



EASTMAIN

EASTMAIN RESOURCES INC.

Condensed Interim Consolidated Financial Statements

Three months ended January 31, 2014

(Expressed in Canadian Dollars)

(Unaudited)

NOTICE TO SHAREHOLDERS

Responsibility for condensed interim consolidated financial statements:

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

Auditors’ involvement

The auditors of Eastmain Resources Inc. have not performed any review of the interim financial statements for the three months ended January 31, 2014 and January 31, 2013.

Table of Contents

	Page
Statements of Consolidated Financial Position	2
Statements of Consolidated Income (Loss) and Comprehensive Income (Loss)	3
Statements of Consolidated Cash Flows.....	4
Statements of Consolidated Shareholders’ Equity	5
Notes to the Consolidated Financial Statements.....	6 -17

EASTMAIN RESOURCES INC.

Condensed Interim Consolidated Statements of Financial Position

(Unaudited and Expressed in Canadian Dollars)

	Notes	January 31 2014	October 31, 2013
Assets			
Current assets			
Cash and cash equivalents	5	\$ 1,902,137	\$ 2,911,678
Marketable securities maturing in one year	6	1,550,800	1,544,904
Prepaid and sundry receivables	7	679,149	556,433
		4,132,086	5,013,015
Marketable securities	6	540,854	561,695
Property and equipment	8	90,734	98,095
Exploration and evaluation	9	64,749,125	60,892,328
		\$ 69,512,799	\$ 66,565,133
Liabilities and Shareholders' Equity			
Current liabilities			
Accounts payable and accrued liabilities	10	\$ 307,999	\$ 1,875,098
Deferred premium on flow-through shares	11	626,530	540,100
		934,529	2,415,198
Deferred income taxes		4,435,825	4,142,571
Shareholders' equity			
Share capital	12	68,869,113	65,551,080
Warrants	12	250,444	-
Contributed surplus		11,188,857	11,188,857
Deficit		(16,165,969)	(16,732,573)
		64,142,445	60,007,364
		\$ 69,512,799	\$ 66,565,133

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

EASTMAIN RESOURCES INC.

Condensed Interim Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)

(Unaudited and Expressed in Canadian Dollars)

	Notes	Three months ended January 31	
		2014	2013
Operating expenses			
General and administrative	15	\$ 242,925	\$ 262,194
Operating loss before the following		(242,925)	(262,194)
Interest and other income		13,002	17,516
Loss on marketable securities		(16,838)	(48,671)
Premium on flow-through shares	11	1,106,620	40,013
Net income (loss) before income taxes		859,859	(253,336)
Deferred income tax recovery (expense)		(293,255)	43,119
Net income (loss) and Comprehensive income (loss)		566,604	(210,217)
Income (loss) per share:	16		
Basic		\$ 0.005	\$ (0.002)
Diluted		\$ 0.005	\$ (0.002)

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

EASTMAIN RESOURCES INC.

Condensed Interim Consolidated Statements of Cash Flows

(Unaudited and Expressed in Canadian Dollars)

	Three months ended January 31	
	2014	2013
	\$	\$
Operating activities		
Comprehensive net income (loss) for the year	566,604	(210,217)
Amortization	7,361	7,395
Loss on marketable securities	16,838	48,671
Premium on flow-through shares	(1,106,620)	(40,013)
Deferred income taxes	293,255	(43,119)
Prepaid and sundry receivables	(122,716)	113,270
Accounts payable and accrued liabilities	(1,639,877)	(917,328)
	(1,985,155)	(1,041,341)
Financing activities		
Proceeds on issue of common shares	5,131,250	7,605,802
Share issue costs	(369,723)	(464,407)
	4,761,527	7,141,395
Investing activities		
Exploration and evaluation expenditures	(3,784,019)	(2,471,767)
Purchase of property and equipment	-	(1,500)
Purchase of marketable securities	(733,294)	(1,235,433)
Proceeds on sale and redemption of marketable Securities	731,400	1,229,100
	(3,785,913)	(2,479,600)
Change in cash and cash equivalents	(1,009,541)	3,620,454
Cash and cash equivalents, beginning of the period	2,911,678	2,541,819
Cash and cash equivalents, end of the period	1,902,137	6,162,273

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

EASTMAIN RESOURCES INC.

