

## EASTMAIN RESOURCES INC.

### MANAGEMENT'S DISCUSSION AND ANALYSIS – FIRST QUARTER 2014

#### 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 quarter ended January 31, 2014. 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 Company's unaudited condensed interim consolidated financial statements ("interim financial statements") for the quarter ended January 31, 2014, together with the notes thereto, which were prepared in accordance with International Financial Reporting Standards ("IFRS"). All amounts in the financial statements and this discussion are expressed in Canadian dollars, unless otherwise stated. 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 periods presented are not necessarily indicative of the results that may be expected for any future period. Information contained herein is presented as at March 14, 2014 unless otherwise indicated.

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](http://www.sedar.com) and the Company's website [www.eastmain.com](http://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](http://www.sedar.com).

This management's discussion and analysis is dated March 14, 2014.

#### Company Overview

The Company, incorporated under the laws of Ontario, and its wholly-owned subsidiary, Eastmain Mines Inc. are engaged in the exploration of metallic mineral resource properties within Canada.

The Company's primary focus is exploration for precious metals in the Eastmain/Opinaca areas of James Bay, Québec, a relatively under-explored region that comprises several Archean greenstone belts – geologic belts composed rock assemblages responsible for most of the world's gold deposits. The James Bay region promises to be one of North America's newest gold districts. Here, the Company holds 100% interest in two high-grade gold deposits – Eau Claire and the Eastmain Mine – and holds approximately 37.38% interest in, and manages exploration of, the Éléonore South project, a mineral exploration joint arrangement located immediately south of Goldcorp Inc.'s ("Goldcorp") Éléonore Project (Roberto gold deposit). The Company also holds a pipeline of high-potential exploration properties covering over 1200 km<sup>2</sup> of this new and fertile mining district.

## Significant Events

- 122 drill intersections from the Eau Claire gold deposit contain an average grade of 10.9 grams gold per tonne across an average thickness of 4.25 metres;
- Exceptional drill assay results from Eau Claire ranged from 10.94 grams gold per tonne across 12.0 metres (hole 501) to 131.48 grams gold per tonne over 2.0 metres in hole 524;
- Definition drilling at Eau Claire continues to outline lateral and vertical continuity of the gold deposit within 300 metres of surface;
- Four drill holes completed at the Reservoir Project tested two priority targets;
- High-definition airborne geophysical surveys, targeting potential ore-forming structures, were completed over Lac Elmer, Lac Hudson; Road King, Dyna, Reservoir, Ruby Hill East and West, Eastmain Mine and Lac Lessard;
- Airborne surveys from the Lac Lessard Project have identified five very high-priority isolated electromagnetic geophysical targets;
- In November 2013, the Company raised \$5.1 Million. The placement was over subscribed in a very difficult market for fund raising within the mining and exploration sector and
- In December of 2013 the Company appointed Serge Bureau, MSc, P.Eng, as its first member of a newly created Development-Group Advisory Board. This new position is key in advancing Eastmain's flagship project, Clearwater, toward the development stage.

## Exploration and Evaluation Activities

### *Clearwater Project*

Eastmain Resources Inc. owns 100% interest in the Clearwater Property, host to Eau Claire, one of five known gold deposits in the James Bay region of Québec. With ready access and nearby infrastructure in the form of permanent roads and power, Clearwater is superbly located for potential future development. The project is situated approximately 800 kilometres (kms) north of Montréal, 80 kms north of a commercial airport at Nemiscau and less than 10 kms northeast of Hydro Québec's EM-1 complex. Gold mining is about to begin in this emerging-metals district with initial production commencing at Goldcorp's Eleonore project, located only 45 kms geographically north of Clearwater, in late 2014.

The Clearwater Project covers about 200 km<sup>2</sup> of Archean geology similar to that underlying many of the major mining camps within the Canadian Shield. The Eau Claire gold deposit is situated at the western end of the property, 2.5 kms from Hydro Québec's road network and approximately five kms from one of the world's largest hydro electric power installations. Fuel is delivered to the project by tanker truck and year-round access to the 30-person base camp is facilitated via drill roads five kms from the permanent road network.

