



## EASTMAIN RESOURCES INC.

### MANAGEMENT'S DISCUSSION AND ANALYSIS – NINE MONTHS ENDED JULY 31, 2016

#### General

The following management's discussion and analysis ("MD&A") of the financial condition and results of the operations of Eastmain Resources Inc. ("Eastmain", the "Company", "our" or "we") constitutes management's review of the factors that affected the Company's consolidated financial and operating performance for the nine months ended July 31, 2016. 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 for the three and nine months ended July 31, 2016 together with the notes thereto, which were prepared in accordance with *International Financial Reporting Standards "IFRS"*. The unaudited condensed interim consolidated financial statements have been prepared in accordance with International Standard 34, Interim Financial Reporting. All amounts in the consolidated 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 September 6, 2016 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, the ability of the Company to continue as a going concern, 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), as well as "Risks and Uncertainties" below.

This MD&A is dated September 6, 2016.

#### 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 – rock assemblages responsible for most of the world's gold supplies. The James Bay region is 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 36.72% interest in Eleonore South, a mineral exploration joint venture, located immediately south of Les Mines Opinaca Ltée's, a wholly-owned subsidiary of Goldcorp Inc. ("Goldcorp"), Éléonore Project which hosts the

Roberto gold deposit. The Company also holds several prospective exploration properties covering approximately 1,300 km<sup>2</sup> of this new and fertile mining district.

### **Nine Months Ended July 31, 2016 Highlights**

- In November 2015, the Company announced the appointment of Claude Lemasson, P.Eng, MBA, as independent non-executive Director.
- In March 2016, Michael Hoffman was appointed to the Board of Directors as an independent, non-executive Director succeeding Dr. John Hansuld.
- In late March 2016, the Company received a Notice of Nomination for new Directors from representatives of Columbus Gold Corp. ("Columbus"). The nomination sought to replace the Board of Directors with nominees of Columbus (the "Proxy Contest") at the Company's annual meeting of shareholders scheduled for April 29, 2016 (the "AGM"). Eastmain commissioned financial and legal advisors as well as a special independent committee (the "Special Committee") to oversee the process.
- In connection with the Proxy Contest, the Special Committee considered a number of strategic alternatives. Among the alternatives considered was a proposal by Integra Gold Corporation ("Integra") which included a \$6 million private placement into Eastmain (the "Integra Private Placement") that was ultimately recommended by the Special Committee and completed by the Company, and Columbus withdrew its Notice of Nomination.
- Pursuant to the Integra Private Placement on May 10, 2016, Eastmain issued 3,100,000 flow-through common shares at \$0.50 per share and 12,800,000 units ("Units") at \$0.35 per Unit to raise aggregate gross proceeds of \$6,030,000. Each Unit consists of one common share of Eastmain and one-half of one transferable common share purchase warrant (each whole such share purchase warrant, a "Warrant"). Each full Warrant is exercisable to acquire one additional common share of Eastmain at an exercise price of \$0.50 until November 2018. In addition, Integra agreed to provide technical expertise and assistance to Eastmain. Integra's Private Placement represented a 9.9% ownership interest in Eastmain at closing.
- Upon the closing of the Integra Private Placement, Eastmain entered into an Investor Rights Agreement providing Integra the right to nominate one director for election to the Board of Directors of Eastmain. Given the strategic relationship and investment, Eastmain supported the nomination of an additional director from Integra. In addition, Integra has the right to maintain its pro rata ownership in Eastmain in any subsequent financings or at its option, increase its ownership in such offerings to 15% of the outstanding common shares, subject to the right of Eastmain to limit Integra's participation in any one financing to 50% of the offering. Integra's rights under the Investor Rights Agreement will terminate upon Integra ceasing to maintain at least a 5% interest in the outstanding common shares of Eastmain.
- Eastmain completed a private placement on April 11, 2016 (the "April 2016 Private Placement"), to other investors pursuant to which it issued 9,500,000 flow-through common shares at \$0.50 per share and 999,999 Units at \$0.35 per unit to raise additional aggregate gross proceeds of approximately \$5,100,000.
- In conjunction with the evolution of the Company, Eastmain transitioned its management transitions including the resignation of Chief Executive Officer ("CEO") Don Robinson, Chief Financial Officer ("CFO") James Bezeau and Exploration Manager Cathy Butella, all effective April 28, 2016. Existing Director, Claude Lemasson, was appointed President & CEO.
- In addition to recent appointees to its Board, Chairman Laurie Curtis, President & CEO Claude Lemasson and Director Michael Hoffman, Eastmain also nominated Blair Schultz and Timo Jauristo to the Board at the AGM. George Salamis and Stephen De Jong were also nominated on behalf of Integra for election at the AGM. All of the foregoing nominees were elected by shareholders at the AGM on April 29, 2016.
- On May 31, 2016, the Company announced the appointment of CFO and Vice President, Corporate Development, Joseph Fazzini, CPA, CA, CFA.
- Eastmain also completed a private placement on July 20, 2016 (the "July 2016 Private Placement") to other investors pursuant to which it issued 9,803,000 flow-through shares at \$0.918 per share and 4,197,000 common shares at \$0.51 per share for aggregate gross proceeds of \$11,139,624.