Condensed Interim Consolidated Statements of Shareholders' Equity (Unaudited and Expressed in Canadian Dollars)

	Common shares		Reserves		Contributed surplus \$	Deficit \$	Shareholders' equity \$
	#	\$	#	\$			
Balance as at October 31, 2013	106,627,007	65,551,080	-	-	11,188,857	(16,732,573)	60,007,364
Private placements	13,537,500	5,131,250					5,131,250
Share issue expenses		(369,723)					(369,723)
Premium on issue of flow-through shares		(1,193,050)					(1,193,050)
Warrants issued		(250,444)	6,768,750	250,444			-
Comprehensive income for the period						566,604	566,604
Balance as at January 31, 2014	120,164,507	68,869,113	6,768,750	250,444	11,188,857	(16,165,969)	64,142,445

	Common shares		Reserves		Contributed surplus \$	Deficit \$	Shareholders' equity \$
	#	\$	#	\$			
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
Private placements	8,709,133	7,605,802					7,605,802
Share issue expenses		(464,407)					(464,407)
Premium on issue of flow-through shares		(1,338,135)					(1,338,135)
Comprehensive loss for the period						(210,217)	(210,217)
Balance as at January 31, 2013	106,627,007	65,551,080	156,926	30,757	10,960,200	(15,304,598)	61,237,439

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

EASTMAIN RESOURCES INC.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FIRST QUARTER REPORT – JANUARY 31, 2014
(Unaudited and Expressed in Canadian Dollars)

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 under the symbol "ER".

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 are dependent upon the ability of the Company to obtain financing to complete the exploration and development of its exploration and evaluation assets, 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 carrying cost for exploration and evaluation does not necessarily represent the present or future value of the projects. Changes in future conditions could require a material change in the amount recorded for the exploration and evaluation assets.

These interim 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 operating 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 January 31, 2014, the Company had working capital of \$3,197,557 (2013 – \$7,810,400) and shareholders' equity of \$64,142,445 (2013 – \$61,237,439). 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 was not appropriate for these interim 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

a) Statement of compliance

These interim financial statements have been prepared in accordance with International Accounting Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

These interim financial statements were reviewed and authorized for issue by the Board of Directors on March 12, 2014.

b) Basis of measurement

These interim financial statements have been prepared on the historical-cost basis except for financial instruments classified as fair value through profit or loss, which are stated at their fair value.

These interim financial statements are presented in Canadian dollars which is also the Company's functional currency.

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where estimates and assumptions are significant to the financial statements are disclosed in Note 4.

3. CHANGES IN ACCOUNTING POLICY

A number of new standards, amendments to standards and interpretations are effective for periods beginning on or after January 1, 2013. Many are not applicable or do not have a significant impact to the Company and have been excluded. IFRS 10, 11, 12 and 13 are effective for annual periods beginning on or after January 1, 2013. The Company adopted these standards effective November 1, 2013 with no change to the interim financial statements.

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.

EASTMAIN RESOURCES INC.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FIRST QUARTER REPORT – JANUARY 31, 2014
(Unaudited and Expressed in Canadian Dollars)

3. CHANGES IN ACCOUNTING POLICY (Continued)

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 each party accounts for the assets, liabilities, revenue and expenses in proportion to its interest, whereas in a joint venture each party recognises its interest as an investment and accounts for that investment using the equity method.

Disclosure of Interests in Other Entities

IFRS 12 – *Disclosure of Interests in Other Entities* 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.

Fair-Value Measurement

IFRS 13 – *Fair Value Measurement* ("IFRS 13") was issued by the IASB in May 2011. IFRS 13 is a new standard which provides a precise definition of fair value and a single source of fair-value measurement considerations for use across IFRS. IFRS 13 clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants at the measurement date, under current market conditions. It also establishes disclosures about fair-value measurement.

Accounting Pronouncements

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 each its 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. This new standard, which is effective for the Company's annual reporting period beginning on November 1, 2015, is being evaluated to determine its impact on the Company.

