---|
| | | | Warrants | | Contributed | Comprehensive | Shareholders' |
| | # | $ | # | $ | Surplus $ | Income $ | Equity $ |
| **Balance as at November 1, 2010** (Note 17(c)) | 91,454,933 | 51,080,204 | 204,000 | 102,276 | 9,541,856 | (14,071,004) | 46,653,332 |
| Private placements | 1,884,000 | 5,181,000 | | | | | 5,181,000 |
| Share issue expenses | | (387,610) | | | | | (387,610) |
| Adjustment on flow-through shares (Note 17(c)) | | (1,534,480) | | | | | (1,534,480) |
| Exercise of stock options | 630,000 | 704,340 | | | (250,740) | | 453,600 |
| Stock option compensation | | | | | 297,500 | | 297,500 |
| Warrants issued | | (38,400) | 109,140 | 38,400 | | | - |
| Comprehensive loss for the period | | | | | | (52,856) | (52,856) |
| **Balance as at January 31, 2011** | 93,968,933 | 55,005,054 | 313,140 | 140,676 | 9,588,616 | (14,123,860) | 50,610,486 |
| Share issue costs adjustment | | 1,527 | | | | | 1,527 |
| Property acquisition | 1,000,000 | 1,692,310 | | | | | 1,692,310 |
| Stock option compensation | | | | | 620,100 | | 620,100 |
| Comprehensive loss for the period | | | | | | (1,880,197) | (1,880,197) |
| **Balance as at October 31, 2011** | 94,968,933 | 56,698,891 | 313,140 | 140,676 | 10,208,716 | (16,004,057) | 51,044,226 |
| Private placements | 2,698,941 | 5,862,520 | | | | | 5,862,520 |
| Share issue expenses | | (429,784) | | | | | (429,784) |
| Premium on issue of flow-through shares | | (2,613,502) | | | | | (2,613,502) |
| Exercise of stock options | 50,000 | 55,050 | | | (16,050) | | 39,000 |
| Warrants issued | | (30,757) | 156,926 | 30,757 | | | - |
| Warrants expired | | | (109,140) | (38,400) | 38,400 | | - |
| Comprehensive loss for the period | | | | | | (455,583) | (455,583) |
| **Balance as at January 31, 2012** | 97,717,874 | 59,542,418 | 360,926 | 133,033 | 10,231,066 | (16,459,640) | 53,466,877 |

*The attached notes form an integral part of these financial statements.*

## 1. NATURE OF OPERATIONS

Eastmain Resources Inc. (the "Company" or "Eastmain") and its wholly-owned subsidiary, Eastmain Mines Inc., are engaged in the acquisition and exploration of resource properties within Canada. The Company is a publicly-held company incorporated under the Business Corporations Act (Ontario) and its common shares are listed on the Toronto Stock Exchange.

The company is in the process of exploring its mineral properties and has not yet determined whether its properties contain reserves that are economically recoverable. The recuperation of the amounts spent for mineral properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its properties, and upon future profitable production or proceeds from the disposition of the properties. The Company will periodically have to raise additional funds to continue operations and while it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future. To date the Company has not earned significant revenues and is considered a company in the exploration stage.

The Company's registered office address is 50 Richmond Street East, Suite 101, Toronto, Ontario, Canada M5H 1N7.

## 2. GOING CONCERN

These condensed consolidated interim financial statements have been prepared on a going concern basis, which assumes continuity of operations, realization of assets and the settlement of liabilities in the normal course of business in the foreseeable future.

The ability of the Company to continue as a going concern is dependent on the successful completion of actions taken or planned. In assessing whether the going concern assumption is appropriate, management takes into consideration the Company's working capital of $12,509,638, the comprehensive net loss of $455,583 and the accumulated deficit of $16,459,640. While the Company has sufficient funds to meet its current commitments, the Company will require additional funding for its operations and exploration of its mineral resource properties.

These financial statements do not give effect to adjustments that would be necessary if the going concern assumption was not appropriate. Should the Company be unable to continue as a going concern, then adjustments would be required to the carrying value of assets and liabilities, the reported revenues and expenses, and the statement of financial position classifications used.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### a) Statement of Compliance and Conversion to International financial Reporting Standards ("IFRS")

The following is a summary of significant accounting policies used in the preparation of these financial statements:

These are the Company's first financial statements prepared in accordance with IFRS. Previously, the Company prepared its financial statements in accordance with Canadian Generally Accepted Accounting Principles ("Canadian GAAP"). The disclosures required by the provisions of First-time Adoption of International Financial Reporting Standards, ("IFRS 1"), explaining how the transition to IFRS has affected the reported financial performance, cash flows and financial position of the Company are presented in Note 17.

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34"). Accordingly, they do not include all of the information required for full annual financial statements required under IFRS. As issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). The accounting policies set out below have been applied consistently to all periods presented in these condensed consolidated interim financial statements. They have also been applied in preparing an opening IFRS statement of financial position as at November 1, 2010 (Note 17) for the purposes of the transition to IFRS, as required by IFRS 1.

These condensed consolidated interim financial statements have been prepared on the basis of IFRS standards that are expected to be effective on October 31, 2012, the Company's first annual reporting under IFRS. The Company has made certain assumptions about the accounting policies expected to be adopted when the first IFRS annual financial statements are prepared for the year ended October 31, 2012.

### b) Basis of presentation

Except for the re-evaluation to fair value of certain financial assets, these condensed consolidated interim financial statements have been prepared on an historical cost basis and they have been, except for cash flow information, prepared using the accrual basis of accounting. The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenues and expenses during the reporting period. Actual results may differ from these estimates. Of particular significance are the estimates and assumptions used in the recognition and measurement of the items in Note 3(0) – *Significant accounting judgements and estimates.*

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**c) Basis of consolidation**

The condensed consolidated interim financial statements incorporate the financial statements of the Company and its wholly-owned Canadian subsidiary Eastmain Mines Inc.

The results of subsidiaries acquired or disposed of during the periods presented are included in the consolidated statement of loss and comprehensive loss from the effective date of acquisition, and up to the effective date of disposal as appropriate. All intercompany transactions, balances, income and expenses are eliminated upon consolidation.

**d) Foreign currencies**

The functional currency, as determined by management, is the Canadian Dollar. These condensed consolidated interim financial statements are expressed in Canadian Dollars. Transactions in foreign currencies have been translated to the functional currency using the exchange rates in effect at the dates of the transactions. Foreign exchange gains and losses from the settlement of transactions, and the translation of monetary assets and liabilities denominated in foreign currencies at the period end, are recognised in the consolidated statements of loss and comprehensive loss.

**e) Financial Instruments**

Financial assets:

All financial assets and liabilities are recognized and derecognized on the date of trade where the purchase or sale of a financial asset is under a contract, whereby contract terms require the delivery of the financial asset within the time frame established by the market concerned. Transactions are initially measured at fair value plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

All financial assets are classified as one of the following: *at fair value through profit or loss* (“FVTPL”); *held-to-maturity*; *loans and receivables*; *held-for-trading*; *available-for-sale*. The classification depends on the nature and purpose of the financial asset determined at the time of initial recognition.

Financial liabilities:

Financial liabilities are classified as either financial liabilities at FVTPL or *other financial liabilities*.

Other financial liabilities:

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortized cost using the effective method, with interest recognized on an effective-yield basis.

The effective-interest method amortizes the cost of a financial liability and allocates interest costs over a relevant period of time. The effective interest rate is the rate that discounts exactly the estimated future cash flow through the expected life of the financial liability or, where appropriate, to the net carrying value on initial recognition.

Derecognition of financial liabilities:

The Company derecognizes financial liabilities when the obligations are discharged, cancelled or expire.

The company’s financial instruments consist of the following:

| **Financial assets:** | Classification |
|---|---|
| Cash and cash equivalents | FVTPL |
| Marketable securities | Available-for-sale |
| Other receivables | FVTPL |

| **Financial liabilities:** | Classification |
|---|---|
| Accounts payable and other liabilities | Other financial liabilities |
| Deferred premium on flow-through shares | Other financial liabilities |

Impairment of financial assets:

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that the estimated future cash flows from the investments have been negatively impacted as a result of one or more events that have occurred subsequent to the initial valuation of the asset. Significant financial difficulty of the issuer or counterparty; default or delinquency in interest or principal payment; or the likelihood that the borrower will enter bankruptcy or financial reorganization, could be considered as evidence of impairment.

The carrying value of financial assets is reduced directly by any impairment amount (except for accounts or loans receivable, where the carrying value is reduced by the use of an allowance account). When the receivable amount is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

written off are credited to the allowance account. Changes to the carrying amount of the allowance account are recognized in profit and loss.

