EASTMAIN

RESOURCES INC.

THIRD QUARTERLY REPORT FOR THE PERIOD ENDING – July 31, 2012

The Company is focused on 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, along with a pipeline of other gold projects with very high mineral potential within the region. We also hold 36.8 % interest in a new early-stage discovery at Éléonore South, a joint venture with Goldcorp Inc. and Azimut Exploration Inc., located immediately adjacent to Goldcorp's multi-million-ounce Éléonore project.

Clearwater Project

The Eau Claire gold deposit, located within the Clearwater property, stands out amongst other North American gold projects with respect to grade, location and infrastructure. Our near term objectives are to demonstrate that the deposit has sufficient size to support a highly profitable, long-life, stand-alone mining operation. Our drilling continues to expand the high-grade resources amenable to extraction by Open Pit. Visible gold has been observed so far in the 2012 program, in 20 of 60 drill holes from 40 vein intersections located outside of the limits of the existing resource. New continuous gold-bearing veins have been intersected during the 2012 program north of the resource limits and at depth.

Sixty-one large diameter (HQ) holes, totaling 23,500 metres have been completed during this phase of a 40,000 metre program. 3D modeling of the Eau Claire deposit has outlined a substantial "hinge" connecting the gold-mineralization between both the 450 & 850 West Zones. A newly-created grade-shell of the Eau Claire deposit demonstrates a large crescent-shaped gold-mineralized system which continues to grow to the west, north and at depth. The focus for the remainder of this drill program will be to test the north, west and east limits of both zones with an emphasis on increasing potential Open Pit gold resources.

An interim resource update is undergoing final verification subsequent to its release.

Eastmain Mine Property

The Eastmain Mine is our second wholly-owned high-grade gold deposit located within the James Bay district of Quebec. The mine property infrastructure which already includes $40 million in buildings, fuel-farm, airstrip and underground development is rapidly improving with the construction of a permanent road as part of Quebec's "Plan Nord" development program. Our camp infrastructure represents an ideal staging facility for the companies constructing sector three of the road. It also represents a source of income for the Company with the rental fees and a means of up-grading the existing camp and equipment.

However, the most important asset on the property is represented by three high-grade, gold-rich zones known as the, "A", "B" and "C" Zones, containing historical resources of 255,750 ounces of gold[1)]. The deposit is located along a along an extensive 10-kilometre-long mine trend within a very large land package exceeding 100 km^2. Current work has focused on compiling all of the historical mining and exploration data for the next phase of work. The 2012 $1-million exploration budget has been deferred to 2013.

Éléonore South Joint Venture

The Éléonore South project is an exploration-drilling-stage property, adjacent to Goldcorp Inc.'s multi-million ounce Roberto gold deposit (Éléonore project) in the Eastmain/Opinaca geologic district of James Bay, Québec. The project is jointly held by Eastmain, Azimut Exploration Inc. and Les Mines Opinaca Ltée, a wholly-owned subsidiary of Goldcorp Inc. The property consists of 282 mining claims covering 147 km^2 of prospective land, contiguous with and underlain by the same rock formations as those found on Goldcorp's Éléonore mine property.

A LiDar topographic survey has been recently completed on the project along with additional processing and interpretation of airborne geophysical data for the purpose of defining targets for future drilling. This project is particularly important given its proximity to a very large future producing gold mine and this is the first exploration ever completed on the Éléonore South property. The Eléonore South joint venture partners have approved a $250,000 interim budget funded by Eastmain and Goldcorp to prepare for future drilling.

Reservoir Project

A program of geological mapping and prospecting, along with a LiDar topographic survey was completed during the quarter, in preparation for follow-up diamond drilling on the Reservoir Project. This property is fifty kilometres south of the Éléonore mine property and geologically straddles a major structural and stratigraphic break highly prospective for large ore deposits. A large mineralized system rich in gold, copper and silver has already been identified on the property.

A $1-million exploration program including 3,000 metres of drilling has been deferred to 2013.

Radisson Project

Honey Badger Exploration Inc. ("HBE") acquired an option to earn a 50% interest in the Radisson Project in exchange for a cash payment of $50,000, issuance of 5 million HBE shares to Eastmain and $2.5 million in exploration expenditures over a three-year period, including a minimum of 6,000 metres of drilling.

The Radisson Project covers a 25-kilometre-long portion of the La Grande volcanic belt, located north and west of both the Roberto and Eau Claire gold deposits. Previous work on the property by Eastmain, Noranda and others has identified potential for both gold and base metal ore deposits. Historical rock sampling has outlined several areas of anomalous gold with continuity. HBE completed rock and soil sampling, identifying favourable sectors for drilling.

HBE have identified 10 priority targets for drill testing and are currently attempting to raise funds for this purpose.

Financial

The Company's current assets are comprised of $10.0 million cash and cash equivalents, $2.62 million in marketable securities maturing in one year and $0.80 million in other marketable securities along with exploration rebates receivable from the Province of Québec. As at July 31, 2012 there were 97.8 million shares issued, 0.24 million warrants outstanding at an average exercise price of $1.84 per share, and 5.3 million options at an average exercise price of $1.09 per share.