4. USE OF ESTIMATES AND JUDGEMENTS

The preparation of these consolidated financial statements under IFRS requires management to make certain estimates, judgements and assumptions about future events that affect the amounts reported in the financial statements and related notes to the financial statements. Although these estimates are based on management's best knowledge of amounts, events or actions, actual results may differ from those estimates and these differences could be material.

The areas which require management to make significant judgements, estimates and assumptions in determining carrying values include, but are not limited to:

- a) Assets' carrying values and impairment charges;

In the determination of carrying values and impairment charges, management looks at the higher of the recoverable amount or the fair value less costs to sell, in the case of all assets, and at objective evidence and significant or prolonged decline of fair value on financial assets that indicate impairment. These determinations and their individual assumptions require that management make a decision based on the best available information at each reporting period.

- b) Estimation of restoration, rehabilitation and environmental obligations;

Restoration, rehabilitation and environmental liabilities are estimated based on the Company's interpretation of current regulatory requirements and constructive obligations. These estimates are measured at fair value, which is determined by the net present value of estimated future cash expenditures for the settlement of restoration, rehabilitation and environmental liabilities that may occur upon ceasing exploration and evaluation activities. Such estimates are subject to change based on changes in laws and regulations and negotiations with regulatory authorities. Management's determination that there are currently no provisions required for site restoration is based on facts and circumstances that existed during the reporting period.

EASTMAIN RESOURCES INC.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FIRST QUARTER REPORT – JANUARY 31, 2014
(Unaudited and Expressed in Canadian Dollars)

4. USE OF ESTIMATES AND JUDGEMENTS (Continued)

c) Income taxes and recoverability of potential deferred tax assets; and

In assessing the probability of realizing income tax assets recognized, management makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences, and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to both positive and negative evidence that can be objectively verified. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. The Company considers whether relevant tax planning opportunities are within the Company's control, are feasible, and are within management's ability to implement. Examination by applicable tax authorities is based on individual facts and circumstances of the relevant tax position examined in light of all available evidence. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that would materially affect the amounts of income tax assets recognized. Also, future changes in tax laws could limit the Company from realizing the tax benefits from deferred tax assets. The Company reassesses unrecognized income tax assets at each reporting period.

d) Share-based payments.

Management determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based share awards is determined at the date of grant, using generally accepted valuation techniques. Assumptions are made and judgement used in applying valuation techniques. These assumptions and judgements include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock-option exercise behaviours as well as Company performance. Such judgements and assumptions are inherently uncertain. Changes in these assumptions affect the fair-value estimates.

5. CASH AND CASH EQUIVALENTS

The composition of cash and cash equivalents is as follows:

	January 31,	
	2014	2013
Cash	\$ 1,471,989	\$ 5,752,514
Cash equivalents	430,148	409,759
	<u>\$ 1,902,137</u>	<u>\$ 6,162,273</u>

6. 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. Investments in bonds bear interest at annual rates ranging from 1.15% to 4.4%, maturing between April 12, 2014 and June 15, 2016. Investments in public companies consists 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.

Concordia Resource Corporation underwent reorganization in October 2013. Assets were sold and common shares were consolidated and exchanged for shares of Kaizen Discovery Inc. and Meryllion Resource Corp. on a 5:1+1 basis, whereby five common shares of Concordia were exchanged for one common share of Kaizen plus one common share of Meryllion.

EASTMAIN RESOURCES INC.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FIRST QUARTER REPORT – JANUARY 31, 2014
(Unaudited and Expressed in Canadian Dollars)

6. MARKETABLE SECURITIES (Continued)

Marketable securities held		January 31,	
		2014	2013
	Shares		
GIC's and investment grade bonds		\$1,930,435	\$3,038,012
Concordia Resource Corporation common shares	539,336	-	134,834
Kaizen Discovery Inc. common shares	107,867	71,192	-
Meryllion Resource Corp. common shares	107,867	11,326	-
Dianor Resources Inc. common shares	500,000	-	-
Honey Badger Exploration common shares	6,783,980	24,362	200,000
Threegold Resources Inc. common shares	12,380	62	495
Western Lithium Corporation common shares	169,612	54,277	39,011
Investments		2,091,654	3,412,352
Less current portion		1,550,800	2,640,229
Long-term portion		\$ 540,854	\$ 772,123