- In July 2016, the Company announced the appointment of Vice President, Exploration, William McGuinty, P.Geo.; Project Engineer, Manuel Ng Lai, P.Eng.; and Manager, Investor Relations, Alison Dwoskin, CPIR.
- In August, 2016, Eastmain announced the appointment of Carl Corriveau, P.Geo, SEG, and Michel Leblanc (Géo) as Exploration Manager and Clearwater Senior Project Geoscientist, respectively.
- On August 11, 2016, Eastmain announced staking of the 600 claim (31,600 ha) Lac Clarkie Project ("Clarkie") located immediately east of the Company's Clearwater Property. The Clearwater and Clarkie claims cover a combined total of 51,614 ha of prospective greenstone belt in the Eastmain/Opinaca district of James Bay, Quebec. Eastmain intends to explore the Clarkie claims, beginning with airborne geophysical and LIDAR surveys, followed by prospecting.
- The trading price of the common shares of the Company on the Toronto Stock Exchange increased approximately 85% over the trailing 12 month period to July 31, 2016, and 31% from May 1, 2016 to July 31, 2016.

## **Exploration and Evaluation Activities**

### **Key Focus Projects**

#### ***Clearwater***

Eastmain owns a 100% interest in the Clearwater property, host to the Eau Claire deposit, one of five known gold deposits in the James Bay region of Québec. The largest of these deposits is the Eleonore Mine held by Les Mines Opinaca Ltée, a wholly-owned subsidiary of Goldcorp, which is located only 45 km due north of Clearwater and has forecast 2016 production of 250,000 to 280,000 ounces of gold.

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 km north of Montréal, 80 km north of a commercial airport at Nemiscau and less than 10 km northeast of Hydro Québec's EM-1A complex. The Eau Claire gold deposit is situated at the western end of the property 2.5 km from Hydro Québec's road. A 30-person base camp is facilitated via drill roads five km from the permanent road network.

The Company's 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 few years, Eastmain has focused not only on expanding and defining high-grade gold resources potentially amenable to extraction by open pit and underground methods, but also on the discovery of additional resources elsewhere on the property. To achieve the Company's objectives, Eastmain has commenced an \$8.8 million (63,300 m) drilling program at the Clearwater Property with a primary focus on and around the main Eau Claire deposit.

#### ***Eau Claire Gold Deposit***

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 most prevalent Archean gold deposits are associated with deep-seated regional structural breaks and often localized by the interaction of these structures with intrusive bodies. Most gold production in these camps is derived from structurally-controlled, vein-hosted deposits in deformed and altered volcanic sequences which are comprised of iron-rich mafic to silica/alkali rich felsic volcanic rocks, often in association with post- or syn-tectonic felsic porphyry intrusions.

Eau Claire is situated approximately one km north of a structural break, which extends east-west for more than 100 km. It is a structurally-controlled gold deposit consisting of multiple en-echelon, sheeted quartz-tourmaline veins and altered rock, forming two distinctly oriented vein sets known as the 450 and 850 West Zones. These sectors coincide with major structural shear zones, near a mafic/felsic volcanoclastic rock contact, to form a crescent-shaped body covering a footprint approximately 100 m wide, extending for about 1.8 km in lateral extent and has been traced to a vertical depth in excess of 900 m. Portions of the 450 West & 850 West Zones outcrop on topographic highs. 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.

Polyphase gold mineralization evident throughout the Eau Claire deposit includes: early-stage, gold-rich stratabound schist units, which are generally lower grade, but when crosscut by other gold-bearing structures can often exceed 10 g/t across widths of in excess of 10 metres; high-grade laminated quartz-tourmaline feeder veins, ranging from 10 to

more than 100 grams gold per tonne in 0.5- to 10-metre-wide intervals (approximately 2.0 metres on average), which infill deep-seated east-west trending gold-bearing hydrothermal structures; and later cross-cutting and extensional, gold-rich veins and gashes within both laminated east-west veins and schist zones.