Our objective is to establish Eau Claire as a high-grade gold resource that would support a profitable, stand-alone mining operation for a minimum ten-year mine life, based on prevailing metal prices. Over the last three years, 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.

### *Eau Claire Gold Deposit*

As at October 11, 2012 (news release), the Eau Claire Deposit hosts a combined Measured and Indicated (M&I) Resource of 4.87 million tonnes at an average grade of 4.60 g/t gold containing 721,000 ounces of gold, plus an additional 6.4 million tonnes at an average grade of 5.45 g/t gold, classified as Inferred Resources, containing 1,122,000 ounces of gold. Uncapped resources\* include 4.94 million tonnes M&I, containing 780,000 ounces at 4.91 g/t gold, and 6.5 million tonnes Inferred containing 1,148,000 ounces at 5.48 g/t gold.

Gold resources at Eau Claire have been estimated for both potentially open pitable and underground extraction methods. At 4.32 g/t gold (4.91 g/t uncapped\*), the combined potential M&I Open Pit resource grade makes Eau Claire one of the highest-grade potentially open-pitable, undeveloped gold projects in North America. Measured potential Open Pit resources from the 450 West Zone exceed 6 g/t gold (Au).

Eau Claire is a structurally-controlled gold deposit consisting of multiple quartz-tourmaline veins and altered rock. The mineralized system forms a crescent-shaped body covering a footprint that is over 100 metres wide, extends for about 1.8 kilometres in length, and which to date, has been traced to a vertical depth of about 900 metres. Over 85 high-grade veins, forming two vein sets known as the 450 and 850 West Zones, have been discovered. Both Zones,

exposed in outcrop through trenching along topographic highs, coincide with major structural shear zones. The 450 West Zone vein set is oriented at N 85°E, dips 45 to 60° south and plunges steeply to the southeast, sub-parallel to an F2 fold axis. The 850 West Zone vein set is aligned N 60°E, dips sub-vertically and plunges gently southwest.

*\*Gold assay composite intervals exceeding 100 grams per tonne have been capped to 100 grams.*

#### 2013 Exploration Results

During the period, exceptional assay results were reported for holes 490 through 524, which were collared to define the lateral and vertical continuity of the 450 West Zone, with the objective of maximizing measured and indicated gold resources for potential open pit extraction. Significant drill assay results include 122 gold-bearing intercepts at an average grade of 10.9 grams gold per tonne across an average thickness of 4.25 metres. Results include 10.94 grams gold per tonne across 12.0 metres from hole 501 and 131.48 grams gold per tonne over 2.0 metres in hole 524 (see also table below).

A major re-modeling of the Eau Claire deposit gold mineralization utilizing 3D Leapfrog software is currently underway. Once this process is completed, the revised 3D interpretation will be exported from Leapfrog into GEMS (industry standard software designed to calculate the actual resource but limited in modelling deposits).

The 850 West Zone has been remodelled with the view of creating a resource model utilizing grade and thickness cut-off parameters amenable for potential open pit mining. Upon receipt of the remaining drill-hole assay data, the 450 West Zone will also be reinterpreted and remodelled utilizing the same process.

The Company's net investment in the Clearwater project to January 31, 2014 is \$39.7 million.