Outlook

We are focussed on expanding the gold resources amenable to open pit extraction at our wholly owned and royalty-free Eau Claire Gold Deposit. Drilling to date confirms that the deposit is open near surface and that there is more high-grade to add to the resource upon completion of this program. The 40,000 metre drill campaign is well past the half-way mark and new gold bearing structures are evident near surface and at depth at both the 450 and 850 West Zones. Recent 3D modelling of the deposit suggests that there is a highly prospective hinge developed between the two zones. Drilling continues to intercept veins with visible gold outside the limits of the defined resource.

Our objectives are to increase the high-grade open pit resources to the million ounce mark, along with more than a million ounces of underground resources by the end of this drill campaign. The Eau Claire Gold Deposit has infrastructure nearby and is located in one of the most favourable mining regions in the world.

Donald J. Robinson, Ph.D., P. Geo.
President and Chief Executive Officer
Sept 14, 2012

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 2011 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.

1) *Measured & Indicated Resources (which may potentially be extracted by both open and underground mining methods) of 3,354,000 tonnes containing 632,000 ounces gold @5.86 g/t gold uncapped – Eau Claire NI43-101 NR Apr 26, 2011*
2) Inferred Resources *(which may potentially be extracted by both open and underground mining methods)* of 5,322,000 tonnes containing 1,020,000 ounces gold @ 6.06 g/t gold uncapped – *Eau Claire NI43-101 NR Apr 26, 2011*
3) *Near-surface Open Pit Measured & Indicated Resources for Eau Claire (only that portion of the Eau Claire deposit that could potentially be mined by open-pit methods): 2,729,000 tonnes containing 502,000 ounces @5.72 g/t gold — Eau Claire NI43-101 NR Apr 26, 2011; NR May 19, 2011*
4) *255,750 ounces gold – Measured & Indicated Historical Non-NI43-101 Compliant Resources at Eastmain Mine (Campbell 2004 AR) and should not be relied upon. A qualified person from Eastmain has not done sufficient work to classify the historical estimate as current mineral resources, and therefore the historical estimate should not be treated as current mineral resources*.

EASTMAIN RESOURCES INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

General

The following discussion of results of operations and financial condition of Eastmain Resources Inc. ("Eastmain" or "the Company") consolidates management's review of the factors that affected the Company's financial and operating performance for the nine months ended July 31, 2012 and factors that are reasonably expected to impact future operations and results. This discussion is intended to supplement and complement the Company's Consolidated Interim Financial Statements for the nine months ended July 31, 2012 and should be read in conjunction with those Financial Statements and related notes thereto, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") and approved by the Audit Committee. All dollar amounts are expressed in Canadian dollars unless otherwise indicated.

The Unaudited Consolidated Interim Financial Statements are the Company's third quarterly financial statements to be prepared in accordance with IFRS. Reconciliations to assist the reader in understanding the effects that the transition to IFRS has had on the Company's financial statements are included in Note 18 to those statements and Note 17 of the financial statements for the quarter ended January 31, 2012. The Company's IFRS implementation project plan, discussed in previous management discussions and analyses ("MD&As"), is nearing completion with only the post implementation review remaining. Since IFRS is principles-based by nature, accounting practice will continue to evolve in Canada and in the junior mining sector. While the Company has been diligent in its selection of appropriate accounting policies and methodologies and has been guided by the anticipated papers of the Mining Industry Task Force on IFRS, it may choose later to amend those selections. Any changes will be accounted for in accordance with the accounting and disclosure requirements under IFRS, including any concessions made to first-time adopters.

Readers are encouraged to consult the Audited Consolidated Financial Statements for the years ended October 31, 2011 and 2010, which were prepared in accordance with predecessor Canadian generally accepted accounting principles ("Canadian GAAP") prior to November 1, 2011, the Company's transition date to IFRS, and the Consolidated Interim Financial Statements for January 31, 2012, the Company's first financial statements prepared using IFRS. The Company's Consolidated Interim Financial Statements and the 2011 Audited Consolidated Financial Statements are available at www.sedar.com and the Company's website www.eastmain.com.

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 "Risk Factors" of the Annual Information Form filed under the Company's profile on www.sedar.com.

This management's discussion and analysis is dated September 14, 2012.

Company 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 precious metals 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. Like other major mining districts throughout the Canadian Shield, the James Bay area is laden with a broad range of mineral deposits.

The Company holds 100% interest in two high-grade gold deposits – Eau Claire and the Eastmain Mine, both located within the James Bay district of Québec. The Company also holds approximately 36.99% 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). Eastmain has a pipeline of high-potential exploration properties covering over 1200 km^2 within this new and fertile mining district.

As Goldcorp Inc. advances towards scheduled production at Éléonore in late 2014, interest in the James Bay Mining District will continue to increase. Pre-feasibility updates confirm that the Éléonore project is on track to reach throughput goals of 7,000 tonnes per day with a projected yield 600,000 ounces of gold per annum, at cash costs below $400 per ounce, over an expected mine life of 15 years.