7. PREPAID AND SUNDRY RECEIVABLES

	January 31,	
	2014	2013
Sales tax input credits recoverable	\$ 471,747	\$ 620,385
Sundry accounts receivable	194,349	124,666
Advances and prepaid expenses	13,053	24,964
	\$ 679,149	\$ 770,015

8. PROPERTY AND EQUIPMENT

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

Cost	Computer equipment	Field equipment	Total
As at October 31, 2013	\$ 53,567	\$ 393,923	\$ 447,490
Additions for the period	-	-	-
As at January 31, 2014	53,567	393,923	447,490
Accumulated depreciation			
As at October 31, 2013	41,716	307,679	349,395
Additions for the period	891	6,470	7,361
As at January 31, 2014	42,607	314,149	356,756
Net book value January 31, 2014	\$ 10,960	\$ 79,774	\$ 90,734

Cost	Computer equipment	Field equipment	Total
As at October 31, 2012	\$ 49,561	\$ 385,729	\$ 435,290
Additions for the period	-	1,500	1,500
As at January 31, 2013	49,561	387,229	436,790
Accumulated depreciation			
As at October 31, 2012	37,630	281,122	318,752
Additions for the period	895	6,500	7,395
As at January 31, 2013	38,525	287,622	326,147
Net book value January 31, 2013	\$ 11,036	\$ 99,607	\$ 110,643

EASTMAIN RESOURCES INC.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
 FIRST QUARTER REPORT – JANUARY 31, 2014
 (Unaudited and Expressed in Canadian Dollars)

9. EXPLORATION AND EVALUATION

Mineral property acquisition, exploration and evaluation expenditures are recorded at cost and are comprised as follows:

Project expenditures for the three months ended January 31, 2014

Project	Drilling & assays	Technical surveys	Project acquisition & maintenance	Gross expenditures	Grants	2014 Net expenditures
Clearwater	\$ 2,190,149	\$ 175,435	\$ -	\$ 2,365,584	\$ -	\$ 2,365,584
Eastmain Mine	158,593	32,303	6,011	196,907	-	196,907
Éléonore South	730	1,500	4,315	6,545	-	6,545
Ruby Hill	-	294,262	(6,048)	288,214	-	288,214
Reservoir	477,748	122,864	13,389	614,001	-	614,001
Lac Hudson	-	2,483	-	2,483	-	2,483
Lac Elmer	-	82	-	82	-	82
Radisson	-	-	-	-	-	-
Road King	-	69,003	-	69,003	-	69,003
Dyna	-	159,490	-	159,490	-	159,490
Lidge	-	27,927	-	27,927	-	27,927
Lac Lessard	-	120,489	6,072	126,561	-	126,561
Total	\$ 2,827,220	\$ 1,005,838	\$ 23,739	\$ 3,856,797	\$ -	\$ 3,856,797

Cumulative acquisition, exploration and evaluation expenditures as at January 31, 2014

Project	Balance October 31, 2013	2014 Net expenditures	Write-downs & recoveries	Balance January 31, 2014
Clearwater	\$ 37,295,364	\$ 2,365,584	\$ -	\$ 39,660,948
Eastmain Mine	13,228,127	196,907	-	13,425,034
Éléonore South	4,894,824	6,545	-	4,901,369
Ruby Hill	1,947,306	288,214	-	2,235,520
Reservoir	727,399	614,001	-	1,341,400
Lac Hudson	823,898	2,483	-	826,381
Lac Elmer	586,851	82	-	586,933
Radisson	200,405	-	-	200,405
Road King	183,295	69,003	-	252,298
Dyna	471,692	159,490	-	631,182
Lidge	484,141	27,927	-	512,068
Lac Lessard	49,026	126,561	-	175,587
	\$ 60,892,328	\$ 3,856,797	\$ -	\$ 64,749,125