**Table 1: 2013 Clearwater Assay Highlights**

Hole ID	From (m)	To (m)	Length (m)*	Au (g/t)	Te (g/t)	VEIN ID
ER13-490	184.0	198.5	14.5	6.38	10.14	D
incl.	189.0	192.0	3.0	14.98	24.5	
	233.5	239.0	5.5	9.37	13.9	G
incl.	234.5	235.0	0.5	39.3	57.7	
ER13-494	164.2	179.7	15.5	6.09	5.81	C & D
incl.	166.2	166.7	0.5	48.8	31.9	
incl.	171.2	171.7	0.5	54.6	45.0	
ER13-501	152.5	164.5	12.0	10.94	9.92	C
incl.	153.0	158.0	5.00	19.85	16.34	
	228.5	230.0	1.50	30.07	43.4	G
ER13-505	213.0	274.8	61.8	2.48	3.97	D to H
incl.	213.0	230.5	17.0	2.98	3.40	D
	262.3	263.3	1.00	22.65	34.18	G
	271.8	274.8	3.00	19.96	40.63	H
ER13-512	312.5	343.5	31.0	4.88	6.56	H to P
incl.	320.0	336.0	16.0	8.50	11.6	I
incl.	326.0	326.5	0.50	46.40	59.80	
incl.	335.5	336.0	0.50	31.30	40.00	
ER13-520	230.5	240.5	<b>10.00</b>	<b>9.69</b>	<b>15.88</b>	F
incl.	237.5	240.0	2.50	32.28	55.01	

<b>Table 1: 2013 Clearwater Assay Highlights (continued)</b>						
<b>Hole ID</b>	<b>From (m)</b>	<b>To (m)</b>	<b>Length (m)*</b>	<b>Au (g/t)</b>	<b>Te (g/t)</b>	<b>VEIN ID</b>
ER13-521	249.0	251.0	2.00	59.44	89.67	F
incl.	250.5	251.0	0.50	<b>217.00</b>	<b>326.00</b>	
ER13-522	265.0	274.0	<b>9.00</b>	<b>8.25</b>	<b>11.53</b>	G1
incl.	265.5	266.0	0.50	65.60	95.10	
incl.	272.5	273.0	0.50	21.80	29.00	
incl.	273.5	274.0	0.50	32.80	41.50	
ER13-524	256.5	258.5	2.00	<b>131.48</b>	<b>224.75</b>	F
incl.	256.5	257.0	0.50	25.50	31.50	
incl.	257.0	257.5	0.50	<b>163.00</b>	<b>305.00</b>	
incl.	257.5	258.0	0.50	<b>257.00</b>	<b>430.00</b>	
incl.	258.0	258.5	0.50	80.40	132.50	
ER13-525	220.5	222.0	1.50	53.58	61.54	D
incl.	221.0	221.5	0.50	<b>153.00</b>	<b>174.00</b>	

### **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<sup>(1)</sup>. 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 project includes a 100-person camp, fuel farm, fully functioning airstrip, tailings pond, underground ramp access and underground mine workings.

The Québec government's Plan Nord infrastructure program has now provided permanent road access to the Eastmain Mine property by extending Route 167 north from the communities of Chibougamau and Mistissini. This new infrastructure will substantially reduce costs, improve project logistics and stimulate exploration of our large land holdings in the area. This new road also provides additional access for exploration along the favourable mine trend.

### **2013 Exploration**

Four high-priority drill targets were defined during the 2013 exploration campaign, two of which are situated northwest of the Eastmain gold deposit and two of which are located southeast. In addition, 3,453 line-kilometres of high-definition airborne magnetic geophysical surveys were flown over the Eastmain Mine property. Both the mine host-rock formation and gold deposit responded well to magnetic surveys and a well-defined trend was delineated well beyond the current limits of the deposit. The detailed magnetics clearly show a number of structural controls to current and potential additional mineralization as well.

Future exploration, including definition drilling to expand the Eastmain gold deposit and target-testing both immediately north of the A Zone and along the well defined key mine-horizon, is warranted.

The Company's net investment in the Eastmain Mine project to January 31, 2014 is \$13.4 million.

### **Ruby Hill**

The Company holds 100% interest in certain mineral properties comprising the Ruby Hill project, located within the Upper Eastmain River Greenstone Belt of Northern Québec. The project, which consists of two separate groups of claims, referred to as the Ruby Hill East and Ruby Hill West blocks, covers approximately 10,600 hectares of

prospective geology similar to the key mine horizon at the Eastmain Mine gold deposit.

The Ruby Hill East block is contiguous with the Eastmain Mine property and covers the potential geological fold repetition of the Eastmain Mine horizon. 2,030 line-kilometres of airborne magnetic surveys were flown in 2013 outlining a large mafic-ultramafic sill running diagonally through the central portion of the property. The recently completed road extension of Route 167 North will provide access for follow-up exploration on this target.