In the eastern end of the James Bay District, the Québec government’s "Plan Nord", an initiative to make the vast James Bay territory more accessible for the development of mining and tourism, major infrastructure programs include the vital extension of a permanent road (Route 167) to the Eastmain Mine property from the communities of Chibougamau and Mistissini. Construction of this road began late in 2011 and should reach the Eastmain Mine property by 2013.

Significant Events

- A 40,000-metre drilling program at Clearwater, designed to expand the limits of the Eau Claire gold deposit, with an emphasis on increasing the Measured and Indicated resources amenable to extraction by Open Pit methods, is about 50% complete;
- The Québec government's Plan Nord extension of Route 167 is underway. This new infrastructure will provide permanent road access to the Eastmain Mine;
- On July 16, 2012, the Company reported that a new high-grade gold vein (T10) had been discovered at Eau Claire with assay intercepts up to 12.25 g/t Au over 5.0 metres and 2.23 g/t Au over 16.5 metres (including 47.8 g/t Au and 109.5 g/t Te over 0.5 m); and
- On August 24, 2012, the Company reported visible gold in 18 vein intersections at the Eau Claire gold deposit including assay intervals of 38.4 g/t Au over 2.0 metres, including 150 g/t Au over 0.5 metres from Vein 12, 850 West Zone.

Exploration and Evaluation Activities

Clearwater Project

The Clearwater Project, which is located in the James Bay region of Québec, in close proximity to the EM-1 power facility and connected to Hydro Québec's road network, hosts the Eau Claire gold deposit, the second largest gold deposit in the district. A NI 43-101 compliant resource completed in April 2011 (April 26 news release), indicated a 62% increase in total gold resources at Eau Claire. As of April 2011, Eau Claire contained 632,000 ounces of gold (measured and indicated) and 1.04 million ounces of gold (inferred). The gold resource consists of 3.35 million tonnes at an average grade of 5.86 g/t Au (measured and indicated) and 5.32 million tonnes at an average grade of 6.06 g/t Au (inferred). P&E Mining completed the estimate and concluded that the upper portion of the deposit, which may be amenable to open pit extraction methods, consists of 2.73 million tonnes containing 502,000 ounces of gold (measured and indicated; 452,000 oz, cut grade) at an average grade of 5.72 g/t Au (5.15 g/t Au cut grade).

A revised interim estimate, which will include drilling to the end of 2011, is currently being finalized. Nine drill holes completed in 2010 and 68 drill holes completed in 2011, outlining additional gold resources within the 850 West Zone, are currently being incorporated into an interim resource update.

The 36-hole 2010 regional drill campaign was principally designed to test exploration targets on the Clearwater property along the deposit horizon, well outside the limits of the Eau Claire gold resource. This program confirmed several anomalous gold targets over wide intervals, within hydrothermally altered rock containing narrow high-grade gold-bearing quartz-tourmaline veins, like those found at Eau Claire, up to 2.5 kilometres away from the main gold deposit. These targets represent areas for potential future resource growth.

Recent 3D Leapfrog modelling of the Eau Claire deposit indicates that the 450 and 850 West Zones likely represent a continuous gold-bearing system. As reported previously, the metal assemblage, mineralogy and structural signature of mineralization in the 850 West Zone is the same as that found in the main 450 West Zone. The major difference is a noticeable change in the direction of vein orientation and dip angle of the vein set. The gold deposit appears to form a crescent shaped mineralized system with a hinge developing between the 450 & 850 West Zones.

Drilling completed during the quarter has confirmed additional high-grade, gold-bearing veins and alteration zones outside the limits of both the 450 & 850 West Zones. Over 20 drill holes have intersected Vein T10, a quartz-tourmaline vein ranging in thickness from 0.5 to 22.0 metres. Located on the north side of the Eau Claire deposit, Vein T10 extends along strike for at least 150 metres and to depth of about 300 metres. Drilling along the north edge of the 850 West Zone has also intersected visible gold in Vein V19 near surface. Visible gold has been observed in 32 vein intersections from 16 drill holes completed in 2012.

58 drill holes totalling 21,690 metres have been completed to date in 2012. Drilling in 2012 has focused on testing the northern and western extensions of the 450 and 850 West Zones. Multiple gold-bearing quartz-tourmaline veins have been intersected during the current program.

A 40,000-metre, $7M drill program is currently in progress for the Clearwater Project. The primary objectives are to expand open pit gold resources to one million ounces and underground gold resources to 1.5 million ounces in all resource categories.

The Company's investment in the Clearwater project to July 31, 2012 is $26.3 million.

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 high-grade, gold-rich zones known as the, "A", "B" and "C" Zones, contains historical resources of 255,750 ounces of gold[1)]. The Eastmain Mine project 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 along a regionally extensive 10-kilometre-long mine trend.

The Québec government's Plan Nord infrastructure program is currently underway. This program includes extending Route 167 north from the communities of Chibougamau and Mistissini to the Eastmain Mine property and beyond. The Eastmain Mine site is situated on Sector 3 of the future permanent road. The camp is currently open and being rented by contractors building this section of road. This new infrastructure will substantially reduce costs, improve project logistics and stimulate exploration of our large land holdings in the area.