Distinct rock alteration consisting of actinolite-tourmaline-biotite-carbonate is associated with gold mineralization and can often create wide zones of gold mineralization ranging from 0.5 to 10 g/t Au over thicknesses of 5.0 to 25 m. Gold-bearing units vary in composition from 100% vein quartz to 100% schist. Many drill intersections and channel samples contain significant amounts of gold within tourmaline and/or actinolite and/or biotite-altered rock with little or no visible vein quartz. Both veins and alteration zones contain finely disseminated particles of free gold, tellurides and bismuth minerals. Gold also occurs as coatings and interstitial filling within tourmaline grains and accessory sulphides. Accessory sulphide minerals range from nil to 1% pyrite, pyrrhotite and chalcopyrite.

As at April 27, 2015, the Eau Claire Deposit hosts a measured and indicated (“M&I”) mineral resource of 7.2 M t at an average grade of 4.09 g/t Au containing 951,000 ozs of gold, plus an additional 5.1 M t at an average grade of 3.88 g/t Au, classified as inferred mineral resources, containing 633,000 ozs of gold<sup>(1)</sup>. Block model in-situ M&I open pit resources at Eau Claire increased by 53% over the previous resource estimate to 885,000 ozs at 4.05 g/t Au, contained within 6.8 M t. Measured in-situ open pit resources include 227,000 ozs at 7.29 g/t Au within 0.97 M t (2015 Mineral Resource Statement). Today, Eau Claire hosts the combination of high-grade in-situ open pit gold resources and underground mineralization.

<sup>(1)</sup> Mineral resources are not mineral reserves and as such have not demonstrated economic viability. All figures are rounded to reflect the relative accuracy of the estimate. Composites have been capped where appropriate. Mineral resources are only a preliminary estimation, through exploration and sampling, of a concentration of material of intrinsic economic interest, which has been identified in such form, grade, quality and quantity that may have reasonable prospects for eventual economic extraction. Mineral resources are the first step in the process to establishing potential economic viability. Both the quality and quantity of Mineral resources may subsequently be re-defined and re-estimated, through additional consideration and the application of several de-risking modifying factors during preliminary economic assessment, to potentially minable mineral resources. Please refer to “Scientific & Technical Disclosure” for further details.

### ***Eastmain Mine Property***

The Eastmain Mine is a partially-developed, historic, high-grade, gold-copper deposit within an extensive volcanic formation (Mine Package) extending across the property for over 10 km on northwest to southeast trend. The Eastmain Mine 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, with historical resources of 255,750 ozs of gold at an average grade of 10 g/t. The mine was formerly developed by Campbell Chibougamau and 100,000 t of ore was mined in 1995 by MSV Resources producing 40,000 ozs at an average grade of 10.58 g/t. These resources are historical estimates and should not be relied upon as they have not been reviewed for Eastmain by a Qualified Person under National Instrument 43-101 (“NI 43-101”). While the Company considers this historical estimate to be relevant to exploration of the property. The Company is not treating this historical estimate as a current mineral resource.

The Eastmain Mine project provides very attractive exploration and discovery opportunities for the Company. Eastmain is very well positioned with multiple claim blocks covering complete segments of the regional Upper Eastmain River Greenstone Belt in this area. The project is in the target-definition and drilling stages of exploration. The Company’s exploration focus at Eastmain Mine is the expansion of known resources and discovery of additional economic mineralization along the regionally extensive Mine Package trend.

The Eastmain Mine property comprises 152 mineral claims located in James Bay, Québec. Infrastructure is vital to all successful exploration, and the scenario at our second wholly-owned gold deposit improved significantly with Plan Nord’s newly constructed permanent road to the district – Route 167 North. Exploration in this frontier region of Quebec has also increased since the completion of the new road. The property includes a 60-person camp, fuel farm, fully functioning airstrip, settling pond, underground ramp access and underground mine workings.

Previous exploration of the property by Eastmain confirmed surface copper-gold-silver mineralization in rocks and soils within the key mine horizon extending four km northwest from the Eastmain Mine Gold Deposit. Four well-defined targets displaying the Eastmain Mine metal signature returned assays from 0.5 to 125 g/t Au, 0.5 to 28 g/t Ag and 0.1 to 3% Cu in outcrop.

Eastmain began a \$1.3 M exploration program at the Eastmain Mine during the period. The planned 2016 exploration program will consist of mapping and prospecting, mechanical trenching, and drilling. Approximately 200 metres of trenching were completed in August 2016 and a 5,000 metres of drilling program will start in September 2016.

The Company’s net investment in the Eastmain Mine project to July 31, 2016 is \$13.7 million.