Ruby Hill West straddles the western limb of the Upper Eastmain River Greenstone Belt approximately 30 kms west of the Eastmain Mine deposit in a similar geologic setting. 4,316 line-kilometres of high-definition airborne magnetic surveys were flown across the Ruby Hill West Block in 2013.

The Company's net investment in the Ruby Hill project to January 31, 2014, is \$2.2 million.

### ***Lac Lessard Project***

Lac Lessard is located 12 kilometres northeast of the Eastmain Mine project and covers an area of approximately 24.7 km<sup>2</sup>. 613 line-kilometres of airborne electromagnetic (VTEM) and magnetic surveys were completed on the property. Historical work indicates that the property is underlain by a mafic/ultramafic complex containing copper- and nickel-sulphide mineralization with accessory platinum group elements. Our VTEM survey has defined five very high-priority isolated targets which warrant drill testing.

The Company's net investment in the Lac Lessard project to January 31, 2014 is \$0.18 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<sup>2</sup> of prospective land, contiguous with and underlain by the same rock formations as those found on Goldcorp's mine property.

Éléonore mine geology has been interpreted to extend on to the Éléonore South property. Eastmain's discovery of the JT Gold occurrence returned assays of up to 5.3 g/t gold across 8.0 metres and 10.9 g/t Au over three metres. Subsequent drilling conducted by the Company delineated a kilometre-long, stacked horizon of metamorphosed sediments and intrusive rocks, similar to those found at Éléonore, containing anomalous gold, arsenic and antimony mineralization – the signature metal suite at Éléonore.

No work was completed during the reporting period, however additional work is warranted. A management meeting is planned for Q2 to outline the next exploration program.

The Company's net investment in the project to January 31, 2014 is \$4.9 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 kms southwest of Goldcorp's Roberto deposit and approximately 45 kms 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 mineralized system which warrants additional drilling.

Subsequent to the year-end, 3,921 kms of high-density magnetic surveys and four drill holes were completed. Drill holes tested a segment of the C-52 Au-Cu-Ag zone and a VTEM target coinciding with Opinaca group sedimentary rocks, which are in contact with and overlie mafic volcanic rocks of the Eastmain group. The Opinaca sedimentary rock formation hosts Goldcorp's Roberto gold deposit while the Eastmain volcanic sequences host Eau Claire.

The Company's investment in Reservoir to January 31, 2014 is \$1.3 million.

### **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 kms west of Clearwater and 8 kms west of Hydro Quebec's EM-1. 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 sedimentary- or volcanic-hosted gold deposits. Prospecting and geochemical sampling are recommended to identify drill targets.

5,411 line-kilometres of high-density airborne magnetic surveys covering the property were flown in 2013. The surveys define a regional structural break bounding a central magnetic complex.

The Company's investment in the project to January 31, 2014 is \$0.8 million.

### **Road King**

Road King, an early-stage exploration project, is located within the Eastmain/Opinaca district, 85 kilometres west of the Roberto gold deposit. Similar to Roberto, this 108-claim property straddles a major structural and stratigraphic break between the Eastmain Greenstone Belt and Opinaca sedimentary rocks. The property is 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.

Subsequent to the year-end the Company completed 2,651 line-kilometres of high-definition airborne magnetic surveys. These surveys defined a regional structural break and major fold closure, both elements favourable for hosting gold deposits.

The Company's investment in the project to January 31, 2014 is \$0.25 million.

### **Lac Elmer**

The Lac Elmer project is located at the western end of the Eastmain Greenstone Belt approximately 35 kms west of the LG2 highway and roughly 80 kms 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 kilometer-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.

5,805 line-kilometres of high-definition airborne magnetic surveys were flown over the property in 2013. A regional NNE trending structural break has been defined, along with a multitude of structural elements prospective for gold exploration.

The Company's investment in the project to January 31, 2014 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), had an option to earn 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 completed four short drill holes totaling 827 metres.