A $1-million exploration program, including mapping, prospecting and 3,000 metres of diamond drilling has been deferred to 2013.

The Company's total investment in the Eastmain Mine project to July 31, 2012, is $12.0 million.

1) *255,750 ounces gold – Measured & Indicated Historical Non-NI43-101 Compliant Resources at Eastmain Mine (Campbell 2004 AR) and should not be relied upon. A qualified person from Eastmain has not done sufficient work to classify the historical estimate as current mineral resources, and therefore the historical estimate should not be treated as current mineral resources.*

Éléonore South Joint Venture

The Éléonore South project is an exploration-drilling-stage property, adjacent to Goldcorp Inc.'s multi-million ounce Roberto gold deposit (Éléonore project) in the Eastmain/Opinaca geologic district of James Bay, Québec. The Éléonore South project is jointly held by Eastmain, Azimut Exploration Inc. and Les Mines Opinaca Ltée, a wholly-owned subsidiary of Goldcorp Inc. The property consists of 282 mining claims covering 147 km^2 of prospective land, contiguous with and underlain by the same rock formations as those found on Goldcorp's mine property.

There was no record of any previous exploration on the JV property prior to our first phase of work. The property covers a very large area with very little rock exposure. Systematic exploration commencing with prospecting and the collection of over 10,000 soil samples led to the discovery of the JT Target. Subsequent trenching of the JT prospect returned assays of up to 5.3 g/t gold across 8.0 metres and 10.9 g/t Au over three metres.

To date, three small drill campaigns totalling 10,448 metres have been completed on the property. A kilometre-long, stacked horizon containing anomalous Au-As-Sb mineralization, in a geological setting comparable to Goldcorp's Éléonore project, has been delineated through drilling. Like Eau Claire, Roberto is a structurally-controlled gold deposit in glacially covered terrain. The current phase of work at Éléonore South includes a detailed 3D modeling of magnetic data and structural information to prioritize future drilling targets. Given the growing size of the gold deposit located next door, the exploration potential of the Éléonore South property remains extremely high.

Goldcorp has reported that it expects to reach initial production at Éléonore by late 2014 and full production, at a rate of 7,000 tonnes per day, by 2017. The Éléonore project is expected to produce 600,000 ounces of gold per year at a cash cost of less than $400 per ounce, over a minimum 15-year mine life. Upon full production the Éléonore project will rank amongst one of the most significant ore deposits in Canada.

A LiDAR topographic survey was recently completed over the project area. Additional processing and interpretation of airborne geophysical data for the purpose of defining targets for future drilling is ongoing.

The Eléonore South joint venture partners have approved a $250,000 interim budget funded by Eastmain and Goldcorp to prepare for future drilling. Eastmain has allocated up to $1 million in funding with the objective of continuing to test the JT horizon, as well as other priority targets.

The Company's investment in the project to July 31, 2012 is $4.8 million.

Reservoir Project

The Reservoir Project, comprising 156 claims covering approximately 8,099 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 McIntyre Mine in Timmins, Ontario.

Reservoir straddles the regional structural/stratigraphic (rock formation) break dividing the volcanic and sedimentary domains of this new mining district. This break represents an important ore localizing time horizon throughout the region. Previous trenching and drilling on the property confirmed there is a significant kilometric-scale mineralizing system on the property which warrants drilling.

Geological mapping and prospecting and LiDAR topographic surveys were recently completed on the project in preparation for follow-up diamond drilling.

A $1-million exploration program including 3,000 metres of drilling has been deferred to 2013.

The Company's investment in the project to July 31, 2012 is $0.6 million.

Radisson Project

The Radisson property comprises 207 mineral claims covering approximately 10,698 hectares located within the La Grande Greenstone Belt district of James Bay, Québec. The property 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 discoveries within well-developed iron formations on the property suggest that Radisson may also be prospective for Lupin-style (Northwest Territories) gold mineralization.

Honey Badger Exploration Inc. (HBE), has an option to earn a 50% interest in the Radisson property, in exchange for a cash payment of $50,000, issuance of 5 million common shares of HBE to Eastmain and work expenditure commitments of $2.5 million, including 6,000 metres of drilling, over a three-year period. HBE reported that 13 priority targets were confirmed from its phase one exploration program on the property. HBE's 2012 exploration program provides for drilling on 5 of these targets as well as additional prospecting and mechanical trenching on the remaining 8 targets, subject to the availability of financing.

The Company's investment in the project to July 31, 2012 is $0.1 million.

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 as well as regional, widely-spaced soil geochemical surveys and minimal prospecting, none of the priority areas have been tested 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 and additional exploration is warranted.

Lac Elmer Project

The Lac Elmer project is located at the western end of the Eastmain River 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 a major felsic volcanic centre and 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. The property hosts a kilometric-sized intensely sericite-silica altered mineralized horizon, enriched in silver-gold-copper and zinc. 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.