The Eastmain Mine Property is located in the south-eastern branch of the Upper Eastmain River Greenstone Belt. The Eastmain gold deposit is a sulphide-rich gold-copper-silver system, and belongs to the René sequence, dominated by mafic volcanic rocks. The Property contains 4 interpreted volcanic cycles. Each cycle is believed to include a basal ultramafic unit, overlain by a mafic volcanic pile and terminated by silicified and mineralized horizon. Within the Property boundaries, the first two volcanic cycles are located in the Placer Lake area. The third interpreted cycle (Mine Package) is locally capped by the Eastmain Mine gold-copper deposit (gold + chalcopyrite in quartz veins).

The Mine Package is a very distinctive geological marker horizon, traced for over 10 km across the Property along the NW-SE Mine Trend. The Mine Package is strongly deformed and altered mix of rhyolitic tuffs and flows, mafic to ultramafic flows and locally hosts the gold mineralized horizon. This zone has been previously termed the "Eastmain Deformation Zone" (Tourigny, 1989). The Mine Package is a sub-planar envelope, striking NW-SE and dipping 35° toward NE. The auriferous horizon of the Mine Package is represented by mineralized quartz veins, associated with massive to semi-massive sulphide lenses (pyrrhotite, pyrite, chalcopyrite), and silicified zones contained within mafic flows, felsic flows and tuffs, and ultramafic flows.

### ***Éléonore South Joint Venture***

Éléonore South is an exploration drilling-stage project which lies in the Opinaca geologic Sub-province of James Bay, Québec. The project is immediately south of and contiguous with the Éléonore property held by Les Mines Opinaca Ltée, a wholly-owned subsidiary of Goldcorp Inc., which hosts the multi-million-ounce Roberto gold deposit. The Éléonore South property is also located immediately west of and is contiguous with the Sirios Resources Inc. Cheechoo property.

Jointly held by Eastmain (36.72%), Azimut Exploration Inc. (26.57%), and Les Mines Opinaca Ltée, a wholly-owned subsidiary of Goldcorp (36.71%), 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 Éléonore mine property. Éléonore mine geology is interpreted to extend on to the Éléonore South property.

Eastmain's discovery of the JT Gold occurrence returned assays of varying amounts including 5.3 g/t Au across 8.0 m and 10.9 g/t Au over 3.0 m. Subsequent drilling conducted by the Company delineated a one km 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.

Recently, Sirios reported intersecting 4.18 g/t Au over a 20 m interval within a tonalitic intrusion near the contact with surrounding metasediments. The Sirios discovery occurs approximately 200 m north of the Éléonore South JV property boundary. This tonalite body extends onto the Éléonore South property, outcropping east of the JT Zone.

For 2016, the JV partners have agreed to undertake a \$2 million work program, including 5,000 m of diamond drilling at the Éléonore South property. The program will be managed by Azimut Exploration Inc. The 2016 program began in July with a mandate to test high-priority gold targets with detailed surface prospecting to increase the sampling density in seven target areas.

On August 29th, Azimut reported a total of 404 rock samples, mostly from outcrops which were collected on the Property during a 14-day program. Grab samples are selective by nature and unlikely to represent average grades. The results are summarized as follows:

- High-grade samples collected over a 30 m by 20 m outcrop at the Moni Prospect include 142.0 g/t Au, 102.5 g/t Au, 51.3 g/t Au, 39.3 g/t Au, 36.5 g/t Au, 34.2 g/t Au, 23.3 g/t Au, 21.6 g/t Au, 19.05 g/t Au, 12.5 g/t Au and 11.65 g/t Au.
- 114 samples in the prospecting program returned grades higher than 0.1 g/t Au, including 53 samples with grades above 0.5 g/t Au, of which 30 samples reported grades above 1.0 g/t Au.
- Mineralization is mostly related to a strongly altered tonalite rock, mineralized with disseminated arsenopyrite and a network of quartz veinlets. A large alteration envelope surrounds most of the known prospects and can be used as an exploration guide.

Approximately one km southeast of JT, an elevated gold-arsenic soil geochemical anomaly has been interpreted as an extension of the tonalite body, which has never been drill tested.

Beginning in September, the first phase of the drill program will include 2,500 m of core drilling to follow-up identified geochemical and geological targets. This will be followed by an additional 2,500 m of drilling in a second phase later in the year.

Due to earlier impairment charges, the Company's net remaining investment in the project has been recorded as \$0.4 million.

### **Future Project Pipeline**

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

The Company holds a 100% interest in the Lac Lessard project. Located 15 km northeast of the Eastmain Mine project, Lac Lessard consists of forty-seven claims in one claim block covering 2,475 ha. Airborne VTEM and magnetic surveys previously completed by the Company indicate that a large portion of the property is underlain by the Crete-du-Coq ultramafic intrusion, a prospective host to nickel, copper, platinum group metals and gold (Ni-Cu-PGM-Au).

