EASTMAIN RESOURCES INC.
2012 ANNUAL REPORT

JAMES BAY, QUÉBEC
ADDING VALUE THROUGH DISCOVERY

Who we are

Eastmain Resources Inc. is a Canadian exploration company committed to the discovery of profitable mineral resources. Listed on The Toronto Stock Exchange since 1996, trading under the symbol "ER", the Company is focused on precious metal exploration within James Bay, Québec, a safe jurisdiction with excellent infrastructure and financial incentives second to none.

Our Story

With 100% ownership of two high-grade gold deposits and a pipeline of highly prospective early-stage properties, in one of one of Canada's newest mining districts, Eastmain's high-quality strategic assets position the Company for multiple successes in the coming years. We have established a long-term presence in what will become a prolific Canadian mining district. Through our convictions in the potential of the district, we have been able to fund substantial exploration programs, resulting in the continued growth of our key assets. We believe these assets have powerful potential to create significant long-term value to our shareholders.

Project Highlights

- **Clearwater project**: 100% ownership (20,067 hectares); No outstanding royalties (100% Eastmain)
  - High-grade Eau Claire gold deposit with +95% metallurgical recoveries
  - Proximal to road, lost-cost power, fuel and telecommunications
  - Potential for both open pit and underground resource extraction
  - Large gold-mineralized footprint; open in all directions; several new untested discoveries
- **Eastmain Gold Deposit**: 100% ownership (12,590 hectares) includes a 10-kilometre-long mine horizon
  - High-grade (Au-Ag-Cu) with +91% metallurgical recoveries
  - Eastmain owns Royalty on production over 250,000 ounces
  - Mine camp, tailings pond, airstrip, fuel farm and underground development
  - Government-funded permanent access road now being completed
- **Total Gold Resources**:
  - 721,000 ounces Measured & Indicated
  - 255,000 ounces Measured & Indicated historical non-NI43-101 compliant resources
  - 1,122,000 ounces Inferred
- **Éléonore South JV project:** 37% ownership (14,760 hectares)
  - Joint Venture with Goldcorp Inc. and Azimut Exploration Inc.
  - covers gold enriched rocks which form key horizons in Goldcorp's Roberto gold deposit, set to begin production late 2014
- **Project pipeline**:
  - 1200 km^2 of highly-prospective gold country, covering rocks similar to those hosting world-class ore deposits

2013 Budget & Program

The Corporation is well positioned with sufficient working capital to continue its exploration programs for the foreseeable future. Our $7.5-million budget for 2013 includes 30,000 metres of drilling at our wholly-owned Eau Claire and Eastmain Mine gold deposits, our Reservoir Project and the Éléonore South Joint Venture. Program objectives include resource expansion at both gold deposits as well as target definition along favourable "mine trends" on each of these four key properties.

Why Hold Shares in Eastmain?

Well Funded

- $9.5 Million current cash resource
- $2.0 M owing in Quebec Rebates
- No Debt
- Raised $7.6 Million during period of economic volatility

Longevity

- 17-year listing on the Toronto Stock Exchange (ER:TSX)

Strategic Location

- Focused on precious metal exploration in James Bay, Québec
  - An emerging mining district with high mineral potential and low political risk
  - Pro-mining laws and stable Aboriginal relationships
  - Financial incentives (46% rebates for exploration expenditures)
  - Significant infrastructure and geoscientific support
  - Lowest-cost electricity in North America

Exceptional growth-oriented projects

- Clearwater Project - Eau Claire Deposit – high-grade gold with excellent metallurgy and rare-metal by-products
  - open all directions; substantial upside for increased ounces and second deposit
  - 100 new drill intersections still to be added to the Eau Claire resource
  - higher grades than 75% of all gold deposits in the world
- Eastmain Mine Deposit – high-grade gold "Detour- contact style" gold mineralization; copper and silver
  - open all directions; substantial upside for increased ounces and second deposit
- Éléonore South – new discovery adjacent to and within same rock formations which host Goldcorp's multi-million-ounce Roberto Deposit

Key Shareholders

- Goldcorp Inc. - largest shareholder at 9.9%
- 50% held by major institutional shareholders in North America and Europe

Research coverage

- Casimir Capital – Eric Winmill: 12-month Target Price of $2.50
- Laurentian Bank Securities – Eric Lemieux: 12-month Target Price of $2.40
- Macquarie Equities Research – Michael Gray: 12-month Target Price of $2.00
- Stonecap Securities – Brian Szeto : 12-month Target Price of $2.00

Exploration ! Discovery ! Profitability

Building for Tomorrow, Today!

To Our Shareholders

No one could have anticipated the effects of world economies on the gold mining sector in 2012. Historically producers and explorers would have peaked with the price of gold. Instead, the sector experienced a never-seen-before market turbulence in which Central Banks and investor fears created a significant disconnect between the price of gold and the companies that find and mine it. However, in the wake of global uncertainties one thing remains clear, grade is king. As gold continues to become more expensive and harder to find, and gold mines become more costly to build and mine; as gold discoveries throughout the world are on the wane, and ore grades of both underground and open pit mines decline, high-grade deposits are becoming increasingly rare.

There are 439 gold deposits worldwide exceeding one million ounces, of which 189 are producing ore and 250, are not in production. Eastmain owns a gold deposit, royalty free, with a higher grade than more than 75% of all of the current gold deposits in the world. Eau Claire is one of only seven undeveloped gold projects in North America with between 1.5 to 3.0 million ounces, at gold grades exceeding 3 g/t Au.

Canada has the largest number of million-ounce gold deposits in the world and ranks 2nd only to South Africa with respect to average grade. The James Bay, Québec region, underlain by Archean rocks like those found within the famous mining camps of Red Lake, Timmins and Val d'Or, is prime exploration real estate. Two million-ounce-plus gold deposits have been discovered to date in this new mining district, Goldcorp's Éléonore and our own Eau Claire. With the geologic potential to reach the 3-5 million-ounce threshold, Eau Claire will become an increasingly valuable player in this region.

The most important value driver of a gold deposit is grade, followed by size, infrastructure and jurisdiction. The cost of building and mining gold has escalated. To date these costs have been at least partially offset by a robust gold price. We foresee a shift in the industry from the race to grow total ounces produced at any cost, to a focus on profitability. Bigger is no longer always better.

With discovery, junior gold explorers add tremendous share performance upside over time, especially those with discoveries that lead to acquisition by a producer. Gold deposits, particularly high-grade ones, are becoming increasingly rare. Discovery success demands unraveling the geological puzzle of a deposit, while maintaining sufficient working capital to sustain the effort, combined with a dedicated exploration team to execute the program. During 2012 the Eastmain team significantly advanced its understanding of Eau Claire in one of its largest programs to date.

A 3D model of the Eau Claire gold deposit, created during the 2012 field season to help unravel the geological puzzle, illustrates a continuous mineralized body controlled by two major geological structures. 2012 exploration drilling demonstrated there is growth potential evident within the immediate deposit footprint near surface, and extending at depth.

Most discoveries have a long history of exploration, often involving multiple companies along the way. This in part is dictated by the geological puzzle of the controls on a mineral deposit. Often explorers run out of ideas or funds before a deposit reaches the endgame of production. Westmin discovered the Upper Group of Veins at Eau Claire, SOQUEM found the Main Group of Veins. Eastmain added the Lower Group of Veins, while significantly expanding the footprint of the 450 West Zone, and discovering the 850 West Zone as well as a number of other potential satellite zones. Eastmain has remained committed to the exploration and development of the Clearwater project. We have increased our ownership and leveraged the shares in the Company by building more minable ounces at Eau Claire.

By remaining growth orientated, Eastmain continues to add high-grade resource ounces to a high-quality asset – Eau Claire, in what remains a mining-friendly stable environment. Through conservative management of funds and placements timed to take advantage of premiums, your Company has maintained healthy exploration budgets. We believe we have the right asset, the right people and the right strategies for long-term success. Our long-term goal is to confirm a long-life, low-cost, highly-profitable gold deposit for our shareholders.

Clearwater Project

In October 2012, an updated resource estimate incorporating the 2011 drill program, which was principally completed on the 850 West Zone, was announced. This drilling expanded measured and indicated resources and demonstrated that the upper portion of the deposit could potentially be extracted by open pit mining methods.

The Company reported expansion of the Eau Claire Gold Deposit to 721,000 ounces of Measured and Indicated gold resources contained within 4.87 million tonnes, at an average grade of 4.60 g/t Au. In addition, the upgraded resource outlined 1.12 million ounces of gold, classified as Inferred resources contained within 6.4 million tonnes, at an average grade of 5.45 g/t Au. Applying higher grade cut-off factors at 4.0 g/t Au, yielded Measured resources of approximately 1 million tonnes at 10.6 g/t Au containing 334,000 ounces of gold, 3.35 million tonnes at an average grade of 7.5 g/t Au for another 807,000 ounces Indicated gold resources and 611,000 tonnes at an average grade of 16.2 g/t Au containing 319,000 ounces of Inferred gold resources.

This resource estimate included potentially open pit-able Measured and Indicated resources of 4.17 Million tonnes at an average grade of 4.32 grams gold per tonne containing 579,000 ounces of gold, and 2.4 Million tonnes at an average grade of 2.50 grams gold per tonne containing 192,000 ounces of gold, classified as Inferred resources.

In addition, potential underground resources included 703,000 tonnes at an average grade of 6.29 grams gold per tonne containing 142,000 Measured and Indicated ounces, as well as 4.03 Million tonnes at an average grade of 7.20 grams gold per tonne containing 929,000 ounces of Inferred gold resources.

Mineral resources above a vertical depth of 220-metres from surface were considered to be potentially amenable to open pit extraction using a 0.5 gram gold per tonne cut-off grade, with high-grade assays capped at 100 grams gold per tonne. Potential underground resources were defined using a 2.5 gram gold per tonne cut-off grade, also capped at 100 grams gold per tonne.

More than 50 gold-bearing quartz-tourmaline veins and alteration zones, ranging from one to six metres, and locally up to 25 metres, in width have been intersected in two zones at Eau Claire. These veins range from 75 to 300 metres in length and form a composite stacked system. To date, this vein package has been defined within an area approximately 200 metres in width and to a vertical depth of at least 900 metres. The system remains open in all directions.

The Company completed 107 large diameter (HQ) holes for 41,065 metres of drilling at Clearwater in 2012 – concentrating on defining resources within the top 300 metres of surface.

As previously reported, over 100 gold-bearing drill intersections from 2012 drilling exceed resource cut-off parameters and will be added to the current resource estimate. Drilling was completed on both vein sets (450 and 850) with the objective of expanding the outer limits of the deposit in three dimensions. The program was successful in detecting both wide zones of gold mineralization and high-grade, feeder-veins (ranging from 10 to over 100 g/t Au) in both vein sets.

450 West Zone

This zone consists of three gold-enriched horizons, each containing multiple sheeted, quartz-tourmaline veins – predominated by the Main Group of Veins (P, JQ, R & S), the Upper Group of Veins (veins A to I) and the Lower Group of Veins (veins T to T20). 2012 drilling focused on expanding the northern and western limits of the 450 West Zone (T Veins) although a few holes also tested the eastern limit of the deposit (veins A - P).

2012 drilling delineated over 50 gold-bearing vein intersections from within the T Vein Group, thereby extending the 450 West Zone both north and west. Numerous drill holes intersected vein T10, including hole ER12-369, which assayed **29.2 g/t Au across 2.0 metres** and up to 46.7 g/t Au over one-half metre, within an interval grading **12.3 g/t Au over 5.0 metres**.

Drilling along the eastern limit of the 450 West Zone intersected several exceptional gold-bearing intervals such as the **11.0 metre-wide zone** which assayed **10.98 g/t Au,** including a **7.5-metre-wide section at 14.9 g/t Au,** in hole 456. This interval extends continuously from the I-Vein to the adjacent P Vein. Drill holes like 456 are expected to have a very positive impact on the next Eau Claire gold resource, demonstrating the importance of adding value with near surface drilling. Drill hole 450 also intersected an 11.0-metre-wide, near-surface zone of gold mineralization grading 4.36 g/t Au, including 10.7 g/t Au over a 4.0-metre interval, from within the Upper Group of Veins (D Vein).

Other highlights from drilling within the 450 West Zone include hole 442, which intersected the 7.5-metre-wide H Vein interval assaying 4.83 g/t Au, including a 0.5-

metre feeder vein at 47.4 g/t Au (1.38 ounces per ton). Drill hole 406 cut a **2.5-metre-wide interval of the S Vein which assayed 67.9 g/t Au, including a one-half metre feeder vein grading 336 g/t Au (9.8 ounces per ton) and 580 g/t tellurium.**

850 West Zone

850 West Zone drilling indicates probable expansion of the Eau Claire at shallow depths. Drilling along the northern limit and central area of the 850 West Zone intersected excellent gold grades and thicknesses from Veins V18, V19 and V20. Drill hole 411 intersected a 23.5-metre-wide interval below the high-grade RC Soccer Field trench, grading 3.63 grams gold per tonne, including 13.4 g/t Au over 4.0 metres at shallow depths. Hole 412 drilled below 411 intersected **17.7 g/t Au over 6.5 metres, including a 3.5-metre interval at 31.4 g/t Au**

Along the northern margin of the 850 West Zone, hole 388 also intersected a 15.0-metre-wide interval at 2.57 g/t Au, including 14.7 g/t Au over 2.0 metres. Hole 391 intersected 3.09 g/t Au over 13.5 metres, including **10.1 g/t Au over 3.0 metres.**

Drilling along the eastern edge of the 850 West Zone intersected a very-high-grade interval in hole 375, where over two metres grading 38.4 g/t Au, include a one-half metre at **150 g/t Au** (4.38 ounces per ton).

$5 million has been allocated for exploration at Clearwater in 2013. Field programs will include 25,000 metres of drilling focused on expanding the global gold resources at both the 850 and 450 West Zones laterally and vertically, from surface to a depth of about 500 metres. Drilling will also test new gold discoveries to the east and west of the current limits of Eau Claire, while surface work will continue to define regional structural targets, which may also add to future resource potential. All exploration drilling to the end of 2012 is currently being assessed and compiled for incorporation into an updated mineral resource estimate, to be released upon completion. We believe there is multi-million-ounce gold resource potential at Clearwater, and future drill programs will focus on proving this belief.