Subsequent to the year-end, Honey Badger informed Eastmain that due to current market conditions it was unable to raise exploration funds and would therefore not be able to fulfill its requirements with respect to the option agreement. HBE has thus elected to terminate its option.

The Company's investment in the project to January 31, 2014 is \$0.2 million.

### **Dyna**

The Dyna project consists of two claim blocks located 20 kilometres north of the Roberto deposit (Éléonore) and underlain by high-grade metamorphic rocks which are highly prospective for similar gold mineralization. 3,743 line-kilometres were flown over the West Block, defining a kilometric-size fold closure. 1,909 line-kilometres were flown over the East Block also outlining a multi-kilometric-size fold. Both blocks require follow-up exploration to define potential drill targets.

The Company's investment in the project to January 31, 2014 is \$0.6 million.

### **Going Concern**

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, 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 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 financial statements it would be necessary to restate the Company's assets and liabilities on a liquidation basis.

### **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. From time-to-time, other income is derived from management fees and charges for the use of Company facilities by third parties.

#### ***Three months ended January 31, 2014 compared to the three months ended January 31, 2013:***

Net income for the quarter ended January 31, 2014 was \$566,604 (2013 – net loss \$210,217) a variance of \$776,821.

- General and administrative expenses were \$242,925 (2013 – \$262,194) a variance of \$19,269 (7.3%).
- Interest and other income was \$13,002 (2013 – \$17,516) a variance of \$4,514 (25.8%), as a result of a decrease in interest on investments and bank balances.
- The unrealized loss on marketable securities was \$16,838 (2013: \$48,671) a variance of \$31,833 (65.4%). The loss resulted from the regular recurring adjustments of the Company's investment portfolio to market value. The losses are reflective of the depressed market trend that prevails on mineral resource companies. Marketable securities include share ownership in resource companies obtained in exchange for property, property rights or exploration data.

- Premium income on flow-through shares was \$1,106,620 (2013: \$40,013) a variance of \$1,066,607. 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 premium amortization pro rata to eligible expenditures incurred. The Company extended its successful fiscal 2012-2013 drilling program into November and December of 2013 and completed geophysical surveys on several projects with the use of flow-through funds. Premiums recorded on the issue of flow-through shares are disclosed in Note 11 to the interim financial statements. Eligible exploration expenditures incurred for the quarter were \$3,833,058 (2013: \$363,745).

## Summary of Quarterly Results

	Quarter ended 01/31/2014	Quarter ended 10/31/2013	Quarter ended 07/31/2013	Quarter ended 04/30/2013
<b>Interest / other income</b>	\$ 13,002	\$ 27,976	\$ 30,448	\$ 52,096
<b>Comprehensive income (loss)</b>	\$ 566,604	\$ (945,814)	\$ (67,710)	\$ (414,451)
Per share basic	\$0.0049	\$(0.0089)	\$(0.0006)	\$(0.0039)
Per share diluted	\$0.0049	\$(0.0089)	\$(0.0006)	\$(0.0039)
<b>Trading range of shares</b>				
High	\$0.44	\$0.48	\$0.46	\$0.82
Low	\$0.21	\$0.26	\$0.19	\$0.38

	Quarter ended 01/31/2013	Quarter ended 10/31/2012	Quarter ended 07/31/2012	Quarter ended 04/30/2012
<b>Interest / other income</b>	\$ 17,516	\$ 62,079	\$ 54,879	\$ 202,702
<b>Comprehensive income (loss)</b>	\$ (210,217)	\$ 285,165	\$ 985,926	\$ 94,168
Per share basic	\$(0.0021)	\$0.0029	\$0.0101	\$0.0010
Per share diluted	\$(0.0021)	\$0.0028	\$0.0099	\$0.0009
<b>Trading range of shares</b>				
High	\$0.90	\$1.07	\$1.10	\$1.39
Low	\$0.59	\$0.76	\$0.75	\$0.97

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

### 01/31/2014

Comprehensive net income includes flow-through share premium income of \$1,106,620, deferred income taxes of \$293,255 and an unrealized loss on investments of \$16,838.