The project is under option to Darnley Bay Resources ("DBL"), whereby DBL can earn 50% interest in the project in exchange for \$2.5 million in exploration expenditures over a four-year period, annual cash payments of \$50,000 and the issuance of 1.6 million DBL common shares to Eastmain. In 2015, as part of its first year commitment, DBL funded an 11-hole drill program totalling 1,995 m to test 10 VTEM targets. Nine drill holes intersected the Crete-du-Coq ultramafic intrusion. Disseminated to semi-massive sulphides over a 12.5 m interval returned geochemically anomalous values, including 1.08% nickel and 0.31% copper over a length of 2.5 m. There has been insufficient exploration to define a mineral resource at this target, and it is uncertain if further exploration will result in it being delineated as a mineral resource.

Due to current market conditions, DBL requested an extension in time for the second-year cash payment and required work commitments and Eastmain subsequently granted the extension. The Company's net investment in the Lac Lessard project to July 31, 2016 is \$0.23 million.

#### ***Ruby Hill***

The Company holds a 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 claim blocks, referred to as the Ruby Hill East and Ruby Hill West blocks, covers approximately 10,600 ha of prospective geology similar to the key Mine Package horizon at the Eastmain Mine gold-copper deposit.

The Ruby Hill East block is immediately west of, and contiguous with the Eastmain Mine property and covers an extended strike length of cyclical volcanic / volcano-sedimentary strata interpreted as geological repetition of the Mine Package horizon. Regional geochemical surveys completed by the Company on the Ruby Hill East property resulted in a very attractive gold-in-soil anomaly coinciding with a regional structural break delineated by airborne magnetic data.

Ruby Hill West straddles the western limb of the Upper Eastmain River Greenstone Belt approximately 30km northwest of the Eastmain Mine deposit in a similar volcano-sedimentary setting. This claim block covers an entire segment of greenstone belt including ultramafic basal units basaltic flow sequences and sedimentary units often hosting iron formation.

Previous exploration successfully identified several mineralized targets on both Ruby Hill properties, having a similar Au-Ag-Cu signature to the Eastmain Mine Gold Deposit. Anomalous assays including 3.1 g/t Au, 3.4 g/t Ag and 0.04% Cu occur in cherty iron formation within mafic volcanic units, near an interpreted structural break at Ruby Hill West, while anomalous gold values including 1.65 g/t Au were also detected within cherty units on Ruby Hill East.

In 2015, DIAGNOS Inc. conducted a regional CARDS (Computer Aided Resource Detection System) analysis over the Ruby Hill property areas to create the Eastmain Mine gold signature and to develop similar gold targets. Four separate models of CARDS analysis generated 15 untested gold exploration targets over the Ruby Hill properties – four along the north part of Ruby Hill East and 11 along the northwest flank of Ruby Hill West.

Eastmain began helicopter-supported ground follow-up of CARDS targets and localized mapping and prospecting of these target areas in July 2016. A drill program testing targets on the Ruby Hill East and the Eastmain mine property will begin in September, 2016. Approximately \$150,000 of funds for the Ruby Hill East and West properties were included in the Eastmain Mine 2016 budget to allow estimation of certain resources such as helicopter and drilling services as single contracts for the area.

The Company's net investment in the Ruby Hill project as at July 31, 2016, is \$nil. In accordance with IFRS analysis of impairment, expenditures for Ruby Hill have been written-off until such time as economic conditions permit a reversal of the impairment (Note 9 to the audited consolidated financial statements for the fiscal year-ended October 31, 2015).

### **Reservoir**

The Company holds a 100% interest in the Reservoir property, which comprises 156 claims, covering approximately 8,099 ha, located in the Eastmain-Opinaca district of James Bay, Québec, approximately 60 km southwest of the Éléonore property held by Les Mines Opinaca Ltée, a wholly-owned subsidiary of Goldcorp, and approximately 45 km west of the Eau Claire gold deposit. This project hosts a large copper-gold occurrence in albite-altered volcanic-sedimentary rocks, similar to those hosting multi-million-ounce past producing gold mines in Timmins, Ontario

Reservoir straddles the regional structural/stratigraphic break dividing volcanic and sedimentary domains. This break represents an important ore localizing event throughout the region. Previous trenching and drilling confirmed there is a significant kilometric-scale mineralizing system at Reservoir.

Due to previous impairment analysis under IFRS, the Company's investment in Reservoir as at July 31, 2016 is recorded as \$nil. Expenditures for Reservoir have been written-off until such time as economic conditions permit a reversal of the impairment (Note 9 to the audited consolidated financial statements for the year-ended October 31, 2015).