EASTMAIN RESOURCES INC.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FIRST QUARTER REPORT – JANUARY 31, 2014
(Unaudited and Expressed in Canadian Dollars)

9. EXPLORATION AND EVALUATION (Continued)

Project expenditures for the three months ended January 31, 2013

Project	Drilling & assays	Technical surveys	Project acquisition & maintenance	Gross expenditures	Grants	2013 Net expenditures
Clearwater	\$ 1,794,277	\$ 266,278	\$ 36,120	\$ 2,096,675	\$ -	\$ 2,096,675
Eastmain Mine	104,497	47,611	3,549	155,657	-	155,657
Éléonore South	1,161	19,214	300	20,675	-	20,675
Reservoir	-	33,052	157	33,209	-	33,209
Ruby Hill	-	-	-	-	-	-
Lac Hudson	-	1,630	157	1,787	-	1,787
Lac Elmer	-	-	-	-	-	-
Radisson	100	630	126,775	127,505	-	127,505
Road King	-	25	33,402	33,427	-	33,427
Dyna	-	-	-	-	-	-
Lidge	-	-	-	-	-	-
Lac Lessard	-	2,832	-	2,832	-	2,832
Total	\$ 1,900,035	\$ 371,272	\$ 200,460	\$ 2,471,767	\$ -	\$ 2,471,767

Cumulative acquisition, exploration and evaluation expenditures as at January 31, 2013

Project	Balance October 31, 2012	2013 Net expenditures	Write-downs & recoveries	Balance January 31, 2013
Clearwater	\$ 31,017,004	\$ 2,096,675	\$ -	\$ 33,113,679
Eastmain Mine	12,458,247	155,657	-	12,613,904
Éléonore South	4,826,376	20,675	-	4,847,051
Reservoir	646,674	33,209	-	679,883
Ruby Hill	1,856,221	-	-	1,856,221
Lac Hudson	441,109	1,787	-	442,896
Lac Elmer	392,060	-	-	392,060
Radisson	86,282	127,505	-	213,787
Road King	148,497	33,427	-	181,924
Dyna	451,830	-	-	451,830
Lidge	484,141	-	-	484,141
Lac Lessard	36,738	2,832	-	39,570
	\$ 52,845,179	\$ 2,471,767	\$ -	\$ 55,316,946

As at January 31, 2014 the Company was 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, 2013, amounting to approximately \$2,675,000 (\$2,100,000 as at January 31, 2013). Since the Company has no confirmation of the refund amounts, they have not been recorded in these interim financial statements. The Company, not wanting to prejudice its position regarding the eligibility of certain exploration expenditures, has declined Revenu Québec's proposed \$1.9 million settlement of the 2012 resource tax credits, until such time as it can make further representations justifying the eligibility of those expenditures.

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 Mining District of Québec. The property, which hosts the Eau Claire Gold Deposit, consists of

EASTMAIN RESOURCES INC.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FIRST QUARTER REPORT – JANUARY 31, 2014

(Unaudited and Expressed in Canadian Dollars)

9. EXPLORATION AND EVALUATION (Continued)

map-designated claims (CDC's) covering an area of 200.68 km². 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 Eau Claire Gold Deposit at its sole discretion. Clearwater is in the advanced exploration stage.

b) Eastmain Mine Project

The Eastmain Mine project hosts the Eastmain Mine Gold Deposit. 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. Eastmain Mine is in the advanced exploration stage.

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 km² of the Opinaca area of James Bay, Québec. The Éléonore West block consists of 34 mineral claims covering approximately 17.8 km², while the Éléonore South block contains 248 claims extending over an area of approximately 129.9 km². The project is a 3-way joint arrangement 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 37.38 %; Les Mines Opinaca 37.37%; and Azimut 25.25%. Under the terms of the agreement, Eastmain, as operator, charges management fees based on a percentage of exploration costs for work completed on this early exploration-stage property.

d) Ruby Hill Project

The Company holds 100% interest in Ruby Hill, an early-exploration-stage project, which consists of 204 claim units covering 106 km² 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 River Greenstone Belt, located in the James Bay Mining District of Québec.