Éléonore South JV

Éléonore South, a joint venture with Les Opinaca Mines Ltée, a subsidiary of Goldcorp Inc. ("Goldcorp") and Azimut Exploration Inc., is an early-stage prospect located adjacent to one of Canada's future mines. The JV property is underlain by anomalous gold-bearing sediments of the same rock formations as those hosting Goldcorp's Roberto gold deposit.

A LIDAR topographic survey was completed on the JV project in 2012. Additional processing and interpretation of airborne magnetic data for the purposes of targeting potential extensions of the JT Gold Zone is on-going.

Previous drilling on the JV property defined a kilometre-long stacked horizon containing anomalous Au-As-Sb (gold arsenic and antimony) mineralization, the signature suite of minerals found at Goldcorp's Roberto deposit. Recent competitor activity north and east of the JV property intersected wide zones of low-grade gold mineralization in tonalite (felsic intrusive rocks), which are also present in abundance on the Éléonore South property.

There are 12 kilometres of unexplored real estate between the JT gold prospect, where Eastmain's surface trenching intersected up to 5.33 g/t gold over eight metres, and the Roberto gold deposit. Roughly one-half of this highly prospective tract of geology is covered by the Éléonore South property; the other half belongs to Goldcorp.

Goldcorp is currently sinking a production shaft to compliment the exploration shaft and ramp into their Roberto gold deposit, which is scheduled to begin production in late 2014. The production forecast for the Éléonore project of 600,000 ounces of gold per year by 2017, makes Roberto one of the most significant discoveries in the Canadian Shield.

The Corporation has allocated $500,000 for exploration on the JV property for 2013.

Eastmain Mine Property

Eastmain controls a dominant land position within a second prolific greenstone belt in the James Bay Mining District of Québec. The Eastmain Mine property and Ruby Hill claim blocks cover a significant portion of the Eastern Eastmain Greenstone belt. The Eastmain Mine, our second high-grade gold deposit, is a structurally-controlled gold deposit hosted within a package of ancient greenstone belt rocks, which can be traced for over 10 kilometres before disappearing under cover.

Exploration success will be enhanced with improved access to this relatively unexplored greenstone belt. Québec's Plan Nord, includes the extension of Route 167 from the communities of Chibougamau and Mistissini to the Eastmain Mine property and beyond. Completion of this new access road will trigger exploration and discovery in the area, and reduce transportation costs.

The Eastmain mine camp remained open for much of the year, principally to generate rental income from road-building contractors. Thus, the building of the Plan Nord road extension is also enabling us to steadily refurbish our 100-person camp facilities.

In September 2012, Franco-Nevada Corporation and Virginia Mines Inc. jointly purchased the Initial Production Royalty on the first 250,000 ounces of gold produced at the Eastmain Gold Mine. At the same time the Corporation exercised its right of first refusal and purchased the NSR on all production in excess of 250,000 ounces.

An $800,000-exploration budget has been allocated to the project for 2013, which will include drilling and surface exploration along the Mine corridor.

Reservoir Project

Exploration on our 100%-owned Reservoir project, located 60 kilometres southwest of Goldcorp's Éléonore mine property, consisted of geological mapping, prospecting and a LIDAR topographic survey in preparation for drilling. The project straddles volcanic and sedimentary rocks of the two greenstone belts which host both the Roberto and Eau Claire gold deposits. Previous work on the property outlined a large copper-gold occurrence geologically comparable to many world-class ore deposits. An $800,000-exploration budget has been allocated for 2013.

Other Projects

The Corporation holds 12 properties throughout James Bay, Québec, with active programs proposed for four projects in 2013. The remaining James Bay projects also cover large segments of unexplored, highly-prospective greenstone belts. While our immediate focus will be the exploration of our advanced projects, our approach will include the forging of new partnerships on these strategically located, extremely promising properties as well.

Financials

As at October 31, 2012 the Company had current assets of $6.05 million to settle current liabilities of $1.38 million. Subsequent to year-end, Eastmain completed two private placements to raise gross proceeds of $7.6 million. The Company has no debt.

As at October 31, 2012 there were 97.9 million shares issued with a market capitalization of $83 million. There were 0.15 million warrants outstanding, issued at an average purchase price of $1.40 per share, and 5.46 million stock options outstanding, issued at an average purchase price of $1.09 per share.

Net exploration expenditures for the period ending October 31, 2012 of $11.5 million were principally allocated to the Clearwater and Eastmain Mine projects. 2012 exploration expenditures were reduced by $779,120 due to rebates from the Province of Québec.

The financial statements contained in the Annual Report were prepared by management in accordance with generally accepted accounting principles. The financial information contained elsewhere in the Annual Report conforms to the financial statements. The Auditor has the responsibility of auditing the financial statements and giving an opinion on them.

Future Outlook

Eastmain is one of the most active companies exploring within the James Bay region of Québec. The Company owns 100% royalty-free interest in the second largest gold deposit in the district. The Eau Claire deposit is one of a few undeveloped gold deposits, grading over 3 g/t Au and containing over 1.5 million resource ounces, in North America. With excellent infrastructure and accessibility, within a safe jurisdiction, Eau Claire's combined Measured and Indicated potential open-pit and underground capped resource grades of 4.60 g/t, containing 721,000 ounces of gold, and an additional Inferred capped resource of 1,122,000 ounces at 5.45 g/t, make it one of the top deposits in this category.

With this in mind, the Company's ultimate objective is to demonstrate that there are sufficient gold resources at Eau Claire to sustain a long-life, low-cost and highly profitable operation for a minimum 10-year mine life.

Future catalysts and value drivers include updating current resource estimates with the addition of 100 gold-bearing drill intercepts from 2012 drilling, which exceed the cut-off grades and thicknesses of existing potentially open pit-able and underground resources. Independently-produced, in-house economic assessments expected to be completed in the first half of 2013, will help to guide and optimize exploration efforts toward reaching the Company's ultimate objective at Eau Claire.

The Corporation raised $7.6 Million in two private placements in December, thereby ensuring funding is in place for 2013 exploration programs, while providing a positive balance in the treasury for next year-end. In a fourth equity placement in Eastmain over a ten-year period, Goldcorp, our largest shareholder, topped up its ownership to 9.9% – a significant endorsement of the Company and its projects.

A minimum budget of $7.5 Million has been approved for exploration in the James Bay region. Up to 30,000 metres of diamond drilling are planned for four projects, of which 25,000 metres will be used to expand and upgrade potentially mineable gold resources at Eau Claire, and to search for a second gold deposit on the Clearwater property.

On behalf of management and the Board of Directors, I would like to extend our appreciation and thanks to our all of our loyal shareholders and supporters, who share our enthusiasm and optimism for the potential growth of the Company.

I'd also like to extend my personal thanks to our directors, partners, our growing team of employees, and the many service providers, contractors, and advisors for their time, effort and contributions, towards achieving our ultimate goals.

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

January 29, 2013

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 2012 Annual Information Form available on SEDAR at www.sedar.com .

Forward-Looking Statements

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

EASTMAIN RESOURCES INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

General

The following management's discussion and analysis ("MD&A") of the financial condition and results of the operations of Eastmain Resources Inc. ("Eastmain" or the "Company") constitutes management's review of the factors that affected the Company's financial and operating performance for the year ended October 31, 2012. This MD&A has been prepared in compliance with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations. This discussion should be read in conjunction with the audited annual Consolidated Financial Statements of the Company for the year ended October 31, 2012, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"), and for comparison, audited annual Consolidated Financial Statements of the Company for the year ended October 31, 2011, and all related notes thereto.

Results are reported in Canadian dollars, unless otherwise noted. In the opinion of management, all adjustments (which consist only of normal recurring adjustments) considered necessary for a fair presentation have been included. The results for the years presented are not necessarily indicative of the results that may be expected for any future period. Information contained herein is presented as at January 29, 2013, unless otherwise indicated.

As of November 1, 2011, Eastmain adopted IFRS. The Consolidated Statements of Financial Position for the years ended October 31, 2012, October 31, 2011, and November 1, 2010, the Company's transition date to IFRS, have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). Readers of this MD&A should refer to "Changes in Accounting Policies" below for a discussion of IFRS and its effect on the Company's financial presentation.

The comparative financial information for fiscal 2011 in this MD&A has been restated to conform to IFRS, unless otherwise stated.

For the purposes of preparing this MD&A, management, in conjunction with the Board of Directors, considers the materiality of information. Information is considered material if: (i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of Eastmain common shares; (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; (iii) it would significantly alter the total mix of information available to investors. Management, in conjunction with the Board of Directors, evaluates materiality with reference to all relevant circumstances, including potential market sensitivity.

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 January 29, 2013.

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 metallic resource properties within Canada. The Company's primary focus is exploration for precious metals in the Eastmain and Opinaca geologic Subprovinces of James Bay, Québec, a region that is extremely rich in mineral deposits.

The Company has a pipeline of high-potential exploration properties covering over 1200 km^2 within this new and fertile mining district. Eastmain holds 100% interest in two high-grade gold deposits – Eau Claire and the Eastmain Mine, both located within the Eastmain River Greenstone Belt, in the James Bay district of Québec. The Company also holds approximately 37% interest in, and manages exploration of, the Éléonore South project, a mineral exploration joint venture located within the Opinaca Subprovince, immediately south of Goldcorp Inc.'s ("Goldcorp") Éléonore Project (Roberto gold deposit).

Scheduled to begin producing in late 2014, Goldcorp forecasts annual gold production at Éléonore of 600,000 ounces, upon reaching full production (Goldcorp website). With cash costs projected to be below $400 per ounce over an expected mine life of 15 years, the Roberto Deposit will be one of the largest, lowest-cost mining operations in Canada.

Launched by the government of Québec in May 2011, "Plan Nord", an initiative to make the vast James Bay territory more accessible to the development of mining and tourism, is one of the biggest economic, social and environmental projects in the history of Québec. Under the initiative, major infrastructure programs will include the vital extension of a permanent road (Route 167) to the Eastmain Mine property from the communities of Chibougamau and Mistissini. Pre-construction activities began late in 2011. The road is expected to reach the Mine property by late 2013.

Significant Events

- In the spring of 2012, road building crews began work on Plan Nord's extension of Route 167 and rented the Eastmain Mine facility from the Company as a base of operations;
- In September 2012 the Company exercised its right of refusal to purchase a 2% NSR on all production in excess of 250,000 ounces of gold at the Eastmain Mine;
- An updated NI 43-101 mineral resource, prepared by P&E Mining Consultants Inc. ("P&E") in October 2012, confirmed that drilling completed in 2011, along with 9 holes from 2010, favourably expanded the size of potential Open Pit resources at Eau Claire;
- The updated calculation estimated that the Eau Claire Deposit contains a combined Measured and Indicated Resource of 4.87 million tonnes with an average grade of 4.60 grams per tonne gold (g/t) for 721,000 ounces of gold (4.94 million tonnes containing 780,000 ounces at 4.91 g/t gold uncapped*). In addition, 6.4 million tonnes with an average grade of 5.45 g/t gold, classified as Inferred Resources, contain 1,122,000 ounces of gold (6.5 million tonnes containing 1,148,000 ounces at 5.48 g/t gold uncapped*);
- The Eau Claire resource contains 579,000 ounces gold (635,000 ounces gold uncapped*) of potentially Open Pitable Measured and Indicated resources at an average grade of 4.32 g/t gold (4.67 g/t gold uncapped), and potentially Open Pitable Inferred resources at an average grade of 2.50 g/t gold (2.68 g/t gold uncapped*) contain 192,000 ounces gold (213,000 ounces gold uncapped*);
- The estimate also included Measured and Indicated potentially mineable Underground resources at an average grade of 6.29 grams per tonne gold (6.37 g/t gold uncapped*) containing 142,000 ounces gold (145,000 uncapped*) and Inferred potentially mineable Underground resources at an average grade of 7.20 g/t gold (7.20 g/t uncapped*) containing 929,000 ounces gold (935,000 ounces gold uncapped*);
- Sensitivity analysis on the resource model using different gold cut-off grades demonstrated there is in excess of one million total ounces of high-grade gold contained within the Measured and Indicated resource category at all grade sensitivities. At a 4.0 g/t cut-off there is a Measured resource of 976,000 tonnes at 10.62 g/t yielding 334,000 ounces of gold (capped) or an uncapped Measured resource of 1,021,000 tonnes at 12.28 g/t for 404,000 ounces of gold. An Inferred mineral resource at a 4.0 g/t cut-off consists of 611,000 tonnes containing 319,000 ounces of gold at 16.2 g/t capped grade or 325,000 ounces of gold at 18.2 g/t uncapped;
- During 2012, the Corporation completed 107 drill holes totaling 41,065 metres of drilling at Clearwater, focused on expanding near-surface gold resources in the Eau Claire gold deposit. This drilling has not been included in any resource estimate;
- 2012 drilling combined with 3D modeling of the deposit indicates that the 450 and 850 West Zones are part of a continuous gold-bearing system, which has now been defined well the beyond the limits of the current resources to the north, west and at depth;
- Over 100 drill intersections from the 2012 program exceed current resource cut-off grades and thicknesses;
- Drilling campaigns previously planned for the Eastmain Mine, Eleonore South and Reservoir projects were deferred to 2013;
- In December 2012, the Company raised $7.6 Million.

Exploration and Evaluation Activities

Clearwater

Eastmain Resources Inc. owns 100% interest in the Clearwater Property, host to one of five known gold deposits in the James Bay region of Québec. Surface trenching and diamond drilling have outlined a gold resource in excess of 11 million tonnes, containing approximately 721,000 ounces of Measured and Indicated gold resources and 1.12 million ounces of Inferred gold resources. The Eau Claire gold deposit consists of a quartz-tourmaline vein complex, traced for 2.0 kilometres in length and to a vertical depth of 900 metres. The deposit is open laterally and at depth. In excess of 100 holes drilled in 2012 to expand the gold deposit will be added to a future resource.