### **Lac Hudson**

The Company holds a 100% interest in Lac Hudson. The property consists of 187 claims covering 9,682 ha and is located immediately south of the Reservoir Project and 35 km west of Clearwater. This early-stage exploration project is prospective for a sedimentary- or volcanic-hosted gold deposit. The property is located within the central part of the Eastmain River Greenstone Belt, underlain by volcanic and sedimentary rocks containing sulphide facies iron formation and chemical exhalites. A regional crustal-scale "D2" structure, thought to be an extension of the same crustal structure found spatially associated with the Eau Claire gold deposit at Clearwater, bisects the property. Several gold and base metal occurrences have been detected in iron formation on the property. Previous drilling intersections returned assays of varying amounts including 15.2 g/t Au and 22.3 g/t silver over narrow widths.

The Company believes additional exploration is warranted and is considering further work in late 2016.

The Company's net investment in the project to July 31, 2016 is \$0.97 million.

### **Lac Elmer**

The Company owns a 100% interest in the Lac Elmer project is located at the western end of the Eastmain Greenstone Belt, approximately 35 km west of the LG2 highway and roughly 80 km west of the Reservoir property. The property consists of 178 claims covering 9,379 ha. 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 Bousquet mining district, located near Val d'Or, Québec. The property hosts a kilometric-sized intensely, sericite-silica-altered mineralized horizon, enriched in silver-gold-copper and zinc.

Previous exploration detected multi-ounce silver and ounce-level gold assays in surface showings, and included assays of varying amounts including 50 g/t silver and 0.5 g/t Au across 30 m in drilling within felsic volcanic rocks. A second property-scale target includes quartz veins in sheared gabbro/mafic volcanic rocks with quartz-ankerite stockwork veining, which returned assays ranging to 42 g/t Au and 102 g/t Au from limited sampling. This target has not been trenched or drilled and warrants additional exploration.

Further work is being considered in late 2016 to evaluate key showing areas.

The Company's net investment in the project to July 31, 2016 is \$0.98 million.

### **Radisson**

The Company owns a 100% interest in Radisson. The Radisson property comprises 207 mineral claims covering approximately 10,698 has 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 the Éléonore property, held by Les Mines Opinaca Ltée, a wholly-owned subsidiary of Goldcorp.

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.

Due to earlier impairment analysis under IFRS, the Company's net investment in the project as at July 31, 2016 is \$nil. Expenditures for Radisson have been written-off until such time as economic conditions permit a reversal of the impairment (Note 9 to the audited consolidated financial statements for the fiscal year ended October 31, 2015).

### **Road King**

The wholly-owned Road King project, which is in the very early stages of exploration, is located within the Eastmain/Opinaca district, 85 km west of the Roberto gold deposit. Similar to Roberto, this 108-claim property straddles the major structural and stratigraphic break between the Eastmain Greenstone Belt and Opinaca sedimentary rocks. The property is also accessible from the LG2 highway. Although the property has been covered by airborne geophysics as well as regional, widely-spaced soil geochemical surveys and minimal prospecting, none of the priority areas have been tested. The Company believes additional exploration is warranted.

The Company's net investment in the project to July 31, 2016 is \$0.3 million.

### **Lidge**

The Company holds a 100% interest in Lidge, an early-stage exploration property located in a prospective geological regime within the James Bay District of Québec. High-density airborne magnetic surveys flown over Lidge in 2014 delineated several geophysical anomalies.

The Company's net investment in the project to July 31, 2016 is \$nil. Under earlier IFRS impairment analysis expenditures for Lidge were written-down (Note 9 to the audited consolidated financial statements for the fiscal year ended October 31, 2015). Expenditures for Lidge will continue to be written-down until such time as impairment charges are reversed.

### **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 are dependent upon the ability of the Company to obtain financing to complete exploration 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 unaudited condensed interim consolidated financial statements are prepared on the basis that the Company will continue as a going concern, which assumes that the Company will be able to continue 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. At July 31, 2016, the Company had working capital of \$16,088,674 (October 31, 2015 - \$3,504,083) and shareholders' equity of \$71,662,347 (October 31, 2015 - \$56,751,428). 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 the unaudited condensed interim consolidated 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 July 31, 2016 compared to the three months ended July 31, 2015:**

- Net loss for the quarter was \$872,807 (2015 - \$315,689) a variance of \$557,118.