e) Reservoir Project

The Company holds 100% interest in the Reservoir property. Located in the James Bay Region of Québec, Reservoir, a discovery-stage project comprises 157 mineral cells (CDC's) covering approximately 81 km² of highly prospective Eastmain River / Opinaca Formation rock assemblages.

f) Lac Hudson Project

The Company holds 100% interest in this early-exploration-staged property covering approximately 97 km² of the Eastmain / Opinaca district gold belt.

g) 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 Mining District 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, its interest would be diluted. Lac Elmer, an exploration-stage property, covers roughly 94 km² of highly prospective terrain.

h) Radisson Project

The Company holds 100% interest in 207 CDC's, comprising approximately 107 km² of the La Grande Greenstone Belt in an early-exploration-stage project known as Radisson. A 2% Net Smelter Return Royalty payable to Franco-Nevada Corporation is assigned to eight of the 207 CDC's.

EASTMAIN RESOURCES INC.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FIRST QUARTER REPORT – JANUARY 31, 2014
(Unaudited and Expressed in Canadian Dollars)

9. EXPLORATION AND EVALUATION (Continued)

Honey Badger Exploration Inc. (HBE), had an option to earn 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. Cash and shares were duly received by Eastmain, however due to current market conditions and its inability to raise funds for further exploration, Honey Badger terminated the option agreement in November of 2013.

i) Road King

The Company holds 100% interest in this very early-exploration-staged property, which covers approximately 57 km² of the Opinaca region of the James Bay Mining District of Québec.

j) Dyna, Lac Lessard, and Lidge Projects

The Company holds 100% interest in these very-early- to early-stage exploration properties, all of which are located in prospective geological regimes within the James Bay Mining District of Québec.

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	January 31,	
	2014	2013
Accounts payable and accrued liabilities	\$ 287,574	\$ 266,074
Government remittances payable	-	19,821
Income taxes payable	20,425	158,370
Due to related parties	-	19,730
	<u>\$ 307,999</u>	<u>\$ 463,995</u>

11. FLOW-THROUGH SHARE PREMIUM LIABILITY AND EXPENDITURE COMMITMENT

In November 2013, the Company raised \$5,131,250 by issuing flow-through and non-flow-through share units. The premium paid by investors in excess of the market price for the flow-through share portion of the issue was \$1,193,050.

In December 2012 the Company raised \$7,605,802 by issuing flow-through shares. The premium paid by investors in excess of the market price of the shares was \$1,338,135.

In accordance with flow-through regulations, the Company was committed to incur before December 31, 2013 eligible exploration expenditures for the amount renounced to investors in December 2012. For the November 2013 issue, the Company is committed to incur before December 31, 2014 eligible exploration expenditures for the amount renounced December 31, 2013. The Company not only incurred sufficient expenditures to fulfill its obligation for the commitment balance remaining at October 31, 2013 before December 31, 2013 but has also been able to fulfill a portion of the commitment expiring December 31, 2014.

	Flow-through premium liability	Flow-through pending commitment
Balance, October 31, 2013	\$ 540,100	\$ 1,798,770
November 2013 flow-through issues	1,193,050	4,280,000
Reduction for expenses incurred	(1,106,620)	(3,833,058)
Balance, January 31, 2014	<u>\$ 626,530</u>	<u>\$ 2,245,712</u>

	Flow-through premium liability	Flow-through pending commitment
Balance, October 31, 2012	-	-
December 2012 flow-through issues	\$ 1,338,135	\$ 7,605,802
Reduction for expenses incurred	(40,013)	(363,745)
Balance, January 31, 2013	<u>\$ 1,298,122</u>	<u>\$ 7,242,057</u>

EASTMAIN RESOURCES INC.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FIRST QUARTER REPORT – JANUARY 31, 2014

(Unaudited and Expressed in Canadian Dollars)