The Eau Claire gold deposit is located 2.5 kilometres from Hydro Quebec's road network and five kilometres from the power grid. Gold resources at Eau Claire have been estimated for both potentially open pitable and underground extraction methods. At 4.91 g/t gold (uncapped), the Open Pit resource grade makes Eau Claire one of the highest-grade potentially open-pitable, undeveloped gold projects in North America. Over the past 24 months, Eastmain has focused on expanding gold resources potentially amenable to extraction by open pit methods. By the end of 2012 the footprint of the potential Open Pit resource area had doubled.

At Eau Claire, definition drilling has outlined two mineralized zones (450 West and 850 West) which coincide with two major structural shear zones. Two styles of gold mineralization are evident. Wide zones of lower-grade gold mineralization range from 0.5 to 3.0 grams per tonne over thicknesses of 5.0 to 25 metres while bonanza-style, high-grade feeder veins range from 10 to more than100 grams gold per tonne over 0.5- to 4.0-metre-wide intervals.

Eau Claire is enriched in gold-tellurium-bismuth-molybdenum and silver (Au-Te-Bi-Mo-Ag), which form a distinct chemical signature, occurring in quartz-carbonate-tourmaline veins, and alteration zones composed of tourmaline, actinolite, biotite, carbonate and quartz. Veins and alteration zones range from 0.5 to 25 metres in thickness. Gold occurs as micron-sized particles commonly forming clusters within both vein and altered rock. Tellurides, tellurium-bearing minerals, are also commonly observed in close spatial association with gold. Visible gold and tellurides have been observed in over 350 vein intersections and in numerous surface trenches throughout the deposit. There is a very high correlation coefficient between Te and Au, which means that tellurium occurs in similar abundance to gold at the deposit and can be used as a cross-check for gold assays during the exploration phase. Used in computer technology, solar energy, semi-conductors and ceramics, as a metal alloy and an anti-corrosive, Te is one of the rarest metals on earth and is becoming increasingly more valuable as its demand increases. Significant tellurium grades at Eau Claire indicate that it may become a potentially recoverable byproduct of any future mining operation. Bismuth, another potential byproduct of the deposit, is widely used in the production of malleable iron, as a catalyst in making acrylic fibres, and in cosmetics and medicines. Currently used as a carrier for “clean” energy systems, bismuth will also become increasingly more important as the quest for alternative energy continues.

Eau Claire Gold Deposit – NI 43-101 Resource

The NI 43-101 resource, prepared by P&E and press released October 11, 2012, indicates that the Eau Claire Deposit contains a combined Measured and Indicated Resource of 4.87 million tonnes with an average grade of 4.60 grams per tonne gold (g/t) for 721,000 ounces of gold (4.94 million tonnes containing 780,000 ounces at 4.91 g/t gold uncapped*). In addition, 6.4 million tonnes with an average grade of 5.45 g/t gold, classified as Inferred Resources, contain 1,122,000 ounces of gold (6.5 million tonnes containing 1,148,000 ounces at 5.48 g/t gold uncapped*).

Mineral Resources above an average 220-metre depth from surface were considered to be amenable to open pit extraction, whereas mineral resources below this depth were considered to be amenable to underground extraction.

Potential open pit mineral resources were reported at a cut-off of 0.5 grams per tonne gold, whereas potential underground mineral resources were reported at a cut-off of 2.5 grams per tonne gold.

P&E also performed a sensitivity analysis on the resource model using different gold cut-off grades, which shows that there is in excess of one million total ounces of high-grade gold contained within the Measured and Indicated resource category at all cut-off grade sensitivities. At a 4.0 g/t cut-off there is a Measured resource of 976,000 tonnes at 10.62 g/t yielding 334,000 ounces of gold (capped) or an uncapped Measured resource of 1,021,000 tonnes at 12.28 g/t for 404,000 ounces of gold. An Inferred mineral resource at a 4.0 g/t cut-off consists of 611,000 tonnes containing 319,000 ounces of gold at 16.2 g/t capped grade or 325,000 ounces of gold at 18.2 g/t uncapped.

Highlights:

- 75% of the Open Pit resources are in the Measured & Indicated category;
- Measured and Indicated potentially Open Pitable resources at an average grade of 4.32 g/t gold (4.67 g/t gold uncapped*) containing 579,000 ounces gold (635,000 ounces gold uncapped);
- Inferred potentially Open Pitable resources at an average grade of 2.50 g/t gold (2.68 g/t gold uncapped) containing 192,000 ounces gold (213,000 ounces gold uncapped*);
- Measured and Indicated potentially Underground mineable resources at an average grade of 6.29 g/t gold

(6.37 g/t gold uncapped*) containing 142,000 ounces gold (145,000 uncapped*);

- Inferred potentially Underground mineable resources at an average grade of 7.20 g/t gold (7.20 g/t uncapped*) containing 929,000 ounces gold (935,000 ounces gold uncapped*).

* Uncapped resources utilizing maximum gold values are only a sensitivity to actual capped resource estimates, in which all gold assay composite intervals exceeding 100 grams per tonne have been capped to 100 grams.

2012 Exploration

As part of the 2012 program the Company completed 107 drill holes totalling 41,065 metres. Over 100 gold-bearing drill intersections exceed resource cut-off grades. The 2012 drill program was successful in expanding gold resources within the upper 300 metres of the Eau Claire gold deposit. Both high-grade gold veins and wider zones of gold mineralization were been detected in multiple drill holes, principally within four domains, from within the 450 (Upper and Lower Vein Groups) and 850 West Zones (Central and Northern areas).

<u>450 West Zone</u>

Within the Eau Claire deposit, the 450 Zone currently consists of three main gold-enriched horizons, each containing multiple vein sets – the Main Group of Veins (P, JQ, R and S veins), the Upper Group of Veins (veins A to I) and the Lower Group of Veins, which consists of the numerous and compound T Vein series.

The 2012 drill program defined additional potentially open-pitable and underground resources from two domains within the zone. Multiple vein intercepts were primarily delineated within both the Upper and Lower Groups of Veins.

Drilling at the eastern margin, within the Upper Group of Veins, several hundred metres southeast of where the deposit comes to surface, intersected some exceptionally high-grade and wide assay intervals. Hole 456 grades 10.98 g/t Au across 11.0 metres, including a 7.5-metre-wide interval, which extends continuously from the I to the P Vein, at 14.9 g/t Au and 15.8 g/t Te. Drill hole 450 also hit a wide interval of the D Vein at shallow depths, grading 4.36 g/t Au over 11.0 metres, including 10.7 g/t Au and 13.7 g/t Te over 4.0 metres.

Drilling along the north boundary intersected over 50 gold-bearing intervals from the Lower Group of Veins which exceed grade-thickness cut-off parameters of the current resource. In particular, Vein T10, which has been traced for a lateral strike-length of more than150 metres, ranges in thickness from 0.5 to 22.0 metres, and has been delineated from vertical depths of 100 to 200 metres with significant assay results. T10 intercepts include: 2.23 g/t Au over 16.5 metres, (including 47.8 g/t Au and 109.5 g/t Te over 0.5 metres) in hole ER12-357; 5.90 g/t Au over 6.0 metres, including a half-metre interval of 35.9 g/t Au and 43.5 g/t Te, in hole ER12-358; and 12.25 g/t Au over 5.0 metres, which includes 29.24 g/t Au and 53.8 g/t Te over 2.0 metres in hole ER12-369. Vein T10 is outside the limits of the current resource estimate.

Additional T Vein Group intercepts from holes collared within the 450 West Zone include: a 5.0-metre-wide interval grading 4.70 g/t Au; 24.03 g/t Au over 1.5 metres; 4.19 g/t Au over 4.5 metres; and 15.3 g/t Au over 2.0 metres within an 18.0-metre interval of 2.49 g/t Au.

Hole 406, collared between the 450 and 850 West Zones, intersected a substantial amount of visible gold within a one-half-metre interval of the S Vein, which assayed 336 g/t Au and 580 g/t Te from a wider 2.5-metre intersection grading 67.9 g/t Au and 93.6 g/t Te.

There is considerable potential to expand gold resources to the north (T Veins), to the east, within the Upper Group of Veins, and at depth within all vein groups.

<u>850 West Zone</u>

A second major set of gold-bearing veins referred to as the 850 West Zone was discovered 400 metres west of the 450 West Zone. Approximately 20 different veins have been recognized within the 850 West Zone – V4 through V23. Although these two vein sets have different orientations they both delineate the gold mineralizing systems responsible for forming the Eau Claire gold deposit. As in 450 West, both wide zones of gold mineralization and bonanza-style feeder veins have been outlined in the 850 West Zone.

Previous trenching exposed V16, with an average grade of 21.3 g/t gold over a length of 67 metres and a width of one metre, along the crest of a ridge 200 hundred metres, west of the 450 West outcrop. Historical trenching by SOQUEM also exposed locally wide zones of low-grade gold mineralization well north of V16. In 2011, trenching uncovered the RC Soccer Field south of V16, exposing a 13.5-metre-wide gold zone grading 16.4 g/t Au, which corresponds to the surface projection of vein V10.

Drill hole ER12-374, collared 25 metres east of the Soccer Field, intersected multiple veins and alteration zones from surface to a down-hole depth of 130 metres. This hole intersected an 8.0-metre-wide interval of Vein V14 at 14.0 metres depth, grading 4.95 g/t Au, including a one-half-metre-wide sample, which assayed 66.5 g/t gold and 83.6 g/t tellurium.

Hole 411 intersected a 23.5-metre-wide interval of V9, near surface, grading 3.63 g/t Au, including 13.4 g/t Au and 9.14 g/t Te over 4.0 metres. Hole 412 intersected a 6.5-metre-wide, high-grade zone at 17.7 g/t Au, which included a

3.5-metre-wide interval grading 31.4 g/t gold. These gold-bearing veins are structurally and mineralogically the same as those found within the 450 West Zone.

In the Northern Area of the 850 West Zone new gold discoveries from within V18 to V20 have extended the north margin of the deposit. Here, significant wide and high-grade vein intervals include 14.7 g/t gold and 24.8 g/t tellurium over 2.0 metres, within a wider interval grading 2.57 g/t Au over 15.0 metres, at a depth of 69.0 metres, in Vein 19, and a 3.0-metre interval of 10.1 g/t Au and 10.0 g/t Te, which occurs within 13.5 metres of mineralized rock grading 3.09 g/t gold at 77.0 metres, also in Vein 19.

Drill hole 431 intersected a 25.5-metre-wide interval of Vein 20, located parallel to Vein 19, assaying 0.97 g/t Au, which included 11.0 metres of 1.66 g/t gold and 1.9 g/t Te at a depth of 121.5 metres. Other significant drill intercepts include a cut of Vein 12 (hole 375), which returned 38.4 g/t Au over 2.0 metres, and contained a half-metre interval of 150 g/t Au.

Both surface trenching and drilling have confirmed the potential to further expand resources in the 850 West Zone to the north.

<u>3D Modeling</u>

Recent 3D modelling of the Eau Claire deposit indicates that the 450 and 850 West Zones likely form a continuous gold-bearing system. Metal assemblages, mineralogy and structural signatures of mineralization in the zones mirror each other, creating a crescent shaped body with a hinge developing between the two zones.

3D modeling of various grade shells has enabled the Company to define future exploration targets within the Eau Claire deposit with much greater accuracy.

A 25,000-metre, $5M exploration program has been budgeted for 2013. The principal objective of the program is to define sufficient gold resources within the Eau Claire deposit to support a low-cost, highly-profitable, long-life mining operation.

The Company's net investment in the Clearwater project to October 31, 2012 is $31.0 million.

Eastmain Mine

The Eastmain Mine property 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 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 property and beyond. Eastmain Mine site is situated on Sector 3 of the future permanent 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 was deferred to 2013.

The Company's net investment in the Eastmain Mine project to October 31, 2012, is $12.5 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*.

Ruby Hill

The Company holds 100% interest in certain mineral properties comprising the Ruby Hill project, which is located within the Upper Eastmain River greenstone belt of Northern Quebec, and covers approximately 10,600 hectares of prospective geology similar to the key mine horizon at the Eastmain Mine gold deposit. This key horizon is also comparable to rocks hosting significant gold and nickel-copper deposits in the Kalgoorlie and Kambalda regions of Western Australia.

The Company's net investment in the Ruby Hill project to October 31, 2012, is $1.8 million.

Éléonore South

Éléonore South, an exploration-drilling-stage project, is located adjacent to Goldcorp Inc.'s multi-million ounce Roberto gold deposit (Éléonore project), in the Opinaca geologic Subprovince of James Bay, Québec. Jointly held by Eastmain (37%), Azimut Exploration Inc. (26%), and Les Mines Opinaca Ltée. (37%), 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.

The property covers a very large area, with very little rock exposure and no record of exploration prior to our first phase of work. Systematic exploration, including prospecting and the collection of over 10,000 soil samples led to the discovery of the JT Target. Subsequent trenching of JT 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 delineated a kilometre-long, stacked horizon containing anomalous Au-As-Sb mineralization, in a geological setting comparable to that found at Goldcorp's Éléonore project. Like Eau Claire, Roberto is a structurally-controlled gold deposit in glacially covered terrain.

A LiDAR topographic survey, an airborne technique which uses laser light to produce accurately detailed models of the earth's surface, and additional processing and interpretation of airborne geophysical data was completed on the project during the reporting period. Continued work includes detailed 3D modeling of existing geophysical data and structural information to prioritize future drill targets.

Given the growing size of the Roberto gold deposit next door, the exploration potential of Éléonore South remains extremely high. Eastmain has allocated up to $500,000 in funding for 2013.

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

Reservoir

The Reservoir property, 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 project 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 volcanic and sedimentary domains of this new mining district. This break represents an important ore localizing event throughout the region. Previous trenching and drilling confirmed there is a significant kilometric-scale mineralizing system which warrants drilling.

Geological mapping, prospecting and LiDAR topographic surveys were completed on the project in 2012 in preparation for follow-up diamond drilling.

An $800,000 exploration program has been allocated for 2013.

The Company's investment in Reservoir to October 31, 2012 is $0.6 million.

Radisson

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 discovered within well-developed iron formations on the property suggests 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 project, 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. HBE's 2012 drill program was deferred to 2013.

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

OTHER PROPERTIES

Road King

The Road King project, which is in the very early stages of exploration, 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. 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

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 project is prospective for a sedimentary- or volcanic-hosted gold deposit and additional exploration is warranted.