If in a subsequent period, a previously recognized impairment loss decreases and the decrease can be related objectively to events occurring after the impairment was recognized, the previously recognized impairment loss is reversed, through profit or loss, provided that the carrying amount of the investment on the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Financial instruments recorded at fair value:

The Company categorizes its financial instruments measured at fair value at one of three levels, according to the relative significance of the inputs used to estimate their fair value, as follows:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - valuation techniques based on inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly as in prices or indirectly as in derived from prices;

Level 3 - valuation techniques using inputs that are not based on observable market data (unobservable inputs).

The Company has designated its cash and cash equivalents (Level 1) as held-for-trading, which are measured at fair value. Marketable securities (Level 1) as available-for-sale, which are measured at fair value. Amounts receivable (Level 3) are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities (Level 3) as accrued liabilities, which are measured at amortized cost.

**f) Non-financial assets:**

Mineral properties

The Company has elected to continue its policy of capitalizing expenditures related to the acquisition, exploration and evaluation of its properties of geological interest on conversion to IFRS. These costs are recognized as intangible assets. If the property proceeds to development, these costs become part of pre-production and development costs of the mine. If an exploration property is abandoned, continued exploration is not planned in the foreseeable future, or when other events and changes in circumstances indicate that the carrying amount may not be recovered, the accumulated costs and expenditures are written down to fair value. The carrying value of acquisition, exploration and evaluation costs related to exploration projects represents costs to be charged to future operations and does not necessarily reflect either the present or future values of the particular projects.

Although management has taken steps to verify the ownership rights to mineral properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's rights. Property titles may be subject to unrecognized prior agreements and non-compliant with regulatory requirements.

**g) Impairment of non-financial assets**

Mineral properties are reviewed for impairment at each reporting date and whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Impairment losses are recognized for the amount by which the carrying value of a group of assets exceeds the higher of fair market value and the value in use of a group of assets. Impairment losses are recognized in profit and loss under the caption 'Write down of mineral properties'. Impairments are reviewed for potential reversals at each reporting date. Impairment can be reversed but is limited to the carrying value that would have been determined, net of depreciation, had no impairment been recognized.

Indications that the net capitalized carrying value of acquisition, exploration and evaluation costs will not be recovered would include:

- exploration activities have ceased;
- exploration results are not promising, such that exploration will not be planned for the foreseeable future;
- lease ownership rights expire, are cancelled or expropriated;
- sufficient funding is not expected to be available to complete the program; or
- other indications of impairment exist.

**h) Cash and cash equivalents**

Cash equivalents, consist of cash deposits in banks and include cash and short-term money-market instruments that are readily convertible to cash with an original term of less than 90 days.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**i) Property and equipment**

Property and equipment are carried at cost, less accumulated depreciation and accumulated impairment losses. The cost consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs for dismantling, removal and restoration of the site. Depreciation is recognized on the basis of cost less estimated residual value over its useful life using the following rates:

Office equipment - 30% on declining balance; Field equipment - 30% on declining balance

Residual value, useful life and depreciation method are reviewed on an annual basis.

**j) Proportionate cost sharing ventures**

Certain of the Company's exploration and evaluation activities are conducted jointly with others. These financial statements reflect only the Company's interest in such activities. Although the Company holds certain interest in mineral properties through joint venture agreements, none of its operations are carried on through joint venture entities.

**k) Share based payment transactions**

The fair value of share options granted to employees and non-employees is recognized as an expense over the vesting period with a corresponding increase in equity. An individual is classified as a direct employee when the individual is an employee for legal or tax purposes. For share based compensation tax purposes, directors and officers are deemed to be employees.

The fair value of all stock options granted is measured at the grant date and recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option-pricing model, taking into consideration amounts believed to approximate the volatility of the trading price of the Company's stock, the expected life of the award of the stock-based compensation, the share price at the close of trading on the day immediately preceding the grant and the risk-free interest rate. The amount recognized as an expense is recognized as either a charge to profit and loss or as an addition to mineral properties exploration and evaluation costs. Stock option expense is added to the properties in a consistent manner in which exploration wages have been added to the properties. Consideration received on the exercise of stock options is credited directly to share capital. All of the Company's options were fully vested at the time of issue.

**l) Flow-through share financing**

Under Canadian tax legislation, a company is permitted to issue flow-through shares whereby the Company agrees to incur qualifying exploration and evaluation expenditures and renounce the related income tax deductions to the investors. Proceeds from the issuance of these shares are allocated between share capital and the sale of the related tax benefit. The allocation made is based on the difference between the issue price of the shares and the fair market price quoted for the shares. A liability is recognized for the difference. The liability is reduced and the reduction of the premium liability is recorded in other income on a pro-rata basis to the corresponding eligible expenditures that have been incurred.

**m) Credit on duties refundable for loss and refundable tax credits for resource investment**

The Company is entitled to a credit on duties refundable of up to 16% for eligible expenditures under the Québec Mining Duties Act and a refundable tax credit for eligible expenditures of 38.75% under the Québec Income Tax Act. These credits are only applicable for qualified exploration expenditures on properties located in the Province of Québec.

These credits are recognized using the cost reduction method. Accordingly, they are recorded as a reduction of the related exploration expenses incurred. The application for these credits are subject to verification and as such, they are recognized only when they are actually received or when a notice of assessment confirming the amount to be paid is issued.

**n) Basic and diluted loss per share**

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of shares outstanding during the period. Diluted loss per share is determined by adjusting the loss attributable to shareholders and the weighted average number of common shares outstanding during the period for the effect of warrants and options outstanding that may add to the total number of common shares.

Diluted loss per share is calculated using the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding, used for the calculation of diluted loss per share, assumes that the proceeds to be received on the exercise of dilutive stock options and warrants are used to repurchase common shares at the average market price during the year. For the years presented, this calculation proved to be anti-dilutive.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**o) Significant accounting judgments and estimates**

The preparation of financial statements in conformity with IFRS requires management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and reported amounts of revenues and expenses during the reporting period. Actual outcomes could differ from these estimates. These condensed consolidated interim financial statements include estimates that, by their nature, are uncertain. The impacts of those estimates are pervasive throughout the financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in future periods if the revision affects both current and future periods. These estimates are based on historical experience, current economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant assumptions about the future that management has made in the condensed consolidated interim financial statements that could result in material adjustment to the carrying value of assets and liabilities, in the event that actual results differ from the assumptions made, may include or relate to, but are not limited to the following:

i. the recoverability of receivables and the determination of the value of liabilities on the statement of financial position

ii. the recoverability of exploration and evaluation expenditures incurred on the Company's properties of geological interest included on the statement of financial position

iii. the determination of impairment of mineral property exploration and evaluation expenditures on the statement of financial position and the related write down on the statement of profit or loss.

iv. the estimated useful lives and residual value of equipment included on the statement of financial position and the related depreciation on the statement of profit or loss

v. the inputs used in determining of the value of share-based payment transactions included on the statement of profit or loss and the portion attributed to exploration and evaluation expenditures on the statement of financial position

vi. the inputs used in the Black-Scholes model for determining the value of warrants on the statement of financial position

vii. management's assumptions used in determining no material restoration, rehabilitation or environmental obligations based on facts and circumstances that existed at the reporting date.

viii. management's position that there are no income tax issues requiring consideration on the statement of profit of loss

Critical accounting judgments

The categorization of financial assets and liabilities is an accounting policy that requires management to make judgments and assessments.

**p) Asset retirement obligations**

A legal or constructive obligation to incur restoration, rehabilitation and environmental costs may arise when environmental disturbance is caused by exploration, development or ongoing production activities on a mineral property.

The costs of complying with these requirements at the start of a project are capitalized as incurred. The carrying value is amortized over the expected life of the related asset.

A provision for restoration, rehabilitation and environmental costs and legal claims, where applicable, is recognized when (i) the Company has a present legal or constructive obligation as a result of past events; (ii) it is likely that an outflow of resources will be required to settle the obligation; and (iii) the amount can be reliably estimated.

Provisions are measured at management's best estimate of the expenditure to settle the obligation at the end of the reporting period discounted to present value where the effect is material. Increases to provisions which may be necessary from time to time are recognized as interest expense. The present value of the reclamation liabilities may be subject to change based on management's re-evaluation of estimates, changes in remediation technology or changes to the applicable laws and regulations by regulatory authorities, which affect the ultimate cost of remediation and reclamation. Changes to the provisions are reflected in the period in which they occur.