### 10/31/2013

Comprehensive net loss includes flow-through share premium income of \$615,605, deferred income taxes of \$1,400,557 and an unrealized gain on investments of \$8,818.

### 07/31/2013

Comprehensive net loss includes flow-through share premium income of \$105,713, deferred income tax recovery of \$27,058 and a charge of \$119,425 for stock option compensation and an unrealized loss on investment valuation of \$9,663.

### 04/30/2013

Comprehensive net loss includes flow-through share premium income of \$36,804, no stock option compensation expense, a deferred income tax recovery of \$3,601 and an unrealized loss on investments of \$217,947.

### 01/31/2013

Comprehensive net loss includes flow-through share premium income of \$40,013, deferred income tax recovery of \$43,119 and an unrealized loss on investments of \$48,671.

### 10/31/2012

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

07/31/2012

Comprehensive 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 and an unrealized loss on investments of \$164,345.

04/30/2012

Comprehensive 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 and an unrealized loss on investments of \$134,980.

## 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 Assets

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 audited consolidated financial statements, dated October 31, 2013, whereby the carrying amounts of exploration properties are reviewed for events or changes in circumstances that suggest that the carrying amount may not be recoverable. The Company's carrying value of exploration and evaluation assets as of January 31, 2014 was \$64,749,125 (2013 – \$55,316,946).

Exploration and evaluation expenditures for the quarter ended January 31, 2014

	<u>Q1 2014</u>
<b>Clearwater</b>	
Drilling & assays	\$2,190,149
Technical surveys	175,435
<b>Total Clearwater</b>	<b>2,365,584</b>
<b>Eastmain Mine</b>	
Drilling & assays	158,593
Technical surveys	32,303
Acquisition and maintenance	6,011
<b>Total Eastmain Mine</b>	<b>196,907</b>
<b>Éléonore</b>	
Drilling & assays	730
Technical surveys	1,500
Acquisition and maintenance	4,315
<b>Total Éléonore</b>	<b>6,545</b>

**Ruby Hill**

Technical surveys	294,262
Acquisition and maintenance	(6,048)
<b>Total Ruby Hill</b>	<b>288,214</b>

**Reservoir**

Drilling & assays	477,748
Technical surveys	122,864
Acquisition and maintenance	13,389
<b>Total Reservoir</b>	<b>614,001</b>

**Lac Hudson**

Technical surveys	2,483
<b>Total Lac Hudson</b>	<b>2,483</b>

**Lac Elmer**

Technical surveys	82
<b>Total Lac Elmer</b>	<b>82</b>

**Road King**

Technical surveys	69,003
<b>Total Road King</b>	<b>69,003</b>

**Dyna**

Technical surveys	159,140
<b>Total Dyna</b>	<b>159,490</b>

**Lidge**

Technical surveys	27,927
<b>Total Lidge</b>	<b>27,927</b>

**Lac Lessard**

Technical surveys	120,489
Acquisition and maintenance	6,072
<b>Total Lac Lessard</b>	<b>126,561</b>

<b>Total project expenditures</b>	<b>\$3,856,797</b>
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**Liquidity**

Working capital is a measure of both a company's efficiency and its short-term financial health, which is calculated as current assets less current liabilities. The working capital ratio of current assets to current liabilities indicates whether a company has enough short-term assets to cover its short-term debt.

At January 31, 2014, the Company had current assets of \$4.1 million and current liabilities of \$0.9 million yielding a working capital of \$3.2 million. The Company maintains a high liquidity by holding cash balances in interest-bearing Canadian bank accounts. The high working capital ratio is a reflection of the Company's operating cycle, which consists of obtaining funds through the issuance of shares, before engaging in exploration activities.

The Company has no long-term debt.

At January 31, 2014 the Company held investments of \$0.5 million valued at fair market with maturities extending beyond one year. Funds-on-hand for future exploration costs are invested from time-to-time in money market funds, term deposits, and bonds or certificates of deposit with maturities matching the Company's cash-flow requirements, which in management's opinion, yield the greatest return with the least risk. The Company's policy is to maintain its investment portfolio in very low-risk liquid securities, which are selected and managed under advice from independent professional advisors.