Lac Elmer

The Lac Elmer project is located at the western end of the Eastmain Greenstone Belt approximately 35 kilometres west of the LG2 highway and roughly 80 kilometres west of the Reservoir property. The property consists of 178 claims covering 9,379 hectares. Lac Elmer is in the target definition and drilling stages 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 in 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 Other Properties of geological interest located in the James Bay area of Northern Québec (including Road King, Lac Hudson and Lac Elmer) to October 31, 2012 is $2.0 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 consolidated financial statements are prepared on the basis that the Company will continue as a going concern, which assumes that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of operations. As an exploration-stage Company, the Company does not have any sources of revenue and historically has incurred recurring operating losses. As at October 31, 2012, the Company had working capital of $4,673,482 and shareholders' equity of $55,644,396. Management has assessed that this working capital is sufficient for the Company to continue as a going concern beyond one year.

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 October 31, 2012 compared to the three months ended October 31, 2011

All of the information described below is accounted for in accordance with IFRS.

Net income for the quarter ended October 31, 2012 was $285,165, (2011: $279,551), an improvement of $5,614 (2.0%) over the comparative quarter last year.

- Premium income on flow-through shares for the quarter ended October 31, 2012 of $196,627 was $436,063 (68.9%) less than 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 eligible expenditures incurred.
- The deferred taxes recovery of $342,610 was $291,308 more than last year, reflecting an increase in the difference in book value to tax base value of the Company's assets.

Year ended October 31, 2012 compared to the year ended October 31, 2011

Net income for the year was $909,676, (2011: a loss of $1,272,170) an improvement of $2,181,846 over last year.

- Premium income on flow-through shares for the year was $2,613,502, an increase of $622,606 (31.3%) over last year.
- Deferred tax recoveries were $342,610. In 2011 the Company experienced an increase in deferred taxes of $1,275,170, reflecting an increase in the difference in book value to tax-base value of the Company's assets. The most significant portion of the difference in book to tax-base value arises from the renunciation of exploration expenditures to its investors from the sale of flow-through shares described in Note 3(h) to the Consolidated Financial Statements. The provision for income taxes and the reconciliation to expected income tax is detailed in Note 17 to the financial statements.
- Other income included rental income and management fees of $364,668, an increase of $78,798 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 net income includes a mineral property write down of $634,142, an amount equal to the expense last year, completing the write off of the Xstrata joint venture. Management has postponed exploration on this project indefinitely.
- The estimated cost of share-based compensation for the year was $355,318, a decrease of $102,322 (22.4%) over the year ended October 31, 2011. Share-based compensation is recognized as an expense as the options granted vest. The estimated cost of share-based 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 Consolidated Financial Statements, Note 11(b).
- Loss on marketable securities includes a write down to market value of $300,746, a decrease of $20,081 (6.1%) from the prior year. The losses incurred reflect an overall continuing downward trend in market valuation of the common shares held by the Company. These shares represent equity ownership in resource companies obtained in exchange for property, property rights or exploration data.

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	450,000	$284,208	$ 44,518	$239,690
	1,250,000	$691,058	$355,318	$335,740
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

	Quarter ended 10/31/2012	**Quarter ended 07/31/2012**	**Quarter ended 04/30/2012**	**Quarter ended 01/31/2012**
Interest / other income	$ 62,079	$ 54,879	$ 202,702	$ 45,008
Comprehensive income (loss)	$ 285,165	$ 985,926	$ 94,168	(455,583)
Per share basic	$0.0029	$0.0101	$0.0010	$(0.0047)
Per share diluted	$0.0028	$0.0099	$0.0009	$(0.0047)
Trading range of shares				
High	$1.07	$1.10	$1.39	$1.52
Low	$0.76	$0.75	$0.97	$0.94

	Quarter ended 10/31/2011	Quarter ended 07/31/2011	Quarter ended 04/30/2011	Quarter ended 01/31/2011
Interest / other income	$ 80,589	$ 60,488	$ 68,148	$ 77,026
Comprehensive income (loss)	279,551	(458,472)	$ (481,291)	$ (52,856)
Per share basic	$0.0038	$(0.0049)	$(0.0052)	$(0.0006)
Per share diluted	$0.0036	$(0.0049)	$(0.0052)	$(0.0006)
Trading range of shares				
High	$1.41	$1.60	$1.91	$2.17
Low	$0.98	$1.08	$1.35	$1.57

All information for quarters ended 10/31/2011 through 10/31/2012 has been reported giving effect to IFRS. Significant changes included in the amounts above by quarter end are as follows:

10/31/2012 - net income includes flow-through share premium income of $196,627 and deferred income tax recovery of $342,610. Comprehensive income includes an unrealized loss on investments of $20,081.

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.

Risks and Uncertainties

The Company is in the exploration stage and has not yet determined whether its mineral resource properties contain reserves that are economically recoverable. The continued operations of the Company and the recoverability of amounts shown for mineral resource properties are dependent upon the ability of the Company to obtain financing to complete the exploration and development of its mineral resource properties, the existence of economically recoverable reserves and future profitable production, or alternatively, upon the Company's ability to recover its costs through a disposition of its mineral resource properties.

Due to the inherently risky nature of the Company's activities, it is subject to numerous risk factors that may affect its business prospects in the future. These risks include, but are not limited to: access to additional capital to fund future activities; the loss of its mineral properties or the inability to obtain exploration permits licenses and approvals; price fluctuations for gold; title risks; political and regulatory risks related to prospecting, development, mining, labour standards, occupational health and safety, waste disposal, land use, water use, environmental protection, land claims of aboriginal people, statutory and regulatory compliance; the adequacy and availability of insurance coverage; competition for equipment and skilled personnel; liquidity risk; conflicts of interest; and the Company's dependence upon key management.

Exploration and Evaluation Expenditures

The cost of exploration and evaluation 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(b) to the Consolidated Financial Statements, dated October 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 October 31, 2012, the Company had working capital of $4.6 million and no long-term debt. The Company maintains a high liquidity by holding cash balances in an interest-bearing Canadian bank account. At October 31, 2012 the Company held investments of $0.8 million valued at fair market with maturities extending beyond 1 year. The Company raised gross proceeds of $7.6 million from the issue of flow-through shares in December 2012 and is anticipating the future receipt of investment tax credits and mining duty rebates in the order of approximately $2.1 million, based on refund claims to be filed for exploration expenditures up to October 31, 2012. 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 October 31, 2012 were $883,285, which included $646,849 for recoverable sales taxes and 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 $236,436, which includes $167,735 for mining duty refunds that have been approved.

Accounts payable and accrued liabilities outstanding as at October 31, 2012 were $1,381,323, which includes $320,558 for government taxes.

The Company has an estimated $2.1 million in resource investment credits and mining duty rebates recoverable from the Province of Québec, for qualified expenditures in respect of the fiscal year ended October 2012. Since no confirmation of the amounts has been received, the estimated refund has not been recorded in the Company's financial statements.

During the year ended October 31, 2012 the Company 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 spent $14.9 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.

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.

Commitments

In December 2012 the Company issued flow-through shares for which it is committed to spend $7,605,802 in eligible Canadian exploration expenditures ("CEE"), of which $3,808,402 must also qualify for Province of Québec flow-through expenditures, by December 31, 2013.

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 $385,729 in field equipment. The net book value at October 31, 2012 was $116,538.

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 January 28, 2013, there are 106,627,007 common shares outstanding; 5,464,605 share-purchase options outstanding; and 156,926 common-share-purchase warrants outstanding. The share-purchase options outstanding, with a weighted-average exercise price of $1.09, would generate proceeds of $5,951,672 and the common-share-purchase warrants outstanding, with an average exercise price of $1.40, would generate proceeds of $219,696, if exercised.

Critical Accounting Estimates

Critical accounting estimates are used in the preparation of the financial statements. Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year, 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; and

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

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 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 those described in the Risks and Uncertainties section of this report.

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 exploration, development, and mining in the James Bay area of Québec and management has decided to indefinitely postpone exploration on its Xstrata project. As such, the remaining balance of the carrying value on this project was written off. The Company is retaining its evaluation results database, which may prove to be useful in the future. Management is confident that under Québec's currently positive mining regime, with respect to exploration in the James Bay area, 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 audited Consolidated Financial Statements describes the accounting policies that have been applied in the preparation of the financial statements for the period ended October 31, 2012. The comparative information presented in the financial statements for the year ended October 31, 2011 was restated using IFRS. Note 19 to the Consolidated Financial Statements details the adjustments made and the reconciliations between pre-transition statements issued under Canadian GAAP and IFRS.

Summary of IFRS Implementation

In previous years, the Company prepared its financial statements in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). The Company adopted IFRS November 1, 2011. Consolidated Financial Statements for the years ended October 31, 2012 and 2011, and the Consolidated Statement of Financial Position as at November 1, 2010, the Company's transition date, have been prepared in accordance with IFRS and IFRS 1 *First-time adoption of International Financial Reporting Standards.*

The audited Consolidated Financial Statements set out significant accounting policies in accordance with IFRS in Note 3 and reconciliations between Canadian GAAP and IFRS in Note 19. The following paragraphs provide a summary of the impact of the transition from Canadian GAAP to IFRS.

Impact of the transition from Canadian GAAP to IFRS

Flow-through shares

Under Canadian GAAP, the proceeds on the issue of flow-through shares were recognized in equity, net of the tax effects of renunciation. Under IFRS, the issue of flow-through shares is treated as an issue of shares and the sale of tax deductions. The Company uses the residual method to measure the sale of tax deductions. At the time the flow-through shares are issued, the sale of tax deductions is deferred and presented as other liabilities on the statement of financial position. When the Company fulfills its obligation to pass on the tax deduction to the investors, the sale of tax deductions is recognized as a reduction of deferred tax expense in the statement of loss and comprehensive loss, and a deferred tax liability is recognized for the taxable temporary difference that arises between the carrying amount of eligible expenditures capitalized as an asset in the statement of financial position and its tax base.

Implementation of International Financial Reporting Standards ("IFRS")

The Company's IFRS conversion plan as detailed in its Annual MD&A for the year ended October 31, 2011 is now complete.

The Canadian Accounting Standards Board required all public companies to adopt IFRS for interim and annual financial statements relating to their first fiscal years beginning on or after January 1, 2011. The Company's financial statements for the years ended October 31, 2012 and 2011 have been prepared in accordance with IFRS, including comparative amounts shown for November 1, 2010 in the statement of financial position. Note 19 provides reconciliations to the corresponding financial statements prepared under previous Canadian generally accepted accounting principles ("Canadian GAAP").

Although IFRS has a conceptual framework that is similar to previous Canadian GAAP, there are significant differences in recognition, measurement and disclosure. The transition to the IFRS framework has resulted in several changes to accounting policies that impact financial reporting. The following are the more significant accounting differences:

Impairment of non-current assets

Under Canadian GAAP, long-lived asset impairment testing is done using a two-step approach, whereby long-lived assets are first tested for recoverability, based on the undiscounted cash flows they are expected to generate. If the undiscounted cash flow expected to be generated is higher than the carrying amount, then no further analysis is required to be recorded. If the undiscounted cash flow is lower than the carrying amount of the assets, the assets are written down to their estimated value. Under IFRS, impairment testing is done using a one-step approach for both testing and measurement of impairment, with asset carrying amounts compared directly with the higher of fair value less costs to sell and value in use (which uses discounted cash flows). This may result in more frequent write-downs where carrying amounts of assets were previously supported under Canadian GAAP on an undiscounted cash flow basis, but could not be supported on a discounted basis. However, the extent of any asset write-downs may be partially offset by the requirements under IFRS to reverse any previous impairment losses where circumstances have changed, such that the impairments are reduced. The previous Canadian GAAP did not permit reversal of impairment losses.

No changes in the carrying value of non-current assets were required as at November 1, 2010, October 31, 2011 or October 31, 2012 as a result of applying IFRS.

Financial instruments

Under GAAP the Company classified its marketable securities as "available for sale" through other comprehensive income, net of future income taxes. Marketable securities can also be classified as FVTPL. IFRS has narrowed its classification of financial instruments and the Company has elected to classify its marketable securities at FVTPL. Unrealized gains or losses on marketable securities under GAAP were allocated to other comprehensive income net of future income taxes. Unrealized gains or losses on marketable securities were the Company's only component of other comprehensive income, and with this change in classification, other comprehensive income will be eliminated. As at November 1, 2010, accumulated other comprehensive losses under GAAP amounted to $245,490. The losses have been reclassified from accumulated other comprehensive loss to deficit as at November 1, 2010. For the year ended October 31, 2011, unrealized losses on marketable securities amounted to $574,307 and under IFRS have been reclassified from other comprehensive income to loss on marketable securities as a component of profit or loss.

Share-based compensation

Under IFRS, Share-based compensation is recognized as an expense over the individual vesting periods for graded vesting awards including an estimate for forfeiture rates. Under Canadian GAAP, share-based compensation related to issue of stock options for graded vesting awards was recognized on a straight-line basis through the date of full vesting without incorporating a forfeiture multiple. The Company's stock options are granted on a fully-vested basis.

No changes in the value of stock options were required as a result of applying IFRS.

Other Considerations in the Changeover from Canadian GAAP to IFRS

Internal control activities

The Company has applied its existing internal control framework to the IFRS changeover process and there have not been any significant changes as a result. All accounting policy changes have been reviewed by senior management and the audit committee.

Business activities

The implementation of IFRS did not impact any employee compensation plans or key ratios and the Company does not have any debt covenants. In addition, the transition to IFRS did not have a significant impact on internal controls except as noted above.

Review

The review phase involves continuous monitoring of changes in IFRS. IFRS accounting standards and the interpretation thereof are constantly evolving. As a result, the Company will continue to monitor and evaluate IFRS accounting developments.