A second property-scale target includes quartz veins in sheared gabbro/mafic volcanic rocks and quartz-ankerite stockwork within a biotite-rich diorite, which returned assays of up to 42 g/t and 102 g/t gold respectively. This target has not been trenched or drilled and warrants additional exploration.

The carrying value of the Company's investment in the collection of properties of geological interest located in the James Bay area of northern Québec (including Road King, Lac Hudson and Lac Elmer) to July 31, 2012 is $1.9 million.

Xstrata Joint Venture "MegaTEM Project" Ontario

The Company has indefinitely postponed further exploration on this project in order to focus its efforts on the exploration of its 100%-owned gold projects in the James Bay area of Québec. As such, the Company has written off the carrying value of its investment in this project.

Going Concern

The Company's 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. The Company is subject to the risks and challenges experienced by other companies at a comparable stage. These risks include, but are not limited to, continuing losses, dependence on key individuals and the ability to secure adequate financing to complete its exploration projects and fund operating expenditures. While the Company has sufficient funds to meet its current commitments, the Company will require additional funding. Refer to the risks and uncertainties section for more information.

Results of Operations

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.

Three months ended July 31, 2012 compared to the three months ended July 31, 2011

All of the information described below is accounted for in accordance with IFRS. Notes 3 and 17 of the Company's Consolidated Interim Financial Statements dated January 31, 2012 which describe the Company's IFRS accounting policies and provide a complete reconciliation of the Company's accounting under pre-transition Canadian generally accepted accounting principles ("Canadian GAAP") and IFRS. The discussion below includes certain references to the impact to the financial statements resulting from the adoption of IFRS.

Net income for the quarter ended July 31, 2012 was $985,926, (2011 loss – $463,551) a gain of $1,449,477 over the comparative quarter last year.

- Premium income on flow-through shares for the quarter ended July 31, 2012 was $1,239,425, an increase of $577,023 (87.1%) over the comparable quarter last year. Under IFRS, the premium on flow-through shares is calculated as being the difference between the price paid by investors for flow-through shares and the fair market price of the common shares. The premium is recorded as a liability and income is derived from amortization of the premium pro rata to the incurrence of eligible expenditures.
- Deferred taxes were a recovery of $242,225, a decrease of $880,414 reflecting an increase in the difference in book value to tax base value of the Company's assets.
- Share-based compensation is recognized as an expense as the options granted vest. The estimated cost of share based compensation for the quarter ended July 31, 2012 was $197,068, a decrease of $8,278 (4.4%) over the quarter ended July 31, 2011. The estimated cost of stock option compensation fluctuates according to assumptions related to the volatility of the share price, risk free interest rates and the estimated expected term of the option as described in the financial statement Note 11(b).

Nine months ended July 31, 2012 compared to the nine months ended July 31, 2011

Net income for the year-to-date was $624,511, (2011 loss - $997,698) a decrease in loss of $1,622,209 over the comparative period last year.

- Premium income on flow-through shares for the year-to-date was $2,416,875, an increase of $1,058,669 (77.9%) over the comparable quarter last year.
- Deferred taxes were nil, a decrease of $1,327,282 from the same period last year, reflecting an increase in the difference in book value to tax base value of the Company's assets.
- Other income included rental income and management fees of $180,628 an increase of $122,118 over last year. General and administrative expenses included a charge of $60,000 for representation of the Company's and the mining industries' interests in the proposed changes to the Québec Mining Act.
- The year-to-date loss included a mineral property write down of $634,142 for which there was no comparable expense in the year-to-date last year. Over the past two years Management has cut back and deferred exploration on its base metal projects in Ontario in favour of expansion of gold exploration on its promising properties in the booming James Bay area of Northern Québec. Increased effort on the advancement of gold projects has led to a complete postponement of exploration activity on the base metal projects in Ontario, until the economic conditions that govern the need for base metal exploration create renewed interest.
- The estimated cost of share based compensation for the year-to-date was $355,318, a decrease of $102,322 (22.4%) over the period ended July 31, 2011.

- Loss on marketable securities includes unrealized losses of $320,033, an increase of $205,559 (179.6%) reflecting a decrease in current market valuations.

Stock Option Compensation

2012 Stock options	Options granted	Black-Scholes value	Operating statement	Mineral properties
Directors	250,000	$158,250	$158,250	-
Officers	550,000	$248,600	$152,550	$ 96,050
Service providers	300,000	$212,358	$ 44,518	$167,840
	1,100,000	$619,208	$355,318	$263,890
2011 Stock options				
Directors	250,000	$224,250	$224,250	-
Officers	450,000	$321,750	$169,812	$151,938
Service providers	300,000	$214,500	$ 92,950	$121,550
	1,000,000	$738,500	$465,012	$459,960