Provision for environmental restoration represents the legal and constructive obligations associated with the eventual closure of the Company's property, plant and equipment. These obligations consist of costs of removal of tangible assets and the cost of reclamation and monitoring activities. The discount rate is based on pre-tax rates that reflect current

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

market conditions for the time, value of money, and the risks specific to the liability, excluding risks for which future cash flow estimates have already been adjusted.

As at January 31, 2012 the Company did not have any asset retirement obligations.

**q) Income taxes**

The Company uses the asset and liability method of accounting for income taxes, under which deferred income tax assets and liabilities are recognized for the estimated deferred income tax consequences attributable to differences between the financial statement carrying value of assets and liabilities and their respective income tax bases. Deferred income tax assets and liabilities are measured using income tax rates in effect for the period in which those temporary differences are expected to be recovered or settled. The effect on deferred income tax assets and liabilities of a change in income tax rates or laws is recognized as a part of the provision for income taxes in the period the changes are substantially enacted.

Deferred income tax benefits attributable to these differences, if any, are recognized to the extent that realization of the benefit is more likely than not.

**r) Recent accounting pronouncements**

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods after December 31, 2010. Many are not applicable to the Company or do not have significant impact. The following have not yet been adopted but are being evaluated to determine their impact on the Company.

i. IFRS 9 – Financial Instruments, was issued by the IASB in October 2010 and will replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages it financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 were carried forward unchanged to IFRS 9. The new standard also requires the use of a single method of impairment determination, replacing the multiple methods available under IAS 39. The new standard is effective for annual reporting periods beginning on or after January 1, 2013. The IASB has proposed delaying the effective date of IFRS 9 to January 1, 2015.

ii. IFRS 10 – Consolidated Financial Statements, was issued by the IASB in May 2011. This is a new standard which identifies the concept of control as the determining factor in assessing whether or not an entity should be included in the consolidated financial statements of the parent company. Control is comprised of three elements: a) power over an investee; b) exposure or rights to variable returns from an investee; and c) the ability of the investor to affect its returns through its power. This new standard is effective for annual reporting periods beginning on or after January 1, 2013. Earlier adoption is permitted.

iii. IFRS 11 – Joint Arrangements was issued by the IASB in May 2011. This new standard focuses on classifying joint arrangements by their rights and obligations rather than their legal form. Entities are classified as either a joint operation whereby the parties have rights to the assets and obligations for the liabilities or a joint venture whereby the parties have rights to the net assets of the arrangement. In a joint operation the parties account for the assets, liabilities, revenue and expenses in proportion to its interest, whereas in a joint venture the parties recognise their interest as an investment and account for that investment using the equity method. This new standard is effective for annual reporting periods beginning on or after January 1, 2013. Earlier adoption is permitted.

iv. IFRS 12 – Disclosure of Interests in Other Entities was issued by the IASB in May 2011. This new standard provides disclosure requirements for entities' reporting of interests in other entities, including joint arrangements, special purpose arrangements and off-balance-sheet arrangements. This new standard is effective for annual reporting periods beginning on or after January 1, 2013. Earlier adoption is permitted.

v. IFRS 13 – Fair Value Measurement was issued by the IASB in May 2011. This new standard provides precise definition of fair value and single source of fair value measurement considerations for use across IFRSs. The key points are as follows:

a) Fair value is measured using the price in a principal market for the asset or liability, or in the absence of a principal market, the most advantageous market;

b) Financial assets and liabilities with offsetting positions in market risks or counterparty credit risks can be measured on the basis of an entity's net risk exposure;

c) Disclosure regarding the fair value hierarchy has been moved from IFRS 7 to IFRS 13 and further guidance has been added to the determination of classes of assets and liabilities;

d) A narrative has been provided discussing the sensitivity of fair value measurements categorized under Level 3 of the fair value hierarchy to significant unobservable inputs.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

e) Information must be provided on an entity's valuation processes for fair value measurements categorized under Level 3 of the fair value hierarchy

This new standard is effective for annual reporting periods beginning on or after January 1, 2013. Earlier adoption is permitted.

vi. IAS 1 – Presentation of Financial Statements was amended by the IASB in June 2011 in order to align the presentation of items in other comprehensive income with US GAAP standards.

a) Items in other comprehensive income will be required to be presented in two categories: a) items that might be reclassified into profit and loss and those that will not be reclassified.

b) The flexibility to present a statement of comprehensive income as one single statement or two separate statements of profit and loss and other comprehensive income remains unchanged.

The amendments to IAS 1 are effective for annual reporting periods beginning on or after July 1, 2012.

## 4. MARKETABLE SECURITIES

**a) Marketable Securities**

Bonds and other securities are recorded at fair value. The Company has classified all of its investments in marketable securities, including the investments below, as available-for-sale. Investments in bonds bear interest at annual rates ranging from 1.25% to 5.75%, maturing between September 13, 2012 and June 15, 2016. Investments in public companies consist of shares in Dianor Resources Inc., which were acquired in exchange for geological data; shares of Threegold Resources Inc., received as a dividend from Dianor Resources Inc.; shares in Concordia Resource Corporation (formerly Western Uranium Corporation) received in exchange for prospecting permits and mineral claims; shares in Western Lithium Corporation resulting from a spin-out of Western Uranium Corporation; and shares in Honey Badger Exploration Inc., received in conjunction with an option to acquire a 50% interest in the Radisson property.

Marketable Securities as at January 31, 2012

| | # of Shares | $ |
|---|---|---|
| GIC's and investment grade bonds | | 3,003,154 |
| Concordia Resource Corporation (formerly Western Uranium Corporation) common shares | 539,336 | 312,815 |
| Dianor Resources Inc. common shares | 500,000 | 15,000 |
| Honey Badger Exploration common shares | 5,000,000 | 300,000 |
| Threegold Resources Inc. common shares | 12,380 | 241 |
| Western Lithium Corporation common shares | 169,612 | 61,060 |
| | | 3,692,270 |
| Less Current portion | | 2,502,169 |
| | | 1,190,101 |

**b) Hedging Activities**

The Company does not engage in hedging activities nor does it hold or issue any derivative financial instruments.

## 5. PREPAID AND SUNDRY RECEIVABLES

| | Three months ended January 31, 2012 | October 31, 2011 |
|---|---|---|
| Sales tax input credits recoverable | $ 1,032,774 | $ 755,235 |
| Government rebates | 900,849 | 375,589 |
| Sundry accounts receivable | 62,498 | 33,329 |
| Advances and prepaid expenses | 15,650 | 22,541 |
| | $ 2,011,771 | $ 1,186,694 |

## 6. PROPERTY AND EQUIPMENT

The equipment is recorded at cost and is comprised as follows:

| Cost | Computer equipment | Field equipment | Total |
|---|---|---|---|
| Balance, November 1, 2010 and January 31, 2011 | $ 39,576 | $ 296,523 | $ 336,099 |
| Additions | 9,985 | 46,047 | 56,032 |
| Balance, October 31, 2011 and January 31, 2012 | $ 49,561 | $ 342,570 | $ 392,131 |

| Accumulated depreciation | Computer equipment | Field equipment | Total |
|---|---|---|---|
| Balance, November 1, 2010 | $ 27,723 | $ 213,865 | $ 241,588 |
| Additions | 890 | 6,201 | 7,091 |
| Balance, January 31, 2011 | 28,613 | 220,066 | 248,679 |
| Additions | 3,904 | 25,424 | 29,328 |
| Balance, October 31, 2011 | 32,517 | 245,490 | 278,007 |
| Additions | 1,279 | 7,284 | 8,563 |
| Balance, January 31, 2012 | $ 33,796 | $ 252,774 | $ 286,570 |

| Carrying value | Computer equipment | Field equipment | Total |
|---|---|---|---|
| Balance, November 1, 2010 | $ 11,853 | $ 82,658 | $ 94,511 |
| Balance, January 31, 2011 | $ 10,963 | $ 76,457 | $ 87,420 |
| Balance, October 31, 2011 | $ 17,044 | $ 97,080 | $ 114,124 |
| Balance, January 31, 2012 | $ 15,765 | $ 89,796 | $ 105,561 |

## 7. MINERAL PROPERTIES

Acquisition, exploration and evaluation expenditures of mineral properties are recorded at cost and are comprised as follows:

**Project expenditures for the three months ended January 31, 2012**

| Project | Drilling & Assays | Technical Surveys | Project Acquisition & Maintenance | Gross Expenditures | Grants | 2012 Net Expenditures |
|---|---|---|---|---|---|---|
| **Clearwater** | $ 1,342,137 | $ 91,898 | $ 630 | $ 1,434,665 | $ (635,444) | $ 799,221 |
| **Eastmain Mine** | 649,263 | 10,329 | - | 659,592 | (222,040) | 437,552 |
| **Éléonore South** | 36,958 | 2,138 | 3,725 | 42,821 | (27,114) | 15,707 |
| **Ruby Hill** | - | 630 | 10,278 | 10,908 | - | 10,908 |
| **Reservoir** | 1,507 | 78,544 | 13,257 | 93,308 | (2,520) | 90,788 |
| **Radisson** | - | 872 | - | 872 | (695) | 177 |
| **Other** | - | 91,788 | 32,556 | 124,344 | (13,036) | 111,308 |
| **Total** | $ 2,029,865 | $ 276,199 | $ 60,446 | $ 2,366,510 | $ (900,849) | $ 1,465,661 |

**7. MINERAL PROPERTIES (Continued)**

**Cumulative acquisition, exploration and evaluation expenditures as at January 31, 2012**

| Project | Balance October 31, 2011 | 2012 Net Expenditures | Write-Downs & Recoveries | Balance January 31, 2012 |
|---|---|---|---|---|
| **Clearwater** | $ 21,524,891 | $ 799,221 | $ - | $ 22,324,112 |
| **Eastmain Mine** | 10,897,962 | 437,552 | - | 11,335,514 |
| **Éléonore South** | 4,771,052 | 15,707 | - | 4,786,759 |
| **Ruby Hill** | 1,830,625 | 10,908 | - | 1,841,533 |
| **Reservoir** | 442,230 | 90,788 | - | 533,018 |
| **Radisson** | 75,594 | 177 | - | 75,771 |
| **Other** | 1,827,927 | 111,308 | - | 1,929,235 |
| **Xstrata JV** | 634,142 | - | (634,142) | - |
| | $ 42,004,423 | $ 1,465,661 | $ (634,142) | $ 42,835,942 |

As at January 31, 2012 the Company has outstanding refund claims for mining duties and resource investment tax credits from the Ministry of Natural Resources (Québec) and Revenue Québec in respect of claims filed up to October 31, 2011, amounting to approximately $288,000 ($1,000,000 as at January 31, 2011). Since the Company had not received confirmation of refund amounts for these periods, refunds have not been reflected in the quarterly financial statements for the periods ending Jan 31, 2012 and 2011 respectively.

**a) Clearwater Project**

Eastmain holds 100% interest in the Clearwater Project, an exploration-staged project located in James Bay Québec. The Clearwater property consists of 385 map designated claims, “CDCs”, (claims désignée sur carte) in the Lac Natel and Lac Le Caron map sheets. There are no underlying royalties pertaining to this property. On March 1, 2011 Eastmain purchased SOQUEM's 2% Net Smelter Return Royalty for 1 million shares valued at $1.72 million and $1.0 million cash.

**b) Eastmain Mine Project**

The Eastmain Mine property consists of a 100% interest in a 132.12-hectare mining lease and 152 CDCs for a total area of 8,014.35 hectares covering part of the Iles Bohier map sheet. The Eastmain Mine property is considered an exploration-staged project. MSV Resources Inc., a wholly-owned subsidiary of Campbell Resources Inc., retains a 2% net smelter return royalty (“NSR”) on the property. Eastmain Resources Inc. holds an option to purchase one-half of the NSR, on any production exceeding 250,000 ounces of gold, for $1 million and has a right of first refusal.

**c) Éléonore South Project**

The Éléonore South project is an exploration-stage project consisting of two separate blocks comprising a total of 282 claims covering approximately 147 $km^2$ in the Opinaca District of James Bay Québec. The Éléonore West block consists of 34 mineral claims covering nearly 17.8 $km^2$, while the Éléonore South Block contains 248 claims extending over an area of approximately 129.8 $km^2$. The Éléonore South project is a three-way joint venture between Eastmain (36.99%), Les Mines Opinaca Ltée., a wholly-owned subsidiary of Goldcorp Inc. (36.99%) and Azimut Exploration Inc. (26.02%). Eastmain is the project operator and accordingly, under the terms of the joint venture agreement, charges management fees based on a percentage of exploration costs.

**d) Ruby Hill Project**

Ruby Hill, an exploration-stage project, consists of a total of 268 CDCs comprising two blocks referred to as Ruby Hill East and Ruby Hill West, which cover an area of approximately 14,125.5 hectares over the Lac Cadieux and Iles Bohier map sheets. Ruby Hill East, is contiguous with the Eastmain Mine property. 236 CDC’s are subject to a 2.5% Net Smelter Return Royalty, with a buy-out of 1.5% of the royalty for $1.5 million, in favour of the original property vendors.

**e) Reservoir Project**

The Company holds 100% interest in the Reservoir property, an exploration-stage project. Located in the James Bay region of Québec, Reservoir comprises 156 CDCs covering approximately 8,098.54 hectares of the Eastmain River Greenstone Belt. There are no underlying royalties pertaining to this property.

## 7. MINERAL PROPERTIES (Continued)

### f) Radisson Project

The Company holds 100% interest in 207 CDCs comprising approximately 10,698 hectares of the La Grande greenstone belt in an exploration-stage property known as the Radisson project. A 2% Net Smelter Return Royalty payable to Franco-Nevada Corporation is assigned to eight of the 207 CDCs.

In August 2011, the company signed a Letter of Intent with Honey Badger Exploration Inc. ("Honey Badger"), whereby Honey Badger can earn a 50% interest in the Radisson project for consideration of $50,000, issuance of 5 million shares of Honey Badger to Eastmain, and the completion of $2.5 million in exploration expenditures, including a minimum of 6,000 metres of drilling, within three years. Upon earning a 50% interest, Honey Badger will have a one-time 60-day option to earn an additional 10% interest in the property for $100,000 and additional exploration expenditures of $3.0 million, including another 6,000 metres of drilling, within a period of two years. Honey Badger is the project operator.

### g) Other

**i) Québec Projects - Lac Elmer Project**

The Company holds a 50% interest in the Lac Elmer Project, which comprises 178 CDCs covering 9,379 hectares within the Eastmain River area of Québec. Barrick Gold Corporation previously earned a 50% interest from Eastmain in the Lac Elmer Project by funding $1 million in work expenditures. Eastmain is the project operator. Should Barrick not elect to participate in any given exploration program it's interest would be diluted.

**ii) Dyna, Lac Hudson, Lac Lessard, Lidge and Road King Projects**

The Company holds 100% interest in the Dyna, Lac Hudson, Lac Lessard, Lidge and Road King properties, all exploration-stage properties, which are located in prospective greenstones belts within the James Bay region of Québec. There are no underlying royalties pertaining to these properties.

### h) Xstrata JV, MegaTEM Project

Eastmain holds a 70% interest in the MegaTEM project. Deferred exploration expenditures on this project have been written off reflecting the Company's diminished interest in base metals in favour of gold exploration. Geological and geophysical data generated by the project is being retained by the Company for future use when market conditions justify a return to base metal exploration.

## 8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

| | Three months ended January 31, 2012 | October 31, 2011 |
|---|---|---|
| Trade accounts | $ 2,006,316 | $ 4,021,514 |
| Accrued liabilities | 206,102 | 224,552 |
| Due to related parties | 83,832 | 93,361 |
| | $ 2,296,250 | $ 4,339,427 |

## 9. RESTRICTED CASH AND FLOW-THROUGH SHARE PREMIUM LIABILITY

The Company had raised $3,220,000 in September 2010 of which $1,615,011 remained to be spent on Canadian exploration expenditures ("CEE") as at October 31, 2010. In December 2010 the company raised an additional $5,002,250 and $178,750 with flow-through issues. In December 2011 two additional issues raised $5,753,970 and $108,550. A portion of the Company's cash is restricted to expenditures that qualify as CEE.

| | Flow-through premium liability | Restricted Cash |
|---|---|---|
| Balance, November 1, 2010 | $ 456,416 | $ 1,615,011 |
| December 2010 flow-through issues | 1,534,480 | 5,181,000 |
| Reduction for expenses incurred | (414,380) | (1,466,268) |
| Balance, January 31, 2011 | 1,576,516 | 5,329,743 |
| Reduction for expenses incurred | (1,576,516) | (5,329,743) |
| Balance, October 31, 2011 | - | - |
| December 2011 flow-through issues | 2,613,502 | 5,862,520 |
| Reduction for expenses incurred | (456,249) | (1,013,887) |
| Balance, January 31, 2012 | 2,157,253 | 4,848,633 |