Accounts receivable and prepaid expenses as at January 31, 2014 were \$679,149 which included \$471,747 for recoverable sales taxes, which are subject to verification and normally refunded within 60 to 90 days of the claim. Refunds of taxes are not considered a financial instrument since governments are not obligated to make these payments. Accounts receivable from cost-sharing agreements were \$194,349. Other advances and prepaid amounts were \$13,053.

As at January 31, 2014, accounts payable and accrued liabilities were \$307,999. Trade accounts are usually settled within 30 days. Income taxes payable on assessed years which are currently being disputed were \$20,425. Flow-through premiums are amortized in proportion to their related exploration expenditures.

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 and an additional estimated \$0.6 million for claims to be filed for the year ended October 31, 2013. Since confirmation of these amounts has not yet been received, this estimated refund has not been recorded in the Company's financial statements. Revenue Québec has proposed a draft assessment in respect of the 2012 claim, which would result in an acknowledgement of credit due of approximately \$1.9 million. The Company has chosen to not prejudice its position by accepting the proposed settlement, which could have an effect on prior and future claims. The Company has requested a delay until the end of March 2014 to make further representations to Revenue Québec regarding the Company's justification for the eligibility of disputed items.

In the period ended January 2014, the Company received net proceeds of \$4.8 million from shares issued to fund fiscal 2014 activities. During the same period, the Company spent \$3.8 million on claim acquisition, claim maintenance, and 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 will have sufficient funds available to meet all of its flow-through obligations and cover its ongoing administrative and overhead costs 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**

During the three months ended January 31, 2014, the Company issued flow-through shares for which it is committed to spend \$4,280,000 in eligible Canadian exploration expenditures ("CEE") by December 31, 2014. As of January 31, 2014, qualifying expenditures of \$2,034,288 had been incurred.

## **Capital Resources**

The Company, as is typical of junior exploration companies, has only a small investment in capital resources, which is comprised of \$53,567 in computer equipment and field equipment of \$393,923. The net book value January 31, 2014 was \$90,734.

## **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). 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. The value of related party transactions for the quarter ended January 31, 2014 was \$129,325 (2013 – \$117,985). There were no amounts due to related parties January 31, 2014 (2013 – \$19,730).

## Share Capital

The authorized capital of the Company consists of an unlimited number of common shares of which, as of March 14, 2014, there are: 120,164,507 common shares outstanding; 5,714,605 share-purchase options with a weighted average exercise price of \$0.95, which would generate proceeds of \$5,444,672, if exercised; and 6,768,750 common share-purchase warrants outstanding at a price of \$0.45, which would generate proceeds of \$3,045,938 if exercised.

## Critical Accounting Estimates

The preparation of these interim financial statements under IFRS requires management to make certain estimates, judgements and assumptions about future events that affect the amounts reported in the interim financial statements and related notes thereto. Although these estimates are based on management's best knowledge of amounts, events or actions, actual results may differ from these estimates and those 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, significant or prolonged decline of fair value on financial assets indicating 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.

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 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 materially affect the amounts of income tax assets recognized. Also, future changes in tax laws could limit the Company from realizing 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 market-based and performance-based share awards is determined at the date of grant, using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgements include estimates of: 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.

### Impairment Analysis

Management has reviewed the general and economic conditions and mining industry trends that influence recoverability of the carrying value of its exploration and evaluation expenditures. Currently, there is a strong trend toward gold mining development in the James Bay area of Québec. Management is confident that under Québec's current mining regime, these carrying values will be recoverable.

### Changes in Accounting Policy

Note 3, to the audited consolidated financial statements of October 31, 2013 describes the accounting policies that are used in the preparation of the Company's interim financial statements.

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 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 new standard 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.