IFRS 1: First-time Adoption of International Financial Reporting Standards

IFRS 1 provides entities adopting IFRS for the first time with a number of optional and mandatory exceptions, in certain areas, to the general requirement for full retrospective applications of IFRS. The purpose of these options is to provide relief to companies and simplify the conversion process by not requiring recalculation of information that may not exist or may not have been collected at the time of the original transaction. Mandatory exceptions provide that changes to estimates previously made are not permitted. The estimates previously made by the Company under Canadian GAAP have not been revised for application of IFRS except where necessary to reflect any changes resulting from differences in accounting policies. To complete the implementation of IFRS, management has analyzed the various transitional exemptions available to the Company under IFRS 1. The Company has implemented the following optional IFRS 1 exemption:

Historical cost as deemed cost

IFRS 1 allows a choice to measure exploration and evaluation at its fair value at the date of transition or at historical cost determined under Canadian GAAP. The Company elected to measure exploration and evaluation at the historical cost determined under Canadian GAAP as at November 1, 2010, which the Company believes did not include any material costs incurred prior to securing the legal rights to explore the properties and therefore is consistent with historical cost under IFRS. The Company has elected to continue to capitalize exploration and evaluation costs.

Critical Accounting Estimates and Judgements

Use of estimates

The preparation of financial statements in conformity with IFRS requires the Company's management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

Estimates

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are as follows:

Impairment of exploration and evaluation

Expenditures on exploration and evaluation are initially capitalized with the intent to establish commercially viable reserves. The Company makes estimates about future events and circumstances in determining whether the carrying amount of exploration and evaluation exceeds its recoverable amount.

Estimates of mineral resources

The amounts used in impairment calculations are based on estimates of mineral resources. Resource estimates are based on engineering data, estimated future prices, expected future rates of production and the timing of future capital expenditures, all of which are subject to many uncertainties and interpretations. The Company expects that, over time, its resource estimates will be revised upward or downward based on updated information such as the results of future drilling, testing and production levels, and may be affected by changes in commodity prices. See Note 8 to the Consolidated Financial Statements.

Deferred income taxes

Deferred income tax assets and liabilities are measured using enacted or substantively enacted tax rates at the reporting date in effect for the period in which the temporary differences are expected to be recovered or settled. The effect on deferred income tax assets and liabilities of a change in tax rates is recognized as part of the provision for income taxes in the period that includes the enactment date. The recognition of deferred income tax assets is based on the assumption that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. See Note 17 to the Consolidated Financial Statements.

Share-based payments

The Company uses the Black-Scholes option pricing model in determining share-based payments, which requires a number of assumptions to be made, including the risk-free interest rate, expected life, forfeiture rate and expected share price volatility. Consequently, actual share-based compensation and warrant valuations may vary from the amounts estimated. See Note 11 to the Consolidated Financial Statements.

Decommissioning liabilities

Decommissioning liabilities are measured at the present value of management’s best estimate of expenditures required to settle the present obligation at the statement of financial position date. The Company’s estimates of decommissioning liabilities could change as a result of regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures.

Flow-through share premium

The Company recognizes the flow-through share premium based on the residual method which compares the unit/share price of the flow through units/shares issued to the market value of the Company's shares and records the excess as a flow-through share premium.

Judgements

The Company applies judgments in assessing whether material uncertainties exist that would cause significant doubt as to whether the Company could continue to exist as a going concern. Based on expected cash flow projections for at least 12 months, management has determined that any going-concern uncertainties are not material and therefore do not cast significant doubt as to the Company’s ability to continue as a going concern.

Classifications

The Company has made account reclassifications and changes to the presentation of its Consolidated Financial Statements as required by IFRS, and where it was considered more meaningful, and where it provided better comparisons to other financial statement preparers. The following is a summary of the main changes:

i. The balance sheets have been renamed the statements of financial position.
ii. Future income taxes have been renamed deferred income taxes.
iii. The Company has elected to present one single statement of comprehensive income (loss) rather than a separate statement of operations and a separate statement of other comprehensive income (loss).

Future Accounting Pronouncements

A number of new standards, amendments to standards and interpretations are effective for periods beginning on or after January 1, 2013. The Company has not yet assessed the impact of the standards or determined whether it will adopt these standards early.

Financial Instruments

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 the Company's annual reporting period beginning on November 1, 2015.

Consolidated Financial Statements

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 the Company's annual reporting period beginning November 1, 2013 with earlier adoption permitted.

Joint Arrangements

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 their 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 the Company's annual reporting period beginning November 1, 2013 with earlier adoption permitted.

Disclosure of Interests in Other Entities

IFRS 12 – *Disclosure of Interests in Other Entiti*es was issued by the IASB in May 2011. This new and comprehensive 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 the Company's annual reporting period beginning November 1, 2013 with earlier adoption permitted.

Fair-Value Measurement

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 IFRS. The key points are as follows:

i. 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;

ii. 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;

iii. 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;

iv. 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.

v. 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 the Company's annual reporting period beginning November 1, 2013 with earlier adoption permitted.

Use of Financial Instruments

The Company has not entered into any specialized financial agreements to minimize its investment risk, currency risk or commodity risk and the Company does not hold any asset-backed commercial paper.

The Company's financial instruments are exposed to certain financial risks, including currency risk, credit risk, liquidity risk, interest rate risk and commodity price risk.

Fair value

Fair value represents the amount at 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-value estimates are based on quoted market values and other valuation methods.

The carrying value of cash and accounts payable and accrued liabilities approximates fair value due to the short-term nature of these financial instruments.

Currency risk

As the majority of the Company's expenditures are in Canadian dollars, the Company limits it exposure to currency risk by maintaining its cash in Canadian dollars.

Credit risk

Credit risk is the risk of a loss if a counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises from the Company's cash balances. The maximum exposure to credit risk is equal to the balance of cash. The Company limits its exposure to credit risk by holding its cash in deposits with high-credit quality Canadian financial institutions.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet is financial obligations as they come due. The Company manages its liquidity risk through the management of its capital structure as outlined in Note 12 to the Consolidated Financial Statements. Accounts payable and accrued liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to interest rate risk due to the short-term nature of its financial instruments. The Company has no interest-bearing debt.

Outlook

Eastmain is one of the most active companies exploring within the James Bay region of Québec. The Company owns 100% royalty-free interest in the second largest gold deposit in the district. The Eau Claire deposit is one of the few undeveloped gold deposits, grading over 3 g/t, and containing over 1.5 million resource ounces in North America. With excellent infrastructure and accessibility, within a safe jurisdiction, Eau Claire's combined Measured and Indicated open-pit and underground capped resource grades of 4.60 g/t, containing 721,000 ounces of gold, and an additional Inferred capped resource of 1,122,000 ounces at 5.45 g/t, make it one of the top deposits in this category.

With this in mind, the Company's ultimate objective is to demonstrate that there is sufficient gold resources at Eau Claire to sustain a long-life, low-cost and highly profitable operation for a minimum 10-year mine life.

Future catalysts and value drivers include updating current resource estimates with the addition of 100 gold-bearing drill intercepts from 2012 drilling, which the exceed cut-off grades and thicknesses of existing potentially open pitable and underground resources. Independently-produced, in-house economic assessments expected to be completed in the first half of 2013, will help to guide and optimize exploration efforts toward reaching the Company's ultimate objective at Eau Claire.

The Corporation raised $7.6 Million in two private placements in December, thereby ensuring funding is in place for 2013 exploration programs, while providing a comfortable balance in the treasury for next year-end. In a fourth equity placement in Eastmain over a ten-year period, Goldcorp, our largest shareholder, topped up its ownership to 9.9% – a significant endorsement of the Company and its projects.

A minimum budget of $7.5 Million has been approved for exploration in the James Bay region. Up to 30,000 metres of diamond drilling are planned for four projects, of which 25,000 metres will be used to expand and upgrade potentially mineable gold resources at Eau Claire, and to search for a second gold deposit on the Clearwater property.

Subsequent Events

a) On December 18, 2012 the Corporation entered into a non-brokered private placement agreement consisting of 5,709,133 flow-through shares at an average price of $0.81 per share for aggregate gross proceeds of $4,605,802. The shares are subject to a hold period of four months. Finder's fees of $246,420 for the placement agents are equal to 5.3% of the gross proceeds of the financing. Management and insiders subscribed for 156,000 of these shares. In accordance with income tax legislation, the Company will renounce resource expenditures of $4,605,802, in favour of the investors, with an effective date of December 31, 2012 for activities funded by this flow-through share arrangement as described in Note 3(h) to the Consolidated Financial Statements. The liability for the flow-through premium derived from the issue is $609,409.

b) On December 21, 2012 the Corporation entered into a non-brokered private placement agreement consisting of 3,000,000 flow-through shares priced at $1.00 per share for aggregate gross proceeds of $3,000,000. The shares are subject to a hold period of four months. A finder's fee of $150,000 for the placement agent is equal to 5% of the gross proceeds of the financing. In accordance with income tax legislation, the Company will renounce resource expenditures of $3,000,000, in favour of the investors, with an effective date of December

31, 2012 for activities funded by this flow-through share arrangement as described in Note 3(h) to the Consolidated Financial Statements. The liability for flow-through premium derived from the issue is $900,000.

Scientific and Technical Disclosure

All disclosure of a scientific or technical nature herein concerning the currently published Eau Claire resource estimate (Company News Release October 11, 2012) is based upon the technical report entitled “Eau Claire Gold Deposit, Clearwater Project, James Bay Area, Middle North Québec" (the “Clearwater Report”), which was prepared by P&E Mining Consultants Inc. 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.

EASTMAIN

EASTMAIN RESOURCES INC.

Consolidated Financial Statements

Year ended October 31, 2012

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Stern & Lovrics LLP
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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Eastmain Resources Inc.

We have audited the accompanying consolidated financial statements of Eastmain Resources Inc., which comprise the consolidated statement of financial position as at October 31, 2012 and 2011 and November 1, 2010, and the consolidated statements of income (loss) and comprehensive income (loss), cash flows and changes in shareholders' equity for the years ended October 31, 2012 and 2011, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Eastmain Resources Inc. as at October 31, 2012 and 2011 and November 1, 2010 and its financial performance and its cash flows for the years ended October 31, 2012 and 2011 in accordance with International Financial Reporting Standards.

Stern & Lovrics LLP

Toronto, Ontario
January 24, 2013

Licensed Public Accountants

EASTMAIN RESOURCES INC.

Consolidated Statement of Financial Position

As at October 31, 2012 and 2011, and November 1, 2010

	October 31, 2012	October 31, 2011	November 1, 2010
Assets			
Current assets			
Cash and cash equivalents (Note 4)	$ 2,541,819	$ 11,529,234	$ 14,472,115
Marketable securities maturing in one year (Note 5)	2,629,701	2,490,963	1,721,066
Prepaid and sundry receivables (Note 6)	883,285	1,186,694	950,217
	6,054,805	15,206,891	17,143,398
Marketable securities (Note 5)	824,989	1,216,618	1,512,406
Property and equipment (Note 7)	116,538	114,123	94,510
Exploration and evaluation (Note 8)	52,845,179	42,004,423	30,785,659
	$ 59,841,511	$ 58,542,055	$ 49,535,973
Liabilities and Shareholders' Equity			
Current liabilities			
Accounts payable and accrued liabilities (Note 9)	$ 1,381,323	$ 4,339,427	$ 1,204,686
Deferred premium on flow-through shares (Note 10)	-	-	456,416
	1,381,323	4,339,427	1,661,102
Deferred income taxes	2,815,792	3,158,402	1,882,422
Shareholders' equity			
Share capital	59,747,820	56,698,891	51,080,204
Warrants	30,757	140,676	102,276
Contributed surplus	10,960,200	10,208,716	9,541,856
Deficit	(15,094,381)	(16,004,057)	(14,731,887)
	55,644,396	51,044,226	45,992,449
	$ 59,841,511	$ 58,542,055	$ 49,535,973

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

EASTMAIN RESOURCES INC.

Consolidated Statement of Income (Loss) and Comprehensive Income (Loss)

For the Years Ended October 31, 2012 and 2011

	2012	2011
Operating expenses		
General and administrative (Note 14)	$ 1,476,216	$ 1,312,169
Write down of mineral properties (Note 8)	634,142	634,142
Operating loss before the following	(2,110,358)	(1,946,311)
Interest and other income	364,668	286,251
Loss on marketable securities	(300,746)	(327,026)
Premium on flow-through shares	2,613,502	1,990,896
Net income before income taxes	567,066	3,810
Deferred income tax recovery (expense)	342,610	(1,275,980)
Comprehensive net income (loss) and Comprehensive income (loss)	909,676	(1,272,170)
Income (loss) per share (Note 15):		
Basic	$ 0.009	$ (0.014)
Diluted	$ 0.009	$ (0.014)

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

EASTMAIN RESOURCES INC.

Consolidated Statement of Cash Flows

For the Years Ended October 31, 2012 and 2011

	2012	2011
	$	$
Operating activities		
Comprehensive net income (loss) for the year	909,676	(1,272,170)
Amortization	40,745	36,419
Loss on marketable securities	300,746	327,026
Premium on flow-through shares	(2,613,502)	(1,990,896)
Deferred income taxes	(342,610)	1,275,980
Stock-based compensation	355,318	457,640
Write down of mineral properties	634,142	634,142
Other receivables and prepaids	135,947	128,992
Accounts payable and other liabilities	(185,594)	123,619
	(765,132)	(279,248)
Financing activities		
Proceeds on issue of common shares	5,862,520	5,181,000
Proceeds on exercise of stock options	195,000	453,600
Share issue costs	(444,582)	(413,771)
	5,612,938	5,220,829
Investing activities		
Exploration and evaluation expenditures	(14,646,123)	(8,105,249)
Government exploration tax credits received	901,917	727,954
Purchase of property and equipment	(43,159)	(56,032)
Purchase of marketable securities	(2,741,742)	(2,776,840)
Proceeds on sale and redemption of marketable Securities	2,693,886	2,325,705
	(13,835,221)	(7,884,462)
Change in cash and cash equivalents	(8,987,415)	(2,942,881)
Cash and cash equivalents, beginning of the period	11,529,234	14,472,115
Cash and cash equivalents, end of the period	2,541,819	11,529,234

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

EASTMAIN RESOURCES INC.