Selected Quarterly Information

	IFRS Quarter ended 07/31/2012	IFRS Quarter ended 04/30/2012	IFRS Quarter ended 01/31/2012	IFRS Quarter ended 10/31/2011
Interest / other income	$ 54,879	$ 202,702	$ 45,008	$ 80,589
Comprehensive income (loss)	$ 985,926	$ 94,168	(455,583)	(940,434)
Per share basic	$0.0101	$0.0010	$(0.0047)	$(0.0099)
Per share diluted	$0.0099	$0.0009	$(0.0047)	$(0.0099)
Trading range of shares				
High	$1.10	$1.39	$1.52	$1.41
Low	$0.75	$0.97	$0.94	$0.98

	IFRS Quarter ended 07/31/2011	IFRS Quarter ended 04/30/2011	IFRS Quarter ended 01/31/2011	Cdn GAAP Quarter ended 10/31/2010
Interest / other income	$ 60,488	$ 68,148	$ 77,026	$ 85,736
Comprehensive income (loss)	(458,472)	$ (481,291)	$ (52,856)	$ (809,505)
Per share basic	$(0.0049)	$(0.0052)	$(0.0006)	$(0.0091)
Per share diluted	$(0.0049)	$(0.0052)	$(0.0006)	$(0.0091)
Trading range of shares				
High	$1.60	$1.91	$2.17	$1.85
Low	$1.08	$1.35	$1.57	$1.16

Information for quarters ended 01/31/2011 through 04/30/2011 has been reported giving effect to IFRS. The quarter ended 10/31/2010 has been reported using Canadian GAAP.

Significant charges included in the amounts above by quarter end are as follows:

07/31/2012 -net income includes flow-through share premium income of $1,239,425, deferred income tax recovery of $242,225 and a charge of $197,068 for stock option compensation. Comprehensive income includes an unrealized loss on investments of $164,345.

04/30/2012 -net income includes flow-through share premium income of $721,201, deferred income taxes of $206,263 and a charge of $158,250 for stock option compensation. Other income includes management fees and rental income of $142,163. Comprehensive income includes an unrealized loss on investments of $134,980.

01/31/2012 -net loss includes $634,142 as write down of mineral properties, flow-through share premium income of $456,249 and deferred income taxes of $35,962. Comprehensive income includes an unrealized loss on investments of $41,459.

10/31/2011 -net loss includes a $634,142 write down of mineral properties, flow-through share premium income of $632,689 and deferred income taxes of $614,660. Comprehensive income includes an unrealized loss on investments of $216,134.

07/31/2011 -net loss includes flow-through share premium income of $662,392, deferred income taxes of $663,110 and a charge of $187,790 for stock option compensation. Comprehensive income includes an unrealized loss on investments of $160,103.

04/30/2011 -net loss includes flow-through share premium income of $281,434, deferred income taxes of $271,207 and a charge of $224,250 for stock option compensation. Comprehensive income includes an unrealized loss on investments of $114,262.

01/31/2011 -net loss includes flow-through share premium income of $414,380, deferred income taxes of $417,886 and a charge of $44,600 for stock option compensation. Comprehensive income includes an unrealized gain on investments of $161,682.

10/31/2010 -Canadian GAAP - net income includes a $695,097 write down of mineral properties.

Unrealized gains and losses on marketable securities

Marketable securities are subject to changes in valuation depending on market fluctuations. The Company has designated all of its financial assets as available-for-sale, which is recorded at fair value through profit or loss. Revaluation of the Company's marketable securities from historical cost to fair market value results in a cumulative unrealized loss of $894,341 as at July 31, 2012. The unrealized losses reflecting fluctuations in the financial markets are recognized in the financial statements quarterly. Realized gains or losses are recorded only upon disposal of investments.

Risks and Uncertainties

There have been no changes in the Company's risks and uncertainties from those described in the 2011 Audited Annual Financial Statements or the most recent Annual Information Form, filed under the Company's profile on www.sedar.com.

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 an impairment policy, described in Note 3(g) to the first quarterly Unaudited Consolidated Interim Financial Statements, dated January 31, 2012, 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.

Liquidity

As at July 31, 2012, the Company had working capital of $10.0 million and no long-term debt. The Company maintains a high liquidity by holding cash balances in an interest-bearing Canadian bank account. At July 31, 2012 the Company held investments of $0.8 million valued at fair-market with maturities extending beyond 1 year. 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.

Accounts receivable July 31, 2012 were $619,752 which included $438,728 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 $181,024.

Accounts payable and accrued liabilities outstanding as at July 31, 2012 were $1,166,765. The $196,627 liability for flow-through share premium is amortized to premium income as eligible flow-through expenditures are incurred.

The Company has an estimated $0.3 million in mining duty rebates recoverable from the Province of Québec for qualified expenditures in respect of the fiscal years ended October 31, 2010 and 2011. Since no confirmation of the amounts has been received, the estimated refund has not been recorded in the Company's financial statements.

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.

Year to date, the Company has received net proceeds of $5.6 million from the issue of shares and the exercise of share purchase options and received $0.9 million in exploration tax credits. During the same period, the Company has invested $6.8 million on claim acquisition, claim maintenance, exploration and evaluation of mineral resource properties. The Company's base operating cost is approximately $68,000 per month. All exploration expenditures to be made by the Company, except for flow-through commitments described below, are discretionary. As such, management believes the Company has sufficient working capital to fund the ongoing overheads and costs of its exploration activities for the foreseeable future.