#### Joint Arrangements

IFRS 11 – *Joint Arrangements*, issued in May 2011, supersedes IAS 31 – *Interests in Joint Ventures and SIC 13 - Jointly Controlled Entities – Non-Monetary Contributions by Venturers*. Under IFRS 11, the classification of joint arrangements is based on the rights and obligations of the parties to the joint arrangement. A joint operation is an arrangement whereby the parties that have joint control of the arrangement (“joint operators”) have rights to the assets, and obligations for the liabilities relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (“joint venturers”), have rights to the net assets of the arrangement. IFRS 11 requires that a joint operator recognize its portion of assets, liabilities, revenues and expenses of a joint arrangement, while a joint venturer recognizes its investment in a joint venture 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.

### Future 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 of its financial assets. Most of the requirements in IAS 39 were carried forward unchanged to IFRS 9. This new standard also requires the use of a single method of impairment determination, replacing the multiple methods available under IAS 39. This new standard is effective for the Company's annual reporting period beginning on November 1, 2015 and is being evaluated to determine the impact on the Company.

## 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. 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 flow-through shares, which mature December 31, 2014, have contractual maturities of 30 days or less.

During the quarter ended January 31, 2014, the Company raised net proceeds of \$4,762,527 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.

## Future Outlook

There has been a significant improvement recently in share performances of gold companies. This rebound has been notably led by the explorers, including Eastmain, which are up year-to-date (YTD) on average by more than 60%, and is followed by the North American gold producers. Tier II gold producers have seen a 43% increase in share price while Tier I producers' share prices have increased YTD by 18%. Eastmain's share price has risen over 80% YTD.

Following a \$400-dollar decline over the past year, gold price YTD has stabilized and withheld bearish predictions of further declines. Gold-price performance has outperformed analysts' price projections but trails the overall mining sector's share performance with an increase of only 10% YTD.

Stabilization of gold pricing has also led to an increase in enterprise value per resource ounce of gold in the ground (EV/RO). EV/RO has risen for explorers to approximately \$50. As the price of gold continues to stabilize, enterprise values for those explorers with deposits will continue to improve.

Exploration drilling and trenching results at Clearwater for 2013 were exceptional, with wider assay intervals and higher gold grades than ever seen before on the project. Definition drilling in 2013 confirmed that 90% of the gold mineralization falls within the modelled grade shell created for the Eau Claire gold deposit. Drilling within this grade shell has confirmed excellent lateral and vertical continuity of the deposit. Upon receipt of all 2013 drill assay data, a revised model of Eau Claire (gold) metal distribution will be finalized with the intent of maximizing potential recoverable ounces through open pit methods.

2013 exploration activity at our second gold deposit, the Eastmain mine property, has confirmed high-grade gold mineralization in outcrop and boulders, both northwest and southeast of the deposit. These gold showings have also been delineated along strike in recent airborne surveys. Completion of Route 167 Nord enabled us to mobilize all of our fuel requirements for 2014 by road. Due to increased accessibility, management foresees ramping up the exploration activity on the Eastmain Mine project for 2014.

The Corporation holds a substantial amount of high potential mining real estate within the James Bay region of Quebec. 95% of the James Bay mining territory is covered with glacial overburden camouflaging any underlying mineral endowment. Airborne geophysical survey techniques provide a rapid and thorough means of screening this real estate for near surface metallic bodies. All of our 100%-owned projects have now been surveyed. These techniques also provide evidence of regional plumbing systems that may have flushed base and precious metals into surrounding geological structures over 2.7 billion years ago! Airborne survey work on our Lac Lessard project has outlined several particularly attractive anomalies which warrant immediate investigation.

A minimum budget of \$4.28 Million has been allocated for 2014 exploration in the James Bay region. Exploration activities, principally focused on testing established targets lateral to confirmed gold resources at the Eau Claire and Eastmain gold deposits, will include up to 16,000 metres of diamond drilling.

## **Subsequent Events**

As of the date of this report, there have been no subsequent events that would materially change the Company's financial position.

## **Scientific and Technical Disclosure**

All disclosure of a scientific or technical nature herein concerning the currently published Eau Claire resource estimate (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.Geol and Antoine Yassa, P.Geol 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 therein 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](http://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 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 and 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](http://www.sedar.com).