Consolidated Statement of Shareholders' Equity

As at October 31, 2012

	Common shares		Reserves				
			Warrants		Contributed		Shareholders'
	#	$	#	$	surplus $	Deficit $	equity $
Balance as at November 1, 2010	91,454,933	51,080,204	204,000	102,276	9,541,856	(14,731,887)	45,992,449
Private placements	1,884,000	5,181,000					5,181,000
Share issue expenses		(386,083)					(386,083)
Premium on issue of flow-through shares		(1,534,480)					(1,534,480)
Property acquisition	1,000,000	1,692,310					1,692,310
Exercise of stock options	630,000	704,340			(250,740)		453,600
Stock option compensation					917,600		917,600
Warrants issued		(38,400)	109,140	38,400			-
Comprehensive loss for the period						(1,272,170)	(1,272,170)
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		(444,582)					(444,582)
Premium on issue of flow-through shares		(2,613,502)					(2,613,502)
Exercise of stock options	250,000	275,250			(80,250)		195,000
Stock option compensation					691,058		691,058
Warrants issued		(30,757)	156,926	30,757			-
Warrants expired			(313,140)	(140,676)	140,676		-
Comprehensive income for the period						909,676	909,676
Balance as at October 31, 2012	97,917,874	59,747,820	156,926	30,757	10,960,200	(15,094,381)	55,644,396

1. NATURE OF OPERATIONS AND GOING CONCERN

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 exploration stage and has not yet determined whether its exploration and evaluation assets contain reserves that are economically recoverable. The continued operations of the Company and the recoverability of amounts shown for its exploration and evaluation assets is dependent upon the ability of the Company to obtain financing to complete the exploration and development of its exploration and evaluation assets, upon the existence of economically recoverable reserves and future profitable production, or alternatively, upon the Company's ability to recover its costs through a disposition of its exploration and evaluation assets. The amount shown for exploration and evaluation assets does not necessarily represent present or future value. Changes in future conditions could require a material change in the amount recorded for the exploration and evaluation assets.

The consolidated financial statements are prepared on the basis that the Company will continue as a going concern, which assumes that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of operations. As an exploration stage Company, the Company does not have any sources of revenue and historically has incurred recurring operating losses. As at October 31, 2012, the Company had working capital of $4,673,482 and shareholders' equity of $55,644,396. Management has assessed that this working capital is sufficient for the Company to continue as a going concern beyond one year. If the going concern assumption were not appropriate for these consolidated financial statements it would be necessary to restate the Company's assets and liabilities on a liquidation basis.

The Company's registered office address is 36 Toronto Street, Suite 1000, Toronto, Ontario, Canada M5C 2C5.

2. BASIS OF PRESENTATION AND ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

a) Statement of Compliance and conversion to International Financial Reporting Standards ("IFRS")

IFRS has replaced Canadian generally accepted accounting principles ("Canadian GAAP") for publicly accountable enterprises effective for fiscal years beginning on or after January 1, 2011. These are the Company's first audited annual consolidated financial statements for the year ended October 31, 2012 presented in accordance with IFRS as issued by the International Accounting Standards Board ("IASB"). IFRS 1 First-Time Adoption of IFRS ("IFRS 1") has been applied and the impact of the transition from Canadian GAAP to IFRS is explained in Note 19.

The accounting policies set out below have been applied consistently to all periods presented, including the opening consolidated statement of financial position as at November 1, 2010 (Note 19) for purposes of transition to IFRS.

These consolidated financial statements have been prepared on an historical cost basis except for the reevaluation of certain financial assets to fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

In the preparation of these consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of expenses during the period. Actual results could differ from these estimates. Of particular significance are the estimates and assumptions used in the recognition and measurement of items included in Notes 2(b), 8, 11(a) and 11(b).

The consolidated financial statements were approved and authorized for issue by the Board of Directors on January 24, 2013.

b) Estimates

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year, 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;

2. BASIS OF PRESENTATION AND ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") (Continued)

b) Estimates (continued)

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; and

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

3. SIGNIFICANT ACCOUNTING POLICIES AND FUTURE ACCOUNTING CHANGES

The accounting policies set out below have been applied consistently to all years presented in these financial statements.

Principles of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary Eastmain Mines Inc. All significant inter-company transactions and balances have been eliminated.

a) Financial instruments

All financial instruments are required to be measured at fair value on initial recognition. Measurement in subsequent periods depends upon whether the financial instrument is classified as fair value through profit or loss ("FVTPL"), available-for-sale assets, held-to-maturity investments, loans and receivables, or other liabilities measured at amortized cost ("Other Financial Liabilities"). Financial instruments classified as FVTPL are measured at fair value with unrealized gains and losses recognized in the statement of operations. Available-for-sale asset financial instruments are measured at fair value with unrealized gains and losses recognized in other comprehensive income. Financial assets classified as held-to-maturity investments, loans and receivables and Other Financial Liabilities, are measured at amortized cost. Transaction costs in respect of financial assets and liabilities which are FVTPL are recognized in profit or loss immediately. Transaction costs in respect of Other Financial Liabilities are included in the initial fair-value measurement of the financial instrument.

The Company may enter into derivative contracts or, financial instruments and non-financial contracts containing embedded derivatives. Embedded derivatives are required to be accounted for separately at fair value as derivatives when the risks and characteristics of the embedded derivatives are not closely related to those of their host contract, and the host contract is not carried at fair value.

The Company has designated each of its significant categories of financial instruments as follows:

Cash and cash equivalents	FVTPL
Other receivables	FVTPL
Marketable securities	FVTPL
Accounts payable and accrued liabilities	Other Financial Liabilities
Deferred premium on flow-through shares	Other Financial Liabilities

Impairment of non-derivative financial assets
A financial asset is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably..

Financial assets carried at amortized cost
An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows, discounted at the asset's original effective interest rate. The carrying amount of the financial asset is reduced by the amount of the impairment loss and the

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

a) Financial instruments (continued)

impairment loss is recognized in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Available-for-sale financial assets
An impairment loss in respect of a financial asset classified as available-for-sale is calculated as the difference between the acquisition cost and the current fair value, less any impairment loss recognized previously in profit or loss. The impairment loss is recognized by reclassifying the loss from equity to profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

The Company categorizes its financial assets and liabilities measured at fair value into one of three different levels depending on the observability of the inputs used in the measurement:

Level 1: This level includes assets and liabilities measured at fair value based on unadjusted quoted prices for identical assets and liabilities in active markets that are accessible at the measurement date.

Level 2: This level includes valuations determined using directly or indirectly observable inputs, other than quoted prices included within Level 1. Derivative instruments in this category are valued using models or other standard valuation techniques derived from observable market inputs.

Level 3: This level includes valuations based on inputs which are less observable, unavailable, or where the observable data does not support a significant portion of the instruments' fair value.

The Company's financial instruments measured at fair value on the balance sheet consist of cash and cash equivalents, marketable securities and other receivables. These financial instruments are measured at Level 1 of the fair-value hierarchy.

b) Exploration and evaluation

Recognition and measurement
Exploration and evaluation, including the costs of acquiring licenses and directly attributable general and administrative costs, are initially capitalized as exploration and evaluation. These costs are accumulated by property pending the determination of technical feasibility and commercial viability. Pre-license costs are expensed as incurred. Pre-exploration costs are expensed unless it is considered probable that they will generate future economic benefits.

The recoverability of amounts shown for exploration and evaluation is dependent upon the ability of the Company to obtain financing to complete the exploration and development of its mineral resource properties, the existence of economically recoverable reserves and future profitable production, or alternatively, upon the Company's ability to recover its costs through a disposition of its mineral resource properties. The amounts shown for exploration and evaluation do not necessarily represent present or future value. Changes in future conditions could require a material change in the amount recorded for exploration and evaluation.

The technical feasibility and commercial viability of extracting a mineral resource from a property is considered to be determinable when proven and/or probable reserves are concluded to exist and all necessary permits have been received to commence production. A review of each property is carried out at least annually. Upon determination of technical feasibility and commercial viability, exploration and evaluation is first tested for impairment and then reclassified to property and equipment or expensed to the statement of loss and comprehensive loss to the extent of any impairment.

Title
Ownership in a mineral property involves certain risk due to the difficulties in determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyance history characteristic of many mineral interests. The Company has investigated the ownership of its mineral properties and, to the best of its knowledge, ownership of its interests are in good standing.

Impairment
Exploration and evaluation is assessed for impairment if, (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.
An impairment loss is recognized in the statement of loss and comprehensive loss if the carrying amount of a property exceeds its estimated recoverable amount. The recoverable amount of property used in the assessment of impairment of exploration and evaluation is the greater of its value in use ("VIU") and its fair value, less costs to sell ("FVLCTS"). VIU is determined by estimating the present value of the future net cash flows at a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the property. FVLCTS refers to the amount

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Exploration and evaluation (continued)

obtainable from the sale of a property in an arm's length transaction between knowledgeable, willing parties, less costs of disposal. For a property that does not generate largely independent cash flows, the recoverable amount is determined for the cash generating unit to which the property belongs. Impairment losses previously recognized are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount, only to the extent that the property's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognized.

c) Decommissioning liabilities

The Company's activities give rise to dismantling, decommissioning and site disturbance remediation activities. Provision is made for the estimated cost of site restoration. Decommissioning obligations are measured at the present value of management's best estimate of expenditures required to settle the present obligation at the balance sheet date. The fair value of the estimated obligation is recorded as a liability with a corresponding increase in the carrying amount of the related asset. The obligation is subsequently adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. The increase in the provision due to the passage of time is recognized as accretion costs, whereas increases or decreases due to changes in the estimated future cash flows or changes in the discount rate are capitalized. Actual costs incurred upon settlement of the decommissioning obligations are charged against the provision to the extent the provision was established. As at October 31, 2012, October 30, 2011 and November 1, 2010, the Company had no decommissioning liabilities.

d) 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.

e) Property and equipment

Upon initial acquisition, property and equipment are valued at cost, being the purchase price and the directly attributable costs of acquisition or construction required to bring the assets to location and in the condition necessary for these assets to be capable of operating in the manner intended by management.

In subsequent periods, property and equipment are stated at cost less accumulated amortization and any impairment in value, while land is stated at cost less any impairment in value and is not depreciated.

Each component or part of property and equipment with a cost that is significant in relation to the total cost of the item will be depreciated separately unless there is no difference in amortization on the respective components.

Amortization is recorded on a declining-balance basis over the estimated useful life of the asset using the following rates: Office equipment – 30% on a declining balance; Field equipment – 30% on a declining balance.

f) 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.

g) 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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

g) Share based payment transactions (continued)

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.

The fair value of share-based payment transactions to non-employees and other share-based payments, including shares issued to acquire exploration and evaluation properties, are based on the fair value of the goods and services received. If the fair value cannot be estimated reliably, the share-based payment transaction is measured at the fair value of the equity instruments granted at the date the Company receives the goods or services. The fair value related to the issuance of broker warrants is also measured at the date that the Company receives the services.

h) 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 is made based on the difference between the quoted price of the existing shares and the price that the investor pays 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.

i) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate reflecting current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as a finance cost.

j) 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 8% for eligible losses under the Québec Mining Duties Act and a refundable tax credit for resources of 38.75% under the Québec Income Tax Act. Those credits are applicable to 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.

k) Common shares

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects.

l) 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 year 2011, this calculation proved to be anti-dilutive.

m) 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

m) Asset retirement obligations (continued)

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 applicable laws and regulations dictated by regulatory authorities, which may 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 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 October 31, 2012, October 31, 2011 and November 1, 2010 the Company did not have any asset retirement obligations.

n) Income taxes

The Company uses the asset and liability method of accounting for income taxes. Under this method, 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 due to a change in income tax rates or laws is recognized as a part of the provision for income taxes in the period in which 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.

o) Recent accounting pronouncements

A number of new standards, amendments to standards and interpretations are effective for periods beginning on or after January 1, 2013. The Company has not yet assessed the impact of the standards or determined whether it will adopt the standards early.

Financial Instruments
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 its 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 the Company's annual reporting period beginning on November 1, 2015.

Consolidated Financial Statements
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 the Company's annual reporting period beginning November 1, 2013 with earlier adoption permitted.

Joint Arrangements
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,

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

o) Recent accounting pronouncements (continued)

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 the Company's annual reporting period beginning November 1, 2013 with earlier adoption permitted.

Disclosure of Interests in Other Entities
IFRS 12 – *Disclosure of Interests in Other Entiti*es was issued by the IASB in May 2011. This new and comprehensive 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 the Company's annual reporting period beginning November 1, 2013 with earlier adoption permitted.

Fair Value Measurement
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:

i. 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;

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

iii. 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;

iv. 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.

v. 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 the Company's annual reporting period beginning November 1, 2013 with earlier adoption permitted.

4. CASH AND CASH EQUIVALENTS

The composition of cash and cash equivalents is as follows:

	October 31, 2012	October 31, 2011	November 1, 2010
Cash	$ 1,641,721	$10,655,172	$13,726,239
Cash equivalents	900,098	874,062	745,876
	$ 2,541,819	$11,529,234	$14,472,115

5. MARKETABLE SECURITIES

a) Hedging Activities

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

b) Marketable securities held

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 4.4%, maturing between January 13, 2013 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.