Commitments

The Company is committed to spend $5,862,520 in eligible Canadian exploration expenditures ("CEE") of which $5,753,970 must also qualify for Province of Québec flow-through expenditures by December 31, 2012 in respect of flow-through shares issued in 2011. As at July 31, 2012, qualifying expenditures of $5,370,832 had been incurred. The balance of qualifying expenditures have been incurred as of the date of this report.

Capital Resources

The Company, as typical of junior exploration companies, has only a small investment in capital resources which is comprised of $49,561 in computer equipment and field equipment of $366,660. The net book value July 31, 2012 was $108,977.

Income taxes

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.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Transactions with Related Parties

Related party transactions include $18,900 per month salary and $1,000 per month premises rent paid to the President and Chief Executive Officer of the Company. Professional geological consulting and management services fees of $630 per day plus out of pocket expenditures are paid to Shawonis Explorations and Enterprises Ltd. The president of Shawonis is related to the President and Chief Executive Officer of Eastmain Resources Inc. CFO financial consulting service fees of $130 per hour plus out-of-pocket costs are paid to QB 2000 Inc. The Chief Financial Officer of Eastmain Resources Inc. is the president of QB 2000 Inc.

Share Capital

The authorized capital of the Company consists of an unlimited number of common shares of which, as of September 14, 2012, there are 97,917,874 common shares outstanding; 5,314,605 share purchase options; and 240,926 common share purchase warrants outstanding. The share purchase options outstanding, with a weighted-average exercise price of $1.09, would generate proceeds of $5,779,272 and the common share purchase warrants outstanding, with an average exercise price of $1.47, would generate proceeds of $354,096, if exercised.

In December 2011 the Company issued 2,615,441 flow-through shares with Province of Québec tax renunciation in a brokered private placement at $2.20 per share and a private placement of 83,500 flow-through shares for directors, officers and service providers, with no Province of Québec tax renunciation at $1.30 per share for gross proceeds of $5,862,250. Issue costs in connection with these private placements were $444,582, which includes legal fees and a brokerage commission of 6% of gross proceeds. In addition, 156,926 broker warrants were issued entitling the holder to purchase one common share at a price of $1.40 until June 2, 2013. The Black-Scholes value associated with these broker warrants was $30,757. Other private placements may be completed if market conditions are appropriate. The Company recognizes a liability upon issuance of flow-through shares for the flow-through premium and assigns a restriction to that portion of its cash until the full amount of eligible flow-through expenditures has been incurred.

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 share-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 share-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 11(b) to the Unaudited Consolidated Financial Statements and assumptions used for warrants are detailed in Note 11(c).

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.

Impairment Analysis

Management has reviewed the general and economic conditions and mining industry trends that influence recoverability of the carrying value of its mineral properties. Currently, there is a strong trend toward gold mining development in the James Bay area of Québec and management has decided to postpone its activity in base metals in order to allocate all of its resources to bringing its advanced exploration gold-bearing properties in Québec to the development stage. As such, the remaining $634,142 carrying value of the Company's Ontario-based projects was written off in the first quarter, although the Company is retaining its evaluation database, which may prove to be useful in the future. Management is confident that with plans to ramp up exploration in the James Bay area under Québec's current positive mining regime, all costs to date on its remaining projects are recoverable.

Changes in Accounting Policy

The Company has adopted IFRS issued by the International Accounting Standards Board ("IASB"). Note 3, to the Unaudited Consolidated Interim Financial Statements for the first quarter (January 31, 2012), describes the accounting policies that have been applied in the preparation of the financial statements for the period ended July 31, 2012. The comparative information presented in the financial statements for the year ended October 31, 2011 and the quarter ended July 31, 2011 were prepared using IFRS. Note 18 to the Unaudited Consolidated Financial Statements and Note 17 of the interim financial statements for the quarter ended January 31, 2012, detail the adjustments made and the reconciliations between pre-transition statements issued under Canadian GAAP and IFRS.

Summary of IFRS Implementation

The Company had implemented a plan to guide it through transition and implementation to IFRS as discussed in the Company's previous MD&As. The plan is essentially complete, with only the post-implementation review remaining. Management will continue to monitor publications from the Mining Industry Task Force and industry trends with respect to some of the more industry-specific matters such as accounting for flow-through financing.

Note 18, to the Unaudited Consolidated Financial Statements, contains detailed reconciliations of the effects of the transition to IFRS on the Company's financial statements that were previously issued under Canadian GAAP. The reader is encouraged to refer to that information for a comprehensive description of the matters summarized below.

The Company's guiding principle throughout the transition was to manage the number of changes and minimize the effects resulting from conversion to IFRS so as to implement only those changes required by compelling reason. Certain of the Company's accounting policies have been changed to be consistent with IFRS however, in some cases there were no changes where pre-transition policies under Canadian GAAP were consist with IFRS. In a conservative approach to conversion, the Company has greatly expanded its disclosure under IFRS, but expects to streamline future disclosure, in conjunction with industry practice, as part of its post-implementation review.