12. 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 2012, the Company issued 962,383 flow-through shares at \$0.84 per share and 4,746,750 flow-through shares at \$0.80 per share in a private placement for gross proceeds of \$4,605,802. Issue costs in connection with the private placement were \$298,615. A brokerage commission amounting to 5.4% of gross proceeds was paid. The flow-through premium associated with this issue was \$438,135.
- ii) In December 2012, the Company issued 3,000,000 flow-through shares in a private placement at \$1.00 per share for gross proceeds of \$3,000,000. Issue costs in connection with the private placement were \$165,792. A brokerage commission of 5% of gross proceeds was paid. The flow-through premium associated with this issue was \$900,000.
- iii) On November 27, 2013 the Corporation entered into a non-brokered private placement agreement consisting of 10,700,000 flow-through units at a price of \$0.40 per unit and 2,837,500 non-flow-through units at a price of \$0.30 per unit for aggregate gross proceeds of \$5,131,250. Each flow-through unit consists of one flow-through common share and one-half of one warrant. Each non-flow-through unit consists of one non-flow-through common share and one-half of one warrant. Each whole warrant entitles the holder to acquire one non-flow-through common share at a price of \$0.45 until May 27, 2015. All of the shares issued are subject to a hold period of four months. Finder's fees of \$307,875 for the placement agent are equal to 6% of the gross proceeds of the financing. In accordance with income tax legislation, the Company renounced resource expenditures of \$4,280,000 in favour of the investors, effective December 31, 2013, for activities funded by the flow-through portion of this issue. The liability for flow-through premium derived from the issue is \$1,193,050.

b) Share purchase option plan

Stock options	Number of options	Weighted average exercise price
Outstanding, October 31, 2013	5,714,605	\$ 0.95
Outstanding, January 31, 2014	5,714,605	\$ 0.95

Stock options	Number of options	Weighted average exercise price
Outstanding, October 31, 2012	5,464,605	\$ 1.09
Outstanding, January 31, 2013	5,464,605	\$ 1.09

Stock options outstanding as at January 31, 2014

Expiry date	Black-Scholes value (\$)	Number of Options	Exercise price (\$)
April, 2014	52,992	96,000	0.96
June, 2014	439,500	750,000	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	41,600	50,000	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
June, 2023	170,000	1,000,000	0.33
September, 2023	27,900	150,000	0.36
	3,254,772	5,714,605	0.95

EASTMAIN RESOURCES INC.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FIRST QUARTER REPORT – JANUARY 31, 2014
(Unaudited and Expressed in Canadian Dollars)

12. SHARE CAPITAL (Continued)

c) Share purchase option plan

As at January 31, 2014, the following options were outstanding and exercisable:

Exercise price range	Number outstanding	Weighted average remaining contractual life	Weighted average exercise price	Number exercisable
\$0.01 - \$0.50	1,150,000	10.35 years	\$0.33	1,150,000
\$0.51 - \$1.00	1,614,605	7.59 years	\$0.85	1,614,605
\$1.01 - \$1.50	2,700,000	6.52 years	\$1.23	2,700,000
\$1.51 - \$2.00	250,000	7.24 years	\$1.51	250,000

d) Warrants

	Number of warrants	Weighted average exercise price
Outstanding, October 31, 2013	-	\$ -
Issued	6,768,750	\$ 0.45
Outstanding, January 31, 2014	6,768,750	\$ 0.45

Warrants	Number of warrants	Weighted average exercise price
Outstanding, October 31, 2012	159,926	\$ 1.40
Outstanding, January 31, 2013	159,926	\$ 1.40

Warrants outstanding January 31, 2014:

Expiry date	Black-Scholes value (\$)	Number of warrants	Exercise price (\$)
May, 2015	250,444	6,768,750	\$ 0.45

In November 2013, 6,768,750 share-purchase warrants with an exercise price of \$0.45 were issued as part of a private placement share issue. The estimated fair value of the warrants was \$250,444 using the Black-Scholes option pricing model with the following assumptions: dividend yield of \$0.00; expected volatility factor of 60.2%; a risk free interest rate of 1.07% and an expected term of 1.5 years.

13. 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.

EASTMAIN RESOURCES INC.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FIRST QUARTER REPORT – JANUARY 31, 2014

(Unaudited and Expressed in Canadian Dollars)

13. CAPITAL MANAGEMENT (Continued)

Management considers its capital structure to consist of equity attributable to equity holders of the Company, comprising issued share capital, contributed surplus, warrants and accumulated deficit, which at January 31, 2014 totalled \$64,142,445.