5. MARKETABLE SECURITIES (Continued)

Marketable securities held

		October 31, 2012	October 31, 2011	November 1, 2010
GIC's and investment grade bonds		$ 3,038,153	$2,997,268	$2,554,533
Concordia Resource Corporation common shares	539,336	134,834	318,208	37,500
Dianor Resources Inc. common shares	500,000	2,498	17,500	2,910
Honey Badger Exploration common shares	5,000,000	250,000	300,000	463,829
Threegold Resources Inc. common shares	12,380	371	1,672	-
Western Lithium Corporation common shares	169,612	28,834	72,933	174,700
Investments		3,454,690	3,707,581	3,233,472
Less current portion		2,629,701	2,490,963	1,721,066
		$ 824,989	$1,216,618	$1,512,406

6. PREPAID AND SUNDRY RECEIVABLES

	October 31, 2012	October 31, 2011	November 1, 2010
Sales tax input credits recoverable	$ 646,849	$ 755,235	$ 656,768
Sundry accounts receivable	208,812	375,589	252,779
Advances and prepaid expenses	27,624	55,870	40,670
	$ 883,285	$ 1,186,694	$ 950,217

7. PROPERTY AND EQUIPMENT

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

	Computer equipment	Field equipment	Total
Net Book Value November 1, 2010	$ 11,852	$ 82,658	$ 94,510
Cost			
As at November 1, 2010	$ 39,576	$ 296,523	$ 336,099
Additions for the year	9,985	46,047	56,032
As at October 31, 2011	$ 49,561	$ 342,570	$ 392,131
Accumulated depreciation			
As at November 1, 2010	27,723	213,865	241,588
Additions for the year	4,794	31,625	36,419
As at October 31, 2011	$ 32,517	$ 245,490	$ 278,007
Net book value October 31, 2011	$ 17,044	$ 97,080	$ 114,124

Cost	Computer equipment	Field equipment	Total
As at October 31, 2011	$ 49,561	$ 342,570	$ 392,131
Additions for the year	-	43,159	43,159
As at October 31, 2012	$ 49,561	$ 385,729	$ 435,290
Accumulated depreciation			
As at October 31, 2011	32,517	245,490	278,007
Additions for the year	5,113	35,632	40,745
As at October 31, 2012	$ 37,630	$ 281,122	$ 318,752
Net book value October 31, 2012	$ 11,931	$ 104,607	$ 116,538

8. EXPLORATION AND EVALUATION

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

Project expenditures for the year ended October 31, 2011

Project	Drilling & assays	Technical surveys	Project acquisition & maintenance	Gross expenditures	Grants	2011 Net expenditures
Clearwater	$ 6,483,075	$ 828,868	$ 2,788,490	$ 10,100,433	$ (781,145)	$ 9,319,288
Eastmain Mine	2,257,719	297,342	18,669	2,573,730	(50,498)	2,523,232
Éléonore South	139,696	171,826	21,358	332,880	(74,047)	258,833
Ruby Hill	-	5,878	98,561	104,439	(99,290)	5,149
Reservoir	9,544	20,610	-	30,154	(11,854)	18,300
Radisson	-	7,655	19,500	27,155	(42,418)	(15,263)
Other	-	143,818	33,722	177,540	(34,173)	143,367
Total	$ 8,890,034	$ 1,475,997	$ 2,980,300	$ 13,346,331	$ (1,093,425)	$ 12,252,906

Cumulative acquisition, exploration and evaluation expenditures as at October 31, 2011

Project	Balance November 1, 2010	2011 Net expenditures	Write-downs & recoveries	Balance October 31, 2011
Clearwater	$ 12,205,603	$ 9,319,288	$ -	$ 21,524,891
Eastmain Mine	8,374,730	2,523,232	-	10,897,962
Éléonore South	4,512,219	258,833	-	4,771,052
Ruby Hill	1,825,476	5,149	-	1,830,625
Reservoir	423,930	18,300	-	442,230
Radisson	490,857	(15,263)	(400,000)	75,594
Other	1,684,560	143,367	-	1,827,927
Xstrata JV	1,268,284	-	(634,142)	634,142
	$ 30,785,659	$ 12,252,906	$(1,034,142)	$ 42,004,423

Project expenditures for the year ended October 31, 2012

Project	Drilling & assays	Technical surveys	Project acquisition & maintenance	Gross expenditures	Grants	2012 Net expenditures
Clearwater	$ 8,698,416	$ 1,305,592	$ 1,026	$ 10,005,034	$ (512,921)	$ 9,492,113
Eastmain Mine	1,143,921	239,174	400,024	1,783,119	(222,834)	1,560,285
Éléonore South	17,380	45,361	19,697	82,438	(27,114)	55,324
Ruby Hill	-	630	24,966	25,596	-	25,596
Reservoir	8,132	103,447	95,385	206,964	(2,520)	204,444
Radisson	-	4,677	6,706	11,383	(695)	10,688
Other	-	2,815	136,669	139,484	(13,036)	126,448
Total	$ 9,867,849	$ 1,701,696	$ 684,473	$ 12,254,018	$ (779,120)	$ 11,474,898

8. EXPLORATION AND EVALUATION (Continued)

Cumulative acquisition, exploration and evaluation expenditures as at October 31, 2012

Project	Balance October 31, 2011	2012 Net expenditures	Write-downs & recoveries	Balance October 31, 2012
Clearwater	$ 21,524,891	$ 9,492,113	$ -	$ 31,017,004
Eastmain Mine	10,897,962	1,560,285	-	12,458,247
Éléonore South	4,771,052	55,324	-	4,826,376
Ruby Hill	1,830,625	25,596	-	1,856,221
Reservoir	442,230	204,444	-	646,674
Radisson	75,594	10,688	-	86,282
Other	1,827,927	126,448	-	1,954,375
Xstrata JV	634,142	-	(634,142)	-
	$ 42,004,423	$ 11,474,898	$ (634,142)	$ 52,845,179

As at October 31, 2012 the Company is entitled to mining duties and resource investment tax credits from the Ministry of Natural Resources (Québec) and the Ministry of Revenue (Québec) in respect of claims to be filed up to October 31, 2012, amounting to approximately $2,100,000 ($1,000,000 as at October 31, 2011). Since the Company has no confirmation of the refund amounts, they have not been recorded in these financial statements.

All expenditures for exploration and evaluation of mineral properties currently held by Eastmain Resources Inc. are completely discretionary. The Company has no obligation to make expenditures on any of its mineral properties.

a) Clearwater Project

Eastmain holds 100% interest in the Clearwater Project, located in the central portion of the Eastmain River Greenstone Belt within the James Bay Region of Québec. The property, which hosts the Eau Claire Gold Deposit, consists of map designated claims (CDC's) covering an area of 200.68 km^2. In 2011 Eastmain purchased SOQUEM's 2% Net Smelter Royalty ("NSR") for 1 million shares valued at $1.72 million and $1.0 million cash, thereby entitling the Company to the unencumbered ability to structure future royalty agreements on the Clearwater property at its sole discretion.

b) Eastmain Mine Project

The Eastmain Mine project, which hosts the Eastmain Mine Gold Deposit, is held by the Company's wholly-owned subsidiary Eastmain Mines Inc. The Eastmain Mine property is located in Northern Québec and consists of 152 mineral claims and one mining lease covering approximately 8,014 hectares of the easternmost part of Eastmain River Greenstone Belt. In September 2012, the Company exercised its right of first refusal to purchase the Remaining 2% NSR on all production exceeding 250,000 ounces of gold at a net cost $400,000. Concurrently, Franco Nevada Corporation and Virginia Mines Inc. jointly acquired the Initial Production Royalty, a 2.3% NSR applicable only to the first 250,000 ounces of gold produced and subject to a reduction should the price of gold fall below USD $750.

c) Éléonore South Project

The Éléonore South project consists of two separate blocks of CDC's comprising a total of 282 claims covering approximately 147 km^2 of the Opinaca area of James Bay, Québec. The Éléonore West block consists of 34 mineral claims covering approximately 17.8 km^2, while the Éléonore South block contains 248 claims extending over an area of approximately 129.9 km^2**.** The project is a 3-way joint venture agreement between Eastmain, Azimut Exploration Inc. ("Azimut") and Les Mines Opinaca Ltée. ("Les Mines Opinaca"), a wholly-owned subsidiary of Goldcorp Inc. Project ownership is based on participation in the funding of annual exploration programs. As such, the property is currently held by the joint venture partners approximately as follows: Eastmain 37.01 %; Les Mines Opinaca 37%; and Azimut 25.99%. Under the terms of the agreement, Eastmain, as operator, charges management fees based on a percentage of exploration costs.

d)Ruby Hill Project

The Company holds 100% interest in the Ruby Hill project, which consists of 204 claim units covering 106 km^2 in two claim blocks, known as the Ruby Hill East and Ruby Hill West properties. These properties overlie prospective rock formations of the eastern portion of the Eastmain Greenstone Belt, located in the James Bay district of Québec.

8. EXPLORATION AND EVALUATION (Continued)

e) Reservoir Project

The Company also holds 100% interest in the Reservoir property. Located in the James Bay region of Québec, Reservoir comprises 157 mineral cells (CDC's) covering approximately 8,146 hectares of the Eastmain River Greenstone Belt.

f) Radisson Project

The Company holds 100% interest in 207 CDC's comprising approximately 10,698 hectares of the La Grande Greenstone Belt in a project known as Radisson. A 2% Net Smelter Return Royalty payable to Franco-Nevada Corporation is assigned to eight of the 207 CDC's.

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 (an equity stake of approximately 9.9%) and work expenditure commitments of $2.5 million, including 6,000 metres of drilling, over a three-year period. During this three-year period, or until such time as it is vested, HBE is also obligated to maintain Eastmain's 9.9% share equity. HBE must also issue a 5-million-share bonus to Eastmain should HBE shares trade over $0.50 for any 20-day period during the first two years of the agreement. On completion of its 50% earn-in requirements, HBE has a one-time 60-day option to acquire an additional 10% interest in the Radisson property for a payment of $100,000 and additional exploration expenditures of $3.0 million, including an added 6,000 metres of drilling within a two-year period.

g) Other

i) Québec Projects - Lac Elmer Project
The Company holds a 50% interest in the Lac Elmer Project, which is located within the western portion of the Eastmain River Greenstone Belt of the James Bay 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, or the maintenance of the Lac Elmer claims, 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 of which are located in prospective geological regimes within the James Bay region of Québec.

h) Xstrata JV, MegaTEM Project

Eastmain currently holds approximately 70% interest in the MegaTEM project, a conceptual project covering 2,661 km^2 of prospective geology, targeting VMS Cu-Zn-Ag, Ni-Cu PGE and gold deposits within glacially covered terrain of the eastern extensions of the Abitibi Greenstone Belt, primarily in Ontario. Xstrata PLC ("Xstrata") currently holds about 30% of the project. As project operator, Eastmain has indefinitely postponed further exploration on this project in order to focus on 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 Geological data collected for the MegaTem project is being retained by the Company for future use.

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	October 31, 2012	October 31, 2011	November 1, 2010
Trade accounts	$ 876,363	$ 4,028,010	$ 1,027,779
Government remittances payable	26,387	32,251	31,860
Income taxes payable	320,558	-	-
Accrued liabilities	125,827	199,907	122,785
Due to related parties	32,188	79,259	22,262
	$ 1,381,323	$ 4,339,427	$ 1,204,686

10. RESTRICTED CASH AND FLOW-THROUGH SHARE PREMIUM LIABILITY

As at October 31, 2012 and October 31, 2011 there was no flow-through share premium liability or associated cash restriction. As at November 1, 2011, there was a flow-through share premium of $456,416 and an associated cash restriction of $456,416.

11. 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 entitles the holder to purchase one common share at a price of $1.85 until December 7, 2011. The Black-Scholes value associated with these warrants was $38,400.

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.

iii) In March 2011 the Company purchased the 2% net smelter royalty on the Clearwater property for 1,000,000 common shares valued at $1,720,000 using the five-day volume-weighted average trading price and a cash payment of $1,000,000. Issue costs were $27,690.

iv) 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 $417,533. A brokerage commission of 6% of gross proceeds was paid and 156,926 broker warrants were issued. Each broker 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.

v) 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

Stock options	Number of options	Weighted average exercise price
Outstanding, November 1, 2010	4,639,605	$ 1.01
Granted	900,000	$ 1.25
Exercised	-	$ -
Expired	(630,000)	$ 0.72
Outstanding, October 31, 2011	4,909,605	$ 1.09
Granted	1,250,000	$ 0.92
Exercised	(250,000)	$ 0.78
Expired	(445,000)	$ 0.78
Outstanding, October 31, 2012	5,464,605	$ 1.09

Stock options outstanding as at October 31, 2012

Expiry date	Black-Scholes value ($)	Number of options	Exercise price ($)
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
June, 2017	102,080	168,605	0.78
June, 2017	60,300	100,000	0.77
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
April, 2022	158,250	250,000	1.05
June, 2022	384,200	850,000	0.88
September, 2022	71,850	150,000	0.96
	3,493,897	5,464,605	1.09

11. SHARE CAPITAL (Continued)

b) Share-purchase option plan (continued)

As at October 31, 2012, the following options were outstanding and exercisable:

Exercise price range	Number outstanding	Weighted average remaining contractual life	Weighted average exercise price	Number exercisable
$0.51 - $1.00	2,439,605	8.15 years	$0.89	2,439,605
$1.01 - $1.50	2,775,000	7.61 years	$1.23	2,775,000
$1.51 - $2.00	250,000	8.75 years	$1.51	250,000

On January 20, 2011, the expiry dates of 250,000 options at $0.75 for service providers were extended for a term of 5 years. The estimated cost of the extensions was $297,500 using the following assumptions: dividend yield of $0.00; expected volatility factor of 36.3%; a risk-free interest rate of 1.71% and an expected average term of 2.5 years. The portion of the cost related to general and administrative expenses was $44,600; the portion related to exploration and evaluation was $252,900.

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 $224,250 using the Black-Scholes option pricing model with the following assumptions: dividend yield of $0.00; expected volatility factor of 54.7%; a risk-free interest rate of 2.89% and an expected average term of 7.5 years. The portion of the cost related to general and administrative expenses was $158,340; the portion related to exploration and evaluation was $237,510.

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 $0.00; expected volatility factor of 46.5%; a risk-free interest rate of 2.81% and an expected average term of 7.5 years.

On April 26, 2012, 250,000 share-purchase options with an exercise price of $1.05 were issued to directors. The options fully vested on the date of issue. The estimated fair value of the grant was $158,250 using the Black-Scholes option pricing model with the following assumptions: dividend yield of $0.00; expected volatility factor of 58.4%; a risk-free interest rate of 1.74% and an expected average term of 7.5 years.

On June 7, 2012, 850,000 share-purchase options with an exercise price of $0.88 were issued to officers and service providers. The options fully vested on the date of issue. The estimated fair value of the grant was $384,200 using the Black-Scholes option pricing model with the following assumptions: dividend yield of $0.00; expected volatility factor of 47.5%; a risk-free interest rate of 1.51% and an expected average term of 7.5 years. The expiry dates of 168,605 and 100,000 options for service providers, priced at $0.78 and $0.77 respectively, were extended for a term of 5 years. The estimated cost of the extensions was $76,758 using the following assumptions: dividend yield of $0.00; expected volatility factor of 43.2%; a risk-free interest rate of 1.05% and an expected average term of 2.5 years. The portion of this cost related to general and administrative expenses was $197,068; the portion related to exploration and evaluation was $263,890.