## 10. SHARE CAPITAL

### a) Authorized share capital

The company is authorized to issue an unlimited number of common shares with no stated par value.

i) In December 2010, the Company issued 1,819,000 flow-through shares in a private placement at $2.75 per share for gross proceeds of $5,002,250. Issue costs in connection with the private placement were $375,189. A brokerage commission of 6% of gross proceeds was paid and 109,140 broker warrants were issued. Each warrant entitled the holder to purchase one common share at a price of $1.85 until December 7, 2011. The Black-Scholes value associated with these warrants was $38,400. The flow-through premium associated with this issue was $1,491,580.

ii) In December 2010, the Company issued 65,000 flow-through shares in a private placement to directors, officers, employees and service providers at $2.75 per share for gross proceeds of $178,750. Issue costs in connection with this private placement were $10,894. The flow-through premium associated with this issue was $42,900.

iii) In December 2011, the Company issued 2,615,441 flow-through shares in a private placement at $2.20 per share for gross proceeds of $5,753,970. Issue costs in connection with the private placement were $402,735. A brokerage commission of 6% of gross proceeds was paid and 156,926 broker warrants were issued. Each warrant entitles the holder to purchase one common share at a price of $1.40 until June 2, 2013. The Black-Scholes value associated with these warrants was $30,757. The flow-through premium associated with this issue was $2,589,287.

iv) In December 2011, the Company issued 83,500 flow-through shares in a private placement to directors, officers, employees and service providers at $1.30 per share for gross proceeds of $108,550. Issue costs in connection with this private placement were $27,049. The flow-through premium associated with this issue was $24,215.

### b) Share purchase option plan

The Company has a share purchase option plan available to directors, officers, employees and other service providers of the Company. The principle purpose of the plan is to provide the Company with the advantages of incentives, inherent in share ownership, to assist in attracting, retaining and motivating directors, officers, employees and other key consultants and service providers to the Corporation, who are responsible for the continued success of the Company. By providing such parties the opportunity to acquire common shares of the Company through options, the personal interests of these parties become closely aligned with those of the shareholders.

Under the plan, the Company may issue options, up to a maximum of 10% of the common shares outstanding, at prices not less than the market price of the common shares at the close of trading on the day immediately preceding the date of the grant. The number of common shares reserved for issuance to any one person may not exceed 5% of the issued and outstanding common shares at the date of such grant. Options granted must be exercised no later than ten years from date of grant or such lesser period as determined by the Company's Board of Directors. Vesting of options is made at the discretion of the Board of Directors at the time the options are granted. All share purchase options were fully vested on the date granted. The Company applies the fair-value method of accounting for all share-based compensation awards.

No share purchase options were granted during the three months ended January 31, 2012 or during the three months ended January 31, 2011.

On January 25, 2011, the Company amended the expiry date of 250,000 options expiring on January 26, 2011 to expire on January 26, 2016. The fair value of these options amounted to $297,500, using the Black-Scholes option-pricing model with the following assumptions: Dividend yield - $0.00, expected volatility – 36.3%, risk-free interest rate – 1.71%, expected term 2.5 years. $44,600 of the cost was apportioned to the operating statement of loss and $252,900 to mineral properties.

On April 27, 2011, 250,000 share purchase options with an exercise price of $1.51 were issued to Directors. The options fully vested on the date of issue. The estimated fair value of the grant was $224,500 using the Black-Scholes option pricing model with the following assumptions: dividend yield of 0; expected volatility factor of 54.7%; a risk free interest rate of 2.89% and an expected life of 7.5 years.

On June 9, 2011, 650,000 share purchase options with an exercise price of $1.15 were issued to Officers and service providers. The options fully vested on the date of issue. The estimated fair value of the grant was $395,850 using the Black-Scholes option pricing model with the following assumptions: dividend yield of 0; expected volatility factor of 46.5%; a risk free interest rate of 2.81% and an expected life of 7.5 years. $191,110 was apportioned to operating statement of loss and $204,740 to mineral properties.

**10. SHARE CAPITAL (Continued)**

| Stock Options | Number of Options | Weighted Average Exercise Price |
|---|---|---|
| Outstanding, November 1, 2010 | 4,639,605 | $ 1.01 |
| Exercised | (630,000) | $ 0.72 |
| Outstanding, January 31, 2011 | 4,009,605 | $ 1.05 |
| Granted | 900,000 | $ 1.25 |
| Outstanding, October 31, 2011 | 4,909,605 | $ 1.09 |
| Exercised | (50,000) | $ 0.78 |
| Outstanding, January 31, 2012 | 4,859,605 | $ 1.09 |

Stock options outstanding as at January 31, 2012

| Expiry date | Black-Scholes Value ($) | Number of Options | Exercise Price ($) |
|---|---|---|---|
| June, 2012 | 261,167 | 813,605 | 0.78 |
| June, 2012 | 31,500 | 100,000 | 0.77 |
| September, 2013 | 386,925 | 825,000 | 0.96 |
| April, 2014 | 52,992 | 96,000 | 0.96 |
| June, 2014 | 468,800 | 800,000 | 1.25 |
| January, 2016 | 397,000 | 250,000 | 0.72 |
| April, 2020 | 192,750 | 250,000 | 1.35 |
| June, 2020 | 536,250 | 750,000 | 1.27 |
| September, 2020 | 62,400 | 75,000 | 1.46 |
| April, 2021 | 224,250 | 250,000 | 1.51 |
| June, 2021 | 395,850 | 650,000 | 1.15 |
| | 3,009,884 | 4,859,605 | 1.09 |

**c) Warrants**

On December 7, 2010, 109,140 share purchase warrants were issued as broker compensation with an exercise price of $1.85. The estimated fair value of the warrants was $38,400 using the Black-Scholes option pricing model with the following assumptions: dividend yield of 0; expected volatility factor of 33.3%; a risk free interest rate of 1.61% and an expected life of 1 year. These warrants expired unexercised.

On December 2, 2011, 156,926 share purchase warrants were issued as broker compensation with an exercise price of $1.40. The estimated fair value of the warrants was $30,757 using the Black-Scholes option pricing model with the following assumptions: dividend yield of 0; expected volatility factor of 43.8%; a risk free interest rate of 0.9% and an expected life of 1.5 years.

| Warrants | Number of Warrants | Weighted Average Exercise Price |
|---|---|---|
| Outstanding, November 1, 2010 | 204,000 | $ 1.84 |
| Granted | 109,140 | $ 1.85 |
| Outstanding, January 31, 2011 and October 31, 2011 | 313,140 | $ 1.84 |
| Expired | (109,140) | $ 1.84 |
| Granted | 156,926 | $ 1.40 |
| Outstanding, January 31, 2012 | 360,926 | $ 1.65 |

Warrants outstanding as at January 31, 2012

| Expiry date | Black-Scholes Value ($) | Number of Warrants | Exercise Price ($) |
|---|---|---|---|
| February, 2012 | 62,040 | 120,000 | 2.00 |
| September, 2012 | 40,236 | 84,000 | 1.60 |
| June, 2013 | 30,757 | 156,926 | 1.40 |
| | 133,033 | 360,926 | 1.65 |

## 11. CAPITAL MANAGEMENT

The Company's objectives in managing capital are to ensure that there are adequate resources to sustain operations and to continue as a going concern, to maintain adequate levels of funding to support acquisition and exploration of mineral properties, to maintain investor and market confidence and to provide returns to shareholders. The Company may manage its capital structure by issuing new shares, adjusting capital spending or disposing of assets. The Board of Directors does not establish quantitative return on capital criteria for management, but relies on management's expertise to sustain future development of the business.

Exploration involves a high degree of risk and substantial uncertainties about the ultimate ability of the Company to achieve positive cash flow from operations. Consequently, management reviews its capital management approach on an ongoing basis, taking into consideration operating expenditures and other investing and financing activities. As a part of this review, management considers the cost of capital and the risks associated with each class of capital. Based on recommendations from management, the directors balance overall capital structure through new share issues.

Management believes it will be able to raise equity capital as required in the long term, but recognizes there will be risks involved that may be beyond their control. Management intends to continue to use various strategies to minimize its dependence on equity capital, including the securing of joint arrangements where appropriate.

Management considers its capital structure to consist of equity attributable to equity holders of the Company, comprising issued share capital, contributed surplus, warrants and accumulated deficit, which at January 31, 2012 totalled $53,466,877 ($51,044,226 October 31, 2011 and $46,653,332 November 1, 2010).

There were no changes in management's approach to capital management during the three months ended January 31, 2012. The Company is not subject to externally imposed capital requirements.