Summary of the accounting policy differences and choices impacting the Company's financial statements under IFRS implementation:

a. Exploration and evaluation expenditures

Management has chosen to continue to capitalize rather than expense its exploration costs. The carrying value of acquisition, exploration and evaluation costs related to exploration projects represents costs expected to be recoverable from future operations and is not intended to reflect either the present or future values of the particular projects.

b. Flow-through Financing

Under Canadian GAAP, the Company had adopted the CICA's recommendations with respect to flow-through shares outlined in EIC-146, whereby the foregone tax benefit arising from the renunciation of the tax credits to investors was recognized by reducing the value of the shares issued. Under this method, current income taxes were recognized for the estimated income taxes payable for the current year and determination of future income tax assets and liabilities was based on the differences between the financial reporting tax bases of assets and liabilities. Under IFRS, the Company has adopted a policy to allocate the proceeds between share capital and the sale of tax benefits on the day of issue. 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 premium and the liability is taken into income as CEE eligible expenditures are incurred. Management has made a best-efforts attempt to calculate the historic impact of the renunciation and premium recognition. The impact of this difference, as it applies to the current quarter and year-to-date is detailed in Note 18 to the Unaudited Consolidated Financial Statements as at July 31, 2012.

Future Accounting Pronouncements

Certain pronouncements were issued by the IASB or IFRIC that are mandatory for accounting periods after December 31, 2010. Many are not applicable or do not have a significant impact on the Company. Those not yet adopted, that are applicable to future accounting periods and are being evaluated by the Company relate to IFRS 9, 10, 11, 12, 13, and IAS 1. Details of these pronouncements are disclosed in note 3(e) to the Unaudited Consolidated Interim Financial Statements for the period ended July 31, 2012. The IFRS issues deal with recognition and measurement; IAS 1 deals with reporting issues. Management expects to adopt and implement these changes by the required deadlines.

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.

Future Outlook

We are focussed on expanding the gold resources amenable to open pit extraction at our wholly owned and royalty-free Eau Claire gold deposit. Drilling to date confirms that the deposit is open near surface and that there is more high-grade to add to the resource upon completion of this program. The 40,000-metre drill campaign is past the half-way mark and new gold bearing structures are evident near surface and at depth at both the 450 and 850 West Zones. Recent 3D modelling of the deposit suggests that there is a highly prospective hinge developed between the two zones. Drilling continues to intercept veins with visible gold outside the limits of the defined resource.

Our objectives are to increase the high-grade open pit resources to the million ounce mark, in addition to more than a million ounces of underground resources by the end of this drill campaign. The Eau Claire gold deposit has infrastructure nearby, which would be needed for future development and is located in one of the most favourable mining regions in the world.

Subsequent events

There have been no subsequent events since the financial statement reporting date that would have a material effect on the Company's financial position.

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 "Eau Claire Gold Deposit, Clearwater Project, James Bay Area, Middle North Québec" which was prepared by P&E Mining Consultants Inc. (the "Clearwater Report") as of June 10, 2011. Tracy Armstrong, P.Geo and Antoine Yassa, P.Geo are "qualified persons" within the meaning of National Instrument 43-101 of the Canadian Securities Administrators and have 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

The Company's management with the participation of its President and Chief Executive Officer, Chief Financial

Officer and Corporate Secretary have evaluated the effectiveness of the Company's disclosure controls and procedures. Based upon the results of that evaluation, the certifying officers have concluded that, as of the end of the period covered by this report, the disclosure controls and procedures effectively provide reasonable assurance that information required to be disclosed in the reports the Company is required to file or submit under Canadian securities laws was recorded, processed, summarized and reported within the appropriate time periods specified by those laws. The Company's certifying officers, being the President and Chief Executive Officer and the Chief Financial Officer have evaluated the effectiveness of the Company's disclosure controls and procedures. 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 adequate internal control over financial reporting. Under the supervision of the President and Chief Executive Officer and the Chief Financial Officer, the Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The Company's internal control over financial reporting includes policies that:

a. pertain to the maintenance of records that accurately and fairly reflect, in reasonable detail, the transactions and dispositions of assets of the Company;

b. provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS and that the Company's receipts and disbursements are made only in accordance with authorizations of management and the Company's Directors; and

c. provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the Company's financial statements.

The Company's management believes that its policies and procedures provide the best controls achievable under the constraints described above, subject to the limitations below.

Limitation of Controls and Procedures

The Company's Management including the President and Chief Executive Officer and the Chief Financial Officer believe that any disclosure controls and procedures or internal control over financial reporting, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. The design of a control system must reflect the fact that there are resource constraints, and the benefit of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been prevented or detected. The inherent limitations include the realities that judgements in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Controls can be circumvented by the individual acts of some persons, by collusion of two or more individuals or by unauthorized override of the control. The design of any control system is also based in part upon certain assumptions about the likelihood of future events, and therefore there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost effective control system, misstatements due to error or fraud may occur and not be detected.

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.

Additional Information

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