On September 11, 2012, 150,000 share purchase options with an exercise price of $0.96 were issued to employees and service providers. The options fully vested on the date of issue. The estimated fair value of the grant was $71,850 using the Black-Scholes option pricing model with the following assumptions: dividend yield of $0.00; expected volatility factor of 45.5%; a risk-free interest rate of 1.64% and an expected average term of 7.5 years

c) Warrants

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 $0.00; expected volatility factor of 43.8%; a risk-free interest rate of 0.9% and an expected term of 1.5 years.

11. SHARE CAPITAL (Continued)

c) Warrants (continued)

Warrants	Number of warrants	Weighted average exercise price
Outstanding, November 1, 2010	204,000	$ 1.84
Granted	109,140	$ 1.85
Outstanding, October 31, 2011	313,140	$ 1.84
Expired	(313,140)	$ 1.84
Granted	156,926	$ 1.40
Outstanding, October 31, 2012	156,926	$ 1.40

Warrants outstanding as at October 31, 2012

Expiry date	Black-Scholes value ($)	Number of warrants	Exercise price ($)
June, 2013	30,757	156,926	1.40

12. 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 there are 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 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 October 31, 2012 totalled $55,644,396.

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

13. 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-value 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.

13. FINACIAL RISK FACTORS (Continued)

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 October 31, 2012, the Company had current assets of $6,054,805 to settle current liabilities of $1,381,323. During the year ended October 31, 2012, the Company raised net proceeds of $5,612,938 through the issue of flow-through shares and the exercise of stock options. A flow-through share issue subsequent to the October 31, 2012 reporting date generated gross proceeds of $7.6 million to fund exploration activities planned for 2013. 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.

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 October 31, 2012.

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.

14. GENERAL AND ADMINISTRATIVE EXPENSES

	October 31, 2012	October 31, 2011
Amortization	$ 40,745	$ 36,419
General and office	988,419	742,055
Professional fees	91,734	76,055
Stock option compensation	355,318	457,640
	$ 1,476,216	$ 1,312,169

15. EARNINGS PER SHARE

	October 31, 2012	October 31, 2011
Basic weighted average number of shares outstanding	97,558,027	94,175,481
Warrants	-	-
Stock options	2,439,605	-
Diluted weighted average number of shares outstanding	99,997,632	94,175,481

Items excluded from the calculation of diluted earnings because the exercise price is higher than the average quoted value of the common shares:

	2012	2011
Warrants	156,926	313,140
Stock options	3,025,000	250,000

15. EARNINGS PER SHARE (Continued)

Items excluded from the calculation of diluted earnings because the
Effect of their exercise would be anti dilutive:

Warrants	-	109,140
Stock options	-	4,659,605

16. 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

	Year ended October 31,	
	2012	2011
Donald Robinson (i)	$ 238,800	$ 234,667
Shawonis Explorations and Enterprises Ltd. (ii)	$ 216,353	$ 201,876
QB 2000 Inc. (iii)	$ 65,770	$ 48,610

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 October 31, 2012, $3,000 was due to Dr. Robinson ($3,000 in 2011). These amounts are included in accounts payable and other liabilities.

ii. The Exploration Manager of Eastmain Resources Inc. is the president of Shawonis Explorations and is related to the Chief Executive Officer of Eastmain Resources Inc. Fees paid to Shawonis Explorations are related to professional geological exploration and management services. As at October 31, 2012, $29,188 was owed to Shawonis Explorations and Enterprises Ltd. ($76,253 - 2011). These amounts are 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 October 31, 2012 and 2011, there were no outstanding amounts due to QB 2000 Inc.

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

	2012	2011
Salaries and benefits	$ 288,800	$ 288,667
Share-based compensation	$ 406,850	$ 498,300
	$ 695,650	$ 786,967

The Company considers its key management personnel to be the Board of Directors, CEO, CFO and Corporate Secretary.

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.

17. PROVISION FOR INCOME TAXES

The income tax recovery varies from the amounts that would be computed applying the basic federal and provincial income tax rate aggregating 26.75% (2011 28.6%) to loss before income taxes as shown in the following:

	2012	2011
Expected income tax	$ (151,691)	$ (1,089)
Share based compensation	(95,048)	(130,885)
Share issue costs and other	134,681	118,809
Change in tax rates	(54,651)	-
Effect of flow-through renunciation	793,651	(975,676)
Unrealized losses on investments	(80,450)	(94,041)
Other	(34,249)	(11,733)
Non-deductible mineral property expenditures	(169,633)	(181,365)
Deferred income tax recovery (expense)	$ 342,610	$(1,275,980)

17. PROVISION FOR INCOME TAXES (Continued)

Significant components of the Company's deferred income tax assets and liabilities are as follows:

	October 31, 2012	October 31, 2011	November 1, 2010
Non-capital losses carried forward	$ 1,957,302	$ 1,769,009	$ 1,652,007
Capital assets	153,685	152,661	156,669
Exploration and evaluation assets	(5,095,748)	(5,533,507)	(4,087,679)
Share issue costs	235,485	268,616	296,371
Other	(66,516)	184,819	100,210
Future income taxes	(2,815,792)	(3,158,402)	(1,882,422)

Non-capital loss carry forwards

The company has reported non-capital losses available for deduction which expire as follows:

	2014	$ 352,194
	2015	608,924
	2026	731,676
	2027	682,717
	2028	926,936
	2029	879,515
	2030	1,062,504
	2031	940,879
	2032	1,131,672
		$ 7,317,017

Other

i. Canadian exploration expenditures and Canadian development expenditures

The Company has Canadian exploration and development expenditures available to reduce future years' taxable income in the amount of $33,876,504. The tax benefit of these amounts may be carried forward indefinitely.

ii. Capital losses

The Company has unused capital losses of $376,940 which have no expiry date. These capital losses can only be used to reduce future income from capital gains.

18. SUBSEQUENT EVENTS

a) On December 21, 2012 the Corporation entered into a non-brokered private placement agreement consisting of 5,709,133 flow-through shares at an average price of $0.81 per share for aggregate gross proceeds of $4,605,802. The shares are subject to a hold period of four months. Finder's fees of $246,420 for the placement agents is equal to 5.3% of the gross proceeds of the financing. Management and insiders subscribed for 156,000 of these shares. In accordance with income tax legislation, the Company will renounce resource expenditures of $4,605,802 in favour of the investors with an effective date of December 31, 2012 for activities funded by this flow-through share arrangement as described in Note 3(h). The liability for flow-through premium derived from the issue is $609,409

b) On December 31, 2012 the Corporation entered into a non-brokered private placement agreement consisting of 3,000,000 flow-through shares at priced at $1.00 per share for aggregate gross proceeds of $3,000,000. The shares are subject to a hold period of four months. A finder's fee of $150,000 for the placement agent is equal to 5% of the gross proceeds of the financing. In accordance with income tax legislation, the Company will renounce resource expenditures of $3,000,000 in favour of the investors with an effective date of December 31, 2012 for activities funded by this this flow-through share arrangement as described in Note 3(h). The liability for flow-through premium derived from the issue is $900,000.

19. CONVERSION TO IFRS

Overview

As stated in Basis of Presentation and Adoption of International Financial Reporting Standards ("IFRS") (Note 2), these are the Corporation's consolidated financial statements prepared in accordance with IFRS as issued by the IASB.

19. CONVERSION TO IFRS (Continued)

The policies set out in the Summary of Significant Accounting Policies section (Note 3) have been applied in preparing the consolidated financial statements for the years ended October 31, 2012 and 2011, and in the preparation of an opening IFRS consolidated statement of financial position at November 1, 2010 (the Corporation's Transition Date).

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 requires retrospective application of IFRS as effective at the end of its first annual IFRS reporting period. However, IFRS 1 also provides certain optional exemptions and mandatory exceptions to this retrospective treatment.

The Corporation has elected to apply the following optional exemptions in its preparation of an opening IFRS consolidated statement of financial position as at November 1, 2010.

i. To apply IFRS 2 – Share-Based Payments only to equity instruments that were issued after November 7, 2002 and had not vested by the Transition Date.

ii. To apply IFRS 3 - Business Combinations prospectively from the Transition Date, therefore not restating business combinations that took place prior to the Transition Date.

IFRS 1 does not permit changes to estimates that have been made previously. Accordingly, estimates used in the preparation of the Corporation's opening IFRS consolidated statement of financial position as at the Transition Date are consistent with those that were made under Canadian GAAP.

The Corporation's Transition Date IFRS consolidated statement of financial position is included as comparative information in the consolidated statements of financial position in these consolidated financial statements.

Changes in accounting policies

The Corporation has changed certain accounting policies to be consistent with IFRS as is expected to be effective or available on October 31, 2012, the Corporation's first annual IFRS reporting date. The changes to its accounting policies have resulted in certain changes to the recognition and measurement of assets, liabilities, equity, revenue and expenses within its consolidated financial statements.

The following summarizes the significant changes to the Corporation's accounting policies on adoption of IFRS:

i. Impairment of (non-financial) assets

IFRS requires a write down of assets if the higher of the fair-market value and the value in use of a group of assets is less than its carrying value. Value in use is determined using discounted estimated future cash flows. Current Canadian GAAP requires a write down to estimated fair value only if the undiscounted estimated future cash flows of a group of assets are less than its carrying value.

The Corporation's accounting policies related to impairment of non-financial assets have been changed to reflect these differences. There was no impact on the consolidated financial statements.

ii. Decommissioning liabilities (asset retirement obligations)

IFRS requires the recognition of a decommissioning liability for legal or constructive obligations, while current Canadian GAAP only requires the recognition of such liabilities for legal obligations. A constructive obligation exists when an entity has created reasonable expectations that it will take certain actions.

The Corporation's accounting policies related to decommissioning liabilities have been changed to reflect these differences. There is no impact on the consolidated financial statements.

iii. Flow through shares

Previously, under Canadian Generally Accepted Accounting Principles, 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

19. CONVERSION TO IFRS (Continued)

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.

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

Flow-through shares

a) Impact on Consolidated Statements of Financial Position

	October 31, 2011	November 1, 2010
Reduction of share capital	$ (54,033)	$ (2,338,838)
Reduction of deficit	$ 54,033	-
Increase in deferred premium on flow-through shares	$ -	$ 456,416
Increase in deferred income taxes	$ -	$ 1,882,422

b) Impact on Consolidated Statements Loss of Comprehensive Loss

	2011
Deferred income tax expense	$ (1,936,863)
Flow-through share premium income	$ 1,990,896

iv. Financial instruments

Under GAAP the Company classified its marketable securities as “available for sale” through other comprehensive income, net of future income taxes. Marketable securities can also be classified as FVTPL. IFRS has narrowed its classification of financial instruments and the Company has elected to classify its marketable securities at FVTPL. Unrealized gains or losses on marketable securities under GAAP were allocated to other comprehensive income net of future income taxes. Unrealized gains or losses on marketable securities were the Company’s only component of other comprehensive income, and with this change in classification, other comprehensive income will be eliminated. As at November 1, 2010, accumulated other comprehensive losses under GAAP amounted to $245,490. The losses have been reclassified from accumulated other comprehensive loss to deficit as at November 1, 2010. For the year ended October 31, 2011, unrealized losses on marketable securities amounted to $574,307 and under IFRS have been reclassified from other comprehensive income to loss on marketable securities as a component of profit or loss.

Classifications

The Company has made account reclassifications and changes to the presentation of its consolidated financial statements as required by IFRS, where it was considered more meaningful and, where it provided better comparisons to other financial statement preparers. The following is a summary of the main changes:

i. The balance sheets have been renamed the statements of financial position.

Future income taxes have been renamed deferred income taxes.

ii. The Company has elected to present one single statement of comprehensive income (loss) rather than a separate statement of operations and a separate statement of other comprehensive income (loss).

19. CONVERSION TO IFRS (Continued)

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 taxes	-	1,882,422	1,882,422
Shareholders' equity			
Capital stock	53,419,042	(2,338,838)	51,080,204
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)	(245,490)	(14,731,887)
Accumulated other comprehensive loss	(245,490)	245,490	-
	48,331,287	(2,338,838)	45,992,449
	49,535,973	-	49,535,973

19. CONVERSION TO IFRS (Continued)

Reconciliation between IFRS and Canadian GAAP

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

	Cdn GAAP	October 31, 2011 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 taxes	3,158,402	-	3,158,402
	7,497,829	-	7,497,829
Shareholders' equity			
Capital stock	56,752,924	(54,033)	56,698,891
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 loss and comprehensive loss previously reported under Canadian GAAP to IFRS

	Cdn GAAP	Year ended October 31, 2011 Adjustments	IFRS
	$	$	$
Expenses	1,946,311	-	1,946,311
Interest and other income	286,251	-	286,251
Loss on marketable securities	1,791	(328,817)	(327,026)
Deferred premium on flow-through shares	-	1,990,896	1,990,896
Income (loss) before income taxes	(1,658,269)	1,662,079	3,810
Deferred income tax recovery (expense)	660,883	(1,936,863)	(1,275,980)
Net loss for the period	(997,386)	(274,784)	(1,272,170)
Net loss before other comprehensive loss	(997,386)	(274,784)	(1,272,170)
Other comprehensive loss	(328,817)	328,817	-
Comprehensive net income loss	(1,326,203)	54,033	(1,272,170)

19. CONVERSION TO IFRS (Continued)

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 loss for the period	(1,326,203)	54,033	(1,272,170)
Amortization	36,419	-	36,419
Loss on the sale of investments	327,026	-	327,026
Premium on flow-through shares	-	(1,990,896)	(1,990,896)
Future income tax expense	-	1,275,980	1,275,980
Stock-based compensation	457,640	-	457,640
Recovery of future income taxes	(660,883)	660,883	-
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			
Exploration and evaluation expenditures	(8,105,249)	-	(8,105,249)
Government exploration tax credits received	727,954	-	727,954
Purchase of equipment	(56,032)	-	(56,032)
Purchase of marketable securities	(2,776,840)	-	(2,766,840)
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 period	14,472,115	-	14,472,115
Cash and cash equivalents, end of the period	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

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SHARES LISTED

Symbol: ER
The Toronto Stock Exchange

SHARE STRUCTURE (as at March 15, 2013)

Issued: 106,627,007
Options: 5,464,605 ($5,951,672)
Warrants: 156,926 ($219,097)

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Exploration – Discovery – Profitability