## 12. FINANCIAL RISK FACTORS

The Company's exposure to risk factors and their impact on the Company's financial instruments are summarized below:

### a) Fair Value
Fair value represents the amount of which a financial instrument could be exchanged between willing parties, based on current markets for instruments with the same risk, principal and remaining maturity. Fair values estimates are based on quoted market values and other valuation methods.

### b) Credit Risk
Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to cash and cash equivalents, marketable securities, and receivables included in prepaid and sundry receivables. The Company has no significant concentration of credit risk arising from operations. Cash and cash equivalents are held with the Royal Bank of Canada, from which management believes the risk of loss to be minimal. Financial instruments included in prepaid and sundry receivables consist of other receivables. Management believes that the credit risk concentration with respect to financial instruments included in prepaid and sundry receivables is minimal.

### c) Liquidity Risk
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at January 31, 2012, the Company had cash and cash equivalents of $12,449,201 ($11,519,234 October 31, 2011 and $14,472,115 November 1, 2010) to settle current liabilities of $2,296,250 ($4,339,427 October 31, 2010 and $1,204,686 November 1, 2010). During the quarter ended January 31, 2012, the Company raised net proceeds of $5,471,736 through the issue of flow-through shares, and through the exercise of stock options. In management's opinion, there are sufficient funds to support the planned exploration program for the foreseeable future. All of the company's financial liabilities have contractual maturities of 30 days or less and are subject to normal trade terms. The Company is committed to spending $5,862,520 on flow-through expenditures before December 31, 2012 of which $1,013,887 was fulfilled as at January 31, 2012.

### d) Market Risk
Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

#### Interest Rate Risk
The Company has cash balances, interest-bearing bank accounts and no interest-bearing debt. The Company's current policy is to invest excess cash in investment-grade bonds, treasury bills, bankers' acceptances and money market funds. Due to the short-term nature of these financial instruments, fluctuations in market rates do not have a significant impact on the estimated fair value as at January 31, 2012.

**12. FINANCIAL RISK FACTORS (Continued)**

**Foreign Currency Risk**
The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars. The Company funds certain administrative expenses in the United States on a cash-call basis using US dollar currency converted from its Canadian dollar bank account held in Canada. Management believes the foreign exchange risk derived from currency conversions is manageable and therefore, does not hedge its foreign exchange risk.

**Price Risk**
The Company is exposed to price risk with respect to commodity and equity prices. Equity-price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity-price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company monitors commodity prices of precious metals, individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company.

**e) Sensitivity Analysis**
The Company has designated its cash and cash equivalents and marketable securities as available-for-sale, which is measured at fair value with unrealized gains and losses recorded in other comprehensive income. Financial instruments included in prepaid and sundry receivables are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost.

The carrying value and fair value amounts of the Company's financial instruments classified as to level according to the fair value hierarchy are:

| | Assets (Liabilities) January 31, 2012 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Cash and cash equivalents | $12,449,201 | - | - | $12,449,201 |
| Marketable securities | 3,692,270 | - | - | 3,692,270 |
| Prepaid expenses and sundry receivables | 78,148 | - | - | 78,148 |
| Accounts payable and accrued liabilities | (2,296,250) | - | - | (2,296,250) |
| | $13,923,369 | - | - | $13,923,369 |

Financial instruments included in prepaid and sundry receivables are other receivables of $78,148. Based on Management's knowledge and experience of the financial markets, the Company believes that the following movements are "reasonably possible" over a twelve-month period:

i) Interest-bearing bank accounts are at a variable rate and investments maturing in less than one year are subject to new interest rates at the time of renewal, and therefore, may be impacted. Current short-term interest rates are less than 2.0%. Sensitivity to a plus or minus 1% (100 basis point) change in current interest rates would affect net loss by plus or minus $124,492.

ii) The Company has investments in public companies. Sensitivity to a plus or minus 50% change in the fair market value of those securities would affect comprehensive net loss by $344,558.

**13. GENERAL AND ADMINISTRATIVE EXPENSES**

| | Three months ended January 31, | |
|---|---|---|
| | 2012 | 2011 |
| Amortization | $ 8,563 | $ 7,091 |
| General and administration | 242,505 | 219,597 |
| Professional fees | 11,500 | 18,561 |
| Stock option compensation | - | 44,600 |
| | $ 262,568 | $ 289,849 |

## 14. EARNINGS PER SHARE

| | Three months ended January 31, 2012 | 2011 |
|---|---|---|
| Basic weighted average number of shares outstanding | 96,719,460 | 92,603,607 |
| Warrants | - | 84,000 |
| Stock options | - | 4,009,605 |
| Diluted weighted average number of shares outstanding | 96,719,460 | 96,697,212 |
| Items excluded from the calculation of diluted earnings because the exercise price is higher than the average quoted value of the common shares: | | |
| Warrants | - | 229,140 |
| Stock options | - | - |
| Items excluded from the calculation of diluted earnings because the effect of their exercise would be anti dilutive: | | |
| Warrants | 360,926 | - |
| Stock options | 4,859,605 | - |

## 15. RELATED PARTY TRANSACTIONS

Related parties include the Board of Directors, key management, close family members and enterprises that are controlled by these individuals. Related party transactions conducted in the normal course of operations are measured at the amount established and accepted by the parties.

**a) Transactions with related parties**

| | Three months ended January 31, 2012 | 2011 |
|---|---|---|
| Donald Robinson (i) | $ 59,700 | $ 57,000 |
| Shawonis Explorations and Enterprises Ltd. (ii) | $ 54,675 | $ 44,000 |
| QB 2000 Inc. (iii) | $ 17,904 | $ 13,415 |

i. Donald Robinson is the President and Chief Executive Officer of Eastmain Resources Inc. and a member of the Board of Directors of Eastmain Resources Inc. Fees paid to Donald Robinson are related to professional geological exploration and management services and office rental. As at January 31, 2012, $3,000 was owed to Dr. Robinson ($3,000 October 31, 2011). These amounts were included in accounts payable and other liabilities.

ii. The Exploration Manager of Eastmain Resources Inc. is the president of Shawonis Explorations and Enterprises Ltd. and is related to the Chief Executive Officer of Eastmain Resources Inc. Fees paid to Shawonis Explorations and Enterprises Ltd. are related to professional geological exploration and management services. As at January 31, 2012, $66,583 was owed to Shawonis Explorations and Enterprises Ltd. ($76,259 October 31, 2011). These amounts were included in accounts payable and other liabilities.

iii. The Chief Financial Officer of Eastmain Resources Inc. is the president of QB 2000 Inc. Fees paid to QB 2000 Inc. are related to the Chief Financial Officer function. As at January 31, 2012, $14,249 was owed to QB 2000 Inc. ($14,102 October 31, 2011). These amounts were included in accounts payable and other liabilities.

**a)** Remuneration of directors and key management personnel, other than consulting fees:

| | Three months ended January 31, 2012 | 2011 |
|---|---|---|
| Salaries and benefits | $ 73,723 | $ 71,872 |
| Share-based compensation | $ - | $ - |
| | $ 73,723 | $ 71,872 |

Certain officers have employment or service contracts with the Company. The Directors do not have any employment or service contracts. Officers and directors are entitled to share purchase options and cash remuneration for their services.

## 16. Commitments

The Company is committed to spending $5,862,520 on flow-through expenditures before December 31, 2012 of which $1,013,887 was fulfilled as at January 31, 2012.

## 17. Conversion to IFRS

### i. Overview

These are the first condensed consolidated interim financial statements prepared with IFRS.

The policies set out in the Summary of Significant Accounting policies section have been applied in the preparation of the financial statements for the three months ended January 31, 2012 and the opening statement of financial position as at November 1, 2010 (the Company's transition date).

### ii. First-time adoption of IFRS

The adoption of IFRS requires the application of IFRS 1, which provides guidance for an entity's initial adoption of IFRS. IFRS 1 generally provides for the retrospective application of IFRS as effective at the end of its first annual IFRS reporting period. However, IFRS also provides for certain optional exemptions and mandatory exemptions to this retrospective treatment.

IFRS 1 does not permit changes to estimates previously made. Estimates used in the preparation of the Company's opening statement of financial position as at the transition date are consistent with those that were made under Canadian GAAP.
The Company's transition-date unaudited consolidated statement of financial position is included as comparative information in these financial statements.

**Exploration and evaluation expenditures**
On transition to IFRS, the Company opted to continue its policy of capitalizing the costs related to exploration and evaluation expenditures and the related claims acquisition and staking costs of its mineral properties.