- General and administrative expenses were \$1,074,028 (2015 - \$335,025), a variance of \$739,003. The variance is primarily due to the Proxy Contest which sought to replace the Board of Directors with nominees of Columbus. The Board formed the Special Committee to oversee the process and commissioned financial and legal advisors. The Special Committee considered a number of alternatives and ultimately recommended a proposal by Integra to complete the Integra Private Placement, and Columbus withdrew its Notice of Nomination. Other costs in the quarter pertained to stock-based awards which were granted to the newly slated management team and Board of Directors.
- Pursuant to the Integra Private Placement, on May 10, 2016, Eastmain issued 3,100,000 flow-through common shares at \$0.50 per share and 12,800,000 Units at \$0.35 per Unit to raise aggregate gross proceeds of \$6,030,000. Each Unit consists of one common share of Eastmain and one-half of one Warrant. Each full Warrant is exercisable to acquire one additional common share of Eastmain at an exercise price of \$0.50 until November 2018. In addition, Integra agreed to provide technical expertise and assistance to Eastmain. Integra's placement represented a 9.9% ownership interest in Eastmain at closing of the placement.
- Eastmain completed the July 2016 Private Placement to other investors pursuant to which it issued 9,803,000 flow-through shares at \$0.918 per share and 4,197,000 common shares at \$0.51 per common share for aggregate gross proceeds of \$11,139,624.
- Impairment of exploration and evaluation assets was \$21,138 (2015 - \$33,703) a variance of \$12,565 (37.3%). At the end of each reporting period, management reviews carrying amounts of its non-financial assets with finite lives to determine whether there is any indication that those assets have suffered an impairment loss. Where such an indication exists, the recoverable amount is adjusted to the higher of the asset's fair value less cost to sell or its value in use.
- The unrealized gain on marketable securities for the quarter was \$192,937 (2015 – loss of \$75,884) a variance of \$268,821. The gain is attributable to an increase in market values of the common shares in resource companies held by the Company detailed in Note 4 to the unaudited condensed interim consolidated financial statements for the quarter ended July 31, 2016.
- Premium income from flow-through common shares was \$nil (2015 - \$137,563), a variance of \$137,563. The premium on flow-through common shares is calculated as being the difference between the price paid by investors for flow-through common 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. Premiums recorded on the issue of flow-through common shares are disclosed in Note 9 to the unaudited condensed interim consolidated financial statements.
- Deferred income tax was a recovery of \$nil (2015 expense - \$36,454) a variance of \$36,454. Deferred income tax expense is largely affected by the amount of exploration expenditures, flow-through renunciation, and flow-through premium income and impairment charges recorded.

***Nine months ended July 31, 2016 compared to the nine months ended July 31, 2015:***

- Net loss was \$3,912,581 (2015 - \$811,955) a variance of \$3,100,626.
- General and administrative expenses were \$4,788,924 (2015 - \$726,600) a variance of \$4,062,324, which included the following increases: share-based compensation of \$568,537 and the strategic process costs of approximately \$2,935,000 which are described in the variances below.
- In December 2015, the Company completed a non-brokered private placement consisting of the issue of 880,000 flow-through shares at a price of \$0.50 per share for aggregate gross proceeds of \$440,000. The shares issued were subject to a hold period of four months. No finder's fees were associated with the financing. In accordance with income tax legislation, the Company renounced resource expenditures of \$440,000 in favour of the investors with an effective date of December 31, 2015 for activities funded by this flow-through share arrangement. The liability for flow-through premium derived from the issue was \$149,600.
- Pursuant to the Integra Private Placement, on May 10, 2016, Eastmain issued 3,100,000 flow-through common shares at \$0.50 per share and 12,800,000 Units at \$0.35 per Unit to raise aggregate gross proceeds of \$6,030,000. Each Unit consists of one common share of Eastmain and one-half of one Warrant. Each full Warrant is exercisable to acquire one additional common share of Eastmain at an exercise price of \$0.50 until November 2018. In addition, Integra agreed to provide technical expertise and assistance to Eastmain. Integra's placement represented a 9.9% ownership interest in Eastmain at closing of the placement.