There were no changes in management's approach to capital management during the three months ended January 31, 2014. The Company is not subject to externally imposed capital requirements.

14. 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 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 Company's exposure to financial risk relates to its investments in marketable securities as described in Note 6.

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 its concentration of credit risk, with respect to financial instruments included in prepaid and sundry receivables, is minimal.

c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at January 31, 2014, the Company had current assets of \$4,132,086 to settle current liabilities of \$934,529. All of the company's financial liabilities, except deferred premiums on flow-through shares which mature December 31, 2014, have contractual maturities of 30 days or less.

During the three months ended January 31, 2014, the Company raised net proceeds of \$4,761,527 through the issue of flow-through and non-flow-through share units to fund general and exploration activities planned for fiscal 2014. In management's opinion, there are sufficient funds to support the planned exploration program for the foreseeable future.

d) Market risk

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

Interest rate risk

The Company has cash balances, interest-bearing bank accounts and no interest-bearing debt. The Company's current policy is to invest excess cash in investment-grade bonds, treasury bills, bankers' acceptances and money market funds. Due to the short-term nature of these financial instruments, fluctuations in market rates do not have a significant impact on the estimated fair value as at January 31, 2014.

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 currency risk derived from currency conversions is manageable and therefore, does not hedge its foreign currency risk.

15. GENERAL AND ADMINISTRATIVE EXPENSES

	Three months ended January 31,	
	2014	2013
Amortization	\$ 7,361	\$ 7,395
General and office	215,375	240,939
Professional fees	20,189	13,860
	<u>\$ 242,925</u>	<u>\$ 262,194</u>

EASTMAIN RESOURCES INC.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FIRST QUARTER REPORT – JANUARY 31, 2014
(Unaudited and Expressed in Canadian Dollars)

16. EARNINGS PER SHARE

	Three months ended January 31,	
	2014	2013
Basic weighted average number of shares outstanding	116,191,545	101,985,285
Warrants	-	-
Stock options	-	-
Diluted weighted average number of shares outstanding	116,191,545	101,985,285
Items excluded from the calculation of diluted earnings because the exercise price is higher than the average quoted value of the common shares:		
Warrants	6,768,750	156,926
Stock options	5,714,605	5,214,605
Items excluded from the calculation of diluted earnings because the effect of their exercise would be anti-dilutive:		
Warrants	-	-
Stock options	-	250,000

17. 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 amounts established and accepted by the parties.

a) Transactions with related parties

	Three months ended January 31,	
	2014	2013
Donald Robinson (i)	\$ 59,700	\$ 59,700
Shawonis Explorations and Enterprises Ltd. (ii)	\$ 54,675	\$ 43,785
QB 2000 Inc. (iii)	\$ 14,950	\$ 14,500

- Donald Robinson is the President and Chief Executive Officer of Eastmain Resources Inc. and a member of the Board of Directors of Eastmain Resources Inc. Fees paid to Donald Robinson are related to professional geological exploration and management services and office rental. As at January 31, 2014, there was no outstanding amount due to Dr. Robinson (2013 – \$3,000). Amounts due are included in accounts payable and accrued liabilities.
- The Exploration Manager of Eastmain Resources Inc. is the president of Shawonis Explorations and Enterprises Ltd. ("Shawonis") and is related to the Chief Executive Officer of Eastmain Resources Inc. Fees paid to Shawonis are related to professional geological exploration and management services. As at January 31, 2014, there were no outstanding amounts due to Shawonis (2013 – \$16,730). Amounts are included in accounts payable and accrued liabilities.
- The Chief Financial Officer of Eastmain Resources Inc. is the president of QB 2000 Inc. Fees paid to QB 2000 Inc. are related to the Chief Financial Officer function. As at January 31, 2014 and 2013, there were no outstanding amounts due to QB 2000 Inc.

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

	Three months ended January 31,	
	2014	2013
Salaries and benefits	\$ 72,200	\$ 72,200
Share-based compensation	-	-
	\$ 72,200	\$ 72,200

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.