### iii. Changes to accounting policies

The Company has changed certain accounting policies to be consistent with IFRS as is expected to be effective October 31, 2012, the Company's first annual IFRS reporting date. These changes have resulted in certain changes to the recognition and measurement of the Company's assets, liabilities, equity, revenue and expenses.

*a) Impairment of non-financial assets*
IFRS requires a write down of assets if the higher of the fair value and the value in a group of assets is less than its carrying value. Canadian GAAP requires a write down to estimated fair value only if the discounted estimated future cash flows of a group of assets are less than its carrying value.

The Company's accounting policies related to impairment of non-financial assets have been changed to reflect this difference. There was no impact on the financial statements as a result of this change.

*b) Decommissioning Liabilities (Asset retirement obligations)*
IFRS requires the recognition of a decommissioning liability for legal or constructive obligations, while Canadian GAAP only requires the recognition of such liabilities for legal obligations. A constructive obligation exists when an entity may reasonably expect that an obligation will exist as a result of certain actions that it has taken.

The Company's accounting policies related to decommissioning liabilities have been changed to reflect this difference. There was no impact on the financial statements as a result of this change.

*c) Flow-through shares*
The Company had followed the recommendations of the CICA's Emerging Issues Committee EIC-146 with respect to flow-through shares, whereby the tax benefit to the Company was recognized on the date of the renunciation of the benefit to the investors, provided there was reasonable expectation that the expenditures would be made. Resource expenditure deductions for income tax purposes, related to exploration and development activities funded by flow-through share arrangements renounced to investors in accordance with income tax legislation were recognized as temporary taxable differences which reduced share capital.

The Company has adopted IFRS policies for the recording of flow-through expenditures and the related tax implications effective November 1, 2010. The Company allocates the proceeds from the issue of flow-through shares between share capital, for the portion representing the quoted market value at issue, and share premium, for the difference between

**17. Conversion to IFRS (Continued)**

the market value and the issue price for the shares paid by the investors. The share premium is recognized as a liability which is reduced and recorded as income on a pro-rata basis to the corresponding eligible expenditures incurred.

The income taxes related to the renunciation of tax benefits to investors are recognized as a deferred tax liability as the flow-through premium liability is amortized to income. Determination of future income tax assets and liabilities is based on the differences between the financial reporting and tax bases of assets and liabilities, and is measured using the substantially enacted tax rates and laws that will be in effect when these differences are expected to reverse. The change in policy resulted in an overall adjustment to share capital and deficit of $54,033 and differences between Canadian GAAP and IFRS attributable to the timing of the recognition of flow-through premiums and deferred income taxes impacted the financial statements as follows:

**Impact on Condensed Consolidated Interim Statements of Financial Position**

| | | As at October 31, 2011 | | As at January 31, 2011 | | As at November 1, 2010 |
|---|---|---|---|---|---|---|
| Adjustment to share capital | $ | (54,033) | $ | (3,873,318) | $ | (2,338,838) |
| Premium liability on flow-through financing | $ | - | $ | 1,576,516 | $ | 456,416 |
| Deferred income tax liability | $ | - | $ | 1,639,425 | $ | 1,221,539 |
| Adjustment to deficit | $ | 54,033 | $ | 657,377 | $ | 660,883 |

**Impact on Condensed Consolidated Statements of Loss and Comprehensive Loss**

| | | Year ended October 31, 2011 | | Three months ended January 31, 2011 |
|---|---|---|---|---|
| Premium income on flow-through financing | $ | 1,990,896 | $ | 414,380 |
| Future income tax recovery | $ | (660,883) | $ | - |
| Deferred income tax expense | $ | (1,936,863) | $ | (417,886) |
| Adjustment to deficit | $ | (606,850) | $ | 3,506 |

**Impact on Condensed Consolidated Statements of Cash Flows**

| | | Year ended October 31, 2011 | | Three months ended January 31, 2011 |
|---|---|---|---|---|
| Adjustment to Income (loss) | $ | (606,850) | $ | (3,506) |
| Future income tax recovery | $ | 660,883 | $ | - |
| Deferred income tax expense | | 1,936,863 | | 417,886 |
| Adjustment to premium on flow-through financing | $ | (1,990,896) | $ | (414,380) |

**iv. Presentation**

Certain amounts in these unaudited condensed consolidated interim financial statements have been reclassified to conform to the presentation adopted under IFRS. Under IFRS, the Company reports its statement of consolidated income (loss) on a comprehensive basis in a single statement rather than in two separate statements.

**17. Conversion to IFRS (Continued)**

**v. Reconciliation between IFRS and Canadian GAAP**

Reconciliation of financial position statements previously reported under Canadian GAAP to IFRS

| | | November 1, 2010 | |
|---|---|---|---|
| | Cdn GAAP | Adjustments | IFRS |
| **Assets** | $ | $ | $ |
| Current assets | | | |
| Cash and cash equivalents | 14,472,115 | - | 14,472,115 |
| Marketable securities maturing in one year | 1,721,066 | - | 1,721,066 |
| Prepaid and sundry receivables | 950,217 | - | 950,217 |
| | 17,143,398 | - | 17,143,398 |
| Marketable securities | 1,512,406 | - | 1,512,406 |
| Equipment | 94,510 | - | 94,510 |
| Mineral properties | 30,785,659 | - | 30,785,659 |
| | 49,535,973 | - | 49,535,973 |
| **Liabilities and Shareholders' Equity** | | | |
| Current liabilities | | | |
| Accounts payable and accrued liabilities | 1,204,686 | - | 1,204,686 |
| Deferred premium on flow-through shares | - | 456,416 | 456,416 |
| | 1,204,686 | 456,416 | 1,661,102 |
| Deferred income tax liability | - | 1,221,539 | 1,221,539 |
| **Shareholders' equity** | | | |
| Capital stock | 53,419,042 | 7,305,294 | 60,724,336 |
| Warrants | 102,276 | (102,276) | - |
| Contributed surplus | 9,541,856 | (9,541,856) | - |
| | 63,063,174 | (2,338,838) | 60,724,336 |
| Deficit | (14,486,397) | 415,393 | (14,071,004) |
| Accumulated other comprehensive loss | (245,490) | 245,490 | - |
| | 48,331,287 | (1,677,955) | 46,653,332 |
| | 49,535,973 | - | 49,535,973 |

**17. Conversion to IFRS (Continued)**

**v. Reconciliation between IFRS and Canadian GAAP (Continued)**

Reconciliation of financial position statements previously reported under Canadian GAAP to IFRS

| | | January 31, 2011 | |
|---|---|---|---|
| | Cdn GAAP | Adjustments | IFRS |
| **Assets** | $ | $ | $ |
| Current assets | | | |
| Cash and cash equivalents | 17,441,104 | - | 17,441,104 |
| Marketable securities maturing in one year | 2,235,872 | - | 2,235,872 |
| Prepaid and sundry receivables | 497,922 | - | 497,922 |
| | 20,174,898 | - | 20,174,898 |
| Marketable securities | 1,569,324 | - | 1,569,324 |
| Equipment | 87,419 | - | 87,419 |
| Mineral properties | 32,660,480 | - | 32,660,480 |
| | 54,492,121 | - | 54,492,121 |
| **Liabilities and Shareholders' Equity** | | | |
| Current liabilities | | | |
| Accounts payable and accrued liabilities | 665,694 | - | 665,694 |
| Deferred premium on flow-through shares | - | 1,576,516 | 1,576,516 |
| | 665,694 | 1,576,516 | 2,242,210 |
| Deferred income tax liability | - | 1,639,425 | 1,639,425 |
| **Shareholders' equity** | | | |
| Capital stock | 58,878,372 | 5,885,974 | 64,734,346 |
| Warrants | 140,676 | (140,676) | - |
| Contributed surplus | 9,588,616 | (9,588,616) | - |
| | 68,607,664 | (3,873,318) | 64,734,346 |
| Deficit | (14,697,429) | 573,569 | (14,123,860) |
| Accumulated other comprehensive loss | (83,808) | 83,808 | - |
| | 53,826,427 | (3,215,941) | 56,610,486 |
| | 54,492,121 | - | 54,492,121 |

**17. Conversion to IFRS (Continued)**

**v. Reconciliation between IFRS and Canadian GAAP (Continued)**

Reconciliation of financial position statements previously reported under Canadian GAAP to IFRS

| | | October 31, 2011 | |
|---|---|---|---|
| | Cdn GAAP | Adjustments | IFRS |
| **Assets** | $ | $ | $ |
| Current assets | | | |
| Cash and cash equivalents | 11,529,234 | - | 11,529,234 |
| Marketable securities maturing in one year | 2,490,963 | - | 2,490,963 |
| Prepaid and sundry receivables | 1,186,694 | - | 1,186,694 |
| | 15,206,891 | - | 15,206,891 |
| Marketable securities | 1,216,618 | - | 1,216,618 |
| Equipment | 114,123 | - | 114,123 |
| Mineral properties | 42,004,423 | - | 42,004,423 |
| | 58,542,055 | - | 58,542,055 |
| **Liabilities and Shareholders' Equity** | | | |
| Current liabilities | | | |
| Accounts payable and accrued liabilities | 4,339,427 | - | 4,339,427 |
| Deferred income tax liability | 3,158,402 | - | 3,158,402 |
| | 7,497,829 | - | 7,497,829 |
| **Shareholders' equity** | | | |
| Capital stock | 56,752,924 | 10,295,359 | 67,048,283 |
| Warrants | 140,676 | (140,676) | - |
| Contributed surplus | 10,208,716 | (10,208,716) | - |
| | 67,102,316 | (54,033) | 67,048,283 |
| Deficit | (15,483,783) | (520,274) | (16,004,057) |
| Accumulated other comprehensive loss | (574,307) | 574,307 | - |
| | 51,044,226 | - | 51,044,226 |
| | 58,542,055 | - | 58,542,055 |

Reconciliation of consolidated comprehensive loss previously reported under Canadian GAAP to IFRS

| | | Year ended October 31, 2011 | |
|---|---|---|---|
| | Cdn GAAP | Adjustments | IFRS |
| | $ | $ | $ |
| Expenses | 1,946,311 | 328,817 | 2,275,128 |
| Interest and other income | 288,042 | - | 288,042 |
| Premium on flow-through shares | - | 1,990,896 | 1,990,896 |
| Loss before income taxes | (1,658,269) | 1,662,069 | 3,810 |
| Future income tax recovery | 660,883 | (660,883) | - |
| Deferred income tax expense | - | (1,936,863) | (1,936,863) |
| Net loss for the year | (997,386) | (935,667) | (1,933,053) |
| **Net loss before other comprehensive loss** | (997,386) | (935,667) | (1,933,053) |
| Other comprehensive loss | (328,817) | 328,817 | - |
| Comprehensive net loss | (1,326,203) | (608,850) | (1,933,053) |

**17. Conversion to IFRS (Continued)**

**v. Reconciliation between IFRS and Canadian GAAP (Continued)**

Reconciliation of consolidated comprehensive loss previously reported under Canadian GAAP to IFRS

| | Three months ended January 31, 2011 | | |
|---|---|---|---|
| | Cdn GAAP | Adjustments | IFRS |
| | $ | $ | $ |
| Expenses | 289,849 | (161,682) | 128,167 |
| Interest and other income | 78,817 | | 78,817 |
| Premium on flow-through shares | - | 414,380 | 414,380 |
| Income (loss before income taxes) | (211,032) | 576,062 | 365,030 |
| Future income tax recovery | 660,883 | (660,883) | - |
| Deferred income tax expense | - | (417,886) | (417,886) |
| Net loss for the year | (211,032) | 158,176 | (52,856) |
| **Net Income (loss) before other comprehensive loss** | (211,032) | 158,176 | (52,856) |
| Other comprehensive income | 161,682 | (161,682) | - |
| Comprehensive net loss | (49,350) | (3,506) | (52,856) |

Reconciliation of cash flow statements previously reported under Canadian GAAP to IFRS

| | Three months ended January 31, 2011 | | |
|---|---|---|---|
| | Cdn GAAP | Adjustments | IFRS |
| | $ | $ | $ |
| **Operating activities** | | | |
| Comprehensive net loss for the period | (49,350) | (3,506) | (52,856) |
| Amortization | 7,091 | - | 7,091 |
| Gain on the sale of investments | (163,473) | - | (163,473) |
| Premium on flow-through shares | - | (414,380) | (414,380) |
| Deferred income tax expense | - | 417,886) | 417,886 |
| Share-based compensation | 44,600 | - | 44,600 |
| Other receivables and prepaids | 452,295 | - | 452,295 |
| Accounts payable and other liabilities | (538,992) | - | (538,992) |
| | (247,829) | - | (247,829) |
| **Financing activities** | | | |
| Proceeds on issue of common shares | 5,181,000 | - | 5,181,000 |
| Proceeds on exercise of stock options | 453,600 | - | 453,600 |
| Share issue costs | (387,610) | - | (387,610) |
| | 5,246,990 | - | 5,246,990 |
| **Investing activities** | | | |
| Exploration and evaluation expenditures | (1,631,816) | - | (1,631,816) |
| Government exploration tax credits received | 9,895 | - | 9,895 |
| Purchase of marketable securities | (1,150,956) | - | (1,150,956) |
| Proceeds on sale and redemption of marketable Securities | 742,705 | - | 742,705 |
| | (2,030,172) | - | (2,030,172) |
| Change in cash and cash equivalents | 2,968,989 | - | 2,968,989 |
| Cash and cash equivalents, beginning of the period | 14,472,115 | - | 14,472,115 |
| Cash and cash equivalents, end of the period | 17,441,104 | - | 17,441,104 |

**17. Conversion to IFRS (Continued)**

**v. Reconciliation between IFRS and Canadian GAAP (Continued)**

Reconciliation of cash flow statements previously reported under Canadian GAAP to IFRS

| | Year ended October 31, 2011 | | |
|---|---|---|---|
| | Cdn GAAP | Adjustments | IFRS |
| | $ | $ | $ |
| **Operating activities** | | | |
| Comprehensive net income (loss) for the year | (1,326,203) | (606,850) | (1,933,053) |
| Amortization | 36,419 | - | 36,419 |
| Gain on the sale of investments | 327,026 | - | 327,026 |
| Premium on flow-through shares | - | (1,990,896) | (1,990,896) |
| Future income tax recovery | (660,883) | 660,883 | - |
| Deferred income tax expense | - | 1,936,863 | 1,936,863 |
| Share-based compensation | 457,640 | - | 457,640 |
| Write down of mineral properties | 634,142 | - | 634,142 |
| Other receivables and prepaids | 128,992 | - | 128,992 |
| Accounts payable and other liabilities | 123,619 | - | 123,619 |
| | (279,248) | - | (279,248) |
| **Financing activities** | | | |
| Proceeds on issue of common shares | 5,181,000 | - | 5,181,000 |
| Proceeds on exercise of stock options | 453,600 | - | 453,600 |
| Share issue costs | (413,771) | - | (413,771) |
| | 5,220,829 | - | 5,220,829 |
| **Investing activities** | | | |
| Purchase of equipment | (56,032) | - | (56,032) |
| Exploration and evaluation expenditures | (8,105,249) | - | (8,105,249) |
| Government exploration tax credits received | 727,954 | - | 727,954 |
| Purchase of marketable securities | (2,776,840) | - | (2,776,840) |
| Proceeds on sale and redemption of marketable Securities | 2,325,705 | - | 2,325,705 |
| | (7,884,462) | - | (7,884,462) |
| Change in cash and cash equivalents | (2,942,881) | - | (2,942,881) |
| Cash and cash equivalents, beginning of the year | 14,472,115 | - | 14,472,115 |
| Cash and cash equivalents, end of the year | 11,529,234 | - | 11,529,234 |

## CORPORATE INFORMATION

**MANAGEMENT AND DIRECTORS**

Donald J. Robinson, Ph.D., P. Geo
President, CEO, Director

James L. Bezeau, BBA, CMA,
Chief Financial Officer

Catherine I. Butella, B.Sc.
Exploration Manager

Jay Goldman, BA, MBA, LLB
Corporate Secretary

Ian J. Bryans, B.A.*
Director

John A. Hansuld, Ph.D.*
Director

David K. Joyce,
Director

William L. Koyle *
Lead Director

Richard W. Hutchinson, Ph.D.
Chief Technical Advisor

Neil Hillhouse, Ph.D.
Special Advisor

Dr. Ted Moses, (former Grand Cree Grand Chief)
Special Advisor

Chad Steward
Manager Communications

* Member of Audit Committee

**AUDITORS**

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**CORPORATE SERVICES**

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**LEGAL COUNSEL**

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**TRANSFER AGENT**

Equity Financial Trust Company
200 University Avenue, Suite 400
Toronto, Ontario, Canada M5H 4H1

**SHARES LISTED**

Symbol: ER
The Toronto Stock Exchange

**SHARE STRUCTURE** (as at Sept 14, 2011)

Issued: 97,742,874
Options: 5,084,605 ($5,543,272)
Warrants: 240,926 ($354,097)

**CORPORATE OFFICE**

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