- Upon the closing of the Integra Private Placement, Eastmain entered into an Investor Rights Agreement providing Integra the right to nominate one director for election to the Board of Directors of Eastmain. Given the strategic relationship and investment, Eastmain supported the nomination of an additional director from Integra. In addition, Integra has the right to maintain its pro rata ownership interest in Eastmain in any subsequent financings of Eastmain or, at its option, to increase its ownership in such offerings to 15% of the outstanding common shares, subject to the right of Eastmain to limit Integra's participation in any one financing to 50% of the offering. Integra's rights under the Investor Rights Agreement will terminate upon Integra ceasing to maintain at least a 5% interest in the outstanding common shares of Eastmain. In addition to recent appointees Chairman Laurie Curtis, President & CEO Claude Lemasson and Director Michael Hoffman, Eastmain also nominated Blair Schultz and Timo Jauristo to the Board. George Salamis and Stephen De Jong were also nominated on behalf of Integra for election at the AGM. All nominees were elected by shareholders at the AGM.
- The costs for the strategic process and defence associated with the Proxy Contest were \$622,450. Severance costs relating to outgoing executives and directors were \$1,572,672 during the period. Additional fees paid to six directors were \$190,000 and financing costs of \$550,000 were incurred during the period. The aggregate cost of the strategic process was approximately \$2,935,000 resulting in a significant variance for the nine months ended July 31, 2016 relative to nine months ended July 31, 2015 general & administrative expenses.
- Eastmain completed the April 2016 Private Placement to other investors pursuant to which it issued 9,500,000 flow-through common shares at \$0.50 per share and 999,999 Units at \$0.35 per unit to raise additional aggregate gross proceeds of approximately \$5,100,000.
- Eastmain also completed the July 2016 Private Placement to other investors pursuant to which it issued 9,803,000 flow-through shares at \$0.918 per share and 4,197,000 common shares at \$0.51 per share for aggregate gross proceeds of \$11,139,624.
- Impairment of exploration and evaluation assets was \$84,255 (2015 - \$120,146) a variance of \$35,891. At the end of each reporting period, management reviews carrying amounts of its non-financial assets with finite lives to determine whether there is any indication that those assets have suffered an impairment loss. Where such an indication exists, the recoverable amount is adjusted to the higher of the asset's fair value less cost to sell or its value in use.
- The unrealized gain on marketable securities for the nine months ended was \$490,078 (2015 – loss of \$211,822) a variance of \$701,900. The gain is attributable to an increase in market values of the common shares in resource companies held by the Company detailed in Note 4 to the unaudited condensed interim consolidated financial statements for the period ended July 31, 2016.
- Premium income from flow-through common shares was \$149,600 (2015 - \$340,597) a variance of \$190,997 (56.1%). The premium on flow-through common shares is calculated as being the difference between the price paid by investors for flow-through common 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. Premiums recorded on the issue of flow-through common shares are disclosed in Note 9 to the unaudited condensed interim consolidated financial statements.
- Deferred income tax was a recovery of \$347,121 (2015 expense - \$90,258) a variance of \$437,379. Deferred income tax (recovery) expense is largely affected by the amount of exploration expenditures, flow-through renunciation, and flow-through premium income and impairment charges recorded. The large variance during the current period is a reflection of the recovery of deferred tax related to the loss incurred during the second quarter.

## Summary of Quarterly Results

	Quarter ended 07/31/2016	Quarter ended 04/30/2016	Quarter ended 01/31/2016	Quarter ended 10/31/2015
<b>Interest / other income</b>	\$ 29,422	\$ 7,659	\$ 19,288	\$ 104,646
<b>Comprehensive loss</b>	\$(872,807)	\$(2,847,163)	\$(192,611)	\$(41,541)
Per share basic	\$(0.0054)	\$(0.0211)	\$(0.0204)	\$0.0003
Per share diluted	\$(0.0054)	\$(0.0211)	\$(0.0204)	\$0.0003
<b>Trading range of shares</b>				
High	\$0.67	\$0.51	\$0.31	\$0.42
Low	\$0.29	\$0.29	\$0.39	\$0.28

	Quarter ended 07/31/2015	Quarter ended 04/30/2015	Quarter ended 01/31/2015	Quarter ended 10/31/2014
<b>Interest / other income</b>	\$ 27,814	\$ 20,132	\$ 10,232	\$ 10,405
<b>Comprehensive loss</b>	\$(315,689)	\$(238,436)	\$(257,830)	\$(9,572,669)
Per share basic	\$(0.0024)	\$(0.0018)	\$(0.0020)	\$(0.0803)
Per share diluted	\$(0.0024)	\$(0.0018)	\$(0.0020)	\$(0.0803)
<b>Trading range of shares</b>				
High	\$0.49	\$0.62	\$0.38	\$0.40
Low	\$0.29	\$0.29	\$0.17	\$0.21

Significant charges included in the amounts above are as follows:

*07/31/2016*

Comprehensive net loss includes: \$347,786 for share-based compensation and; an unrealized gain on marketable securities of \$192,937.

*04/30/2016*

Comprehensive net loss includes: \$2,935,000 for strategic process costs; \$167,501 for share-based compensation; a deferred income tax recovery of \$386,765; a realized loss on marketable securities of \$83,118 and; an unrealized gain on investment revaluation of \$206,358.

*01/31/2016*

Comprehensive net loss includes: flow-through common share premium income of \$149,600; a charge of \$53,250 for share-based compensation; deferred income taxes of \$39,644 and; an unrealized gain on investment revaluation of \$90,783.

*10/31/2015*

Comprehensive net loss includes: flow-through common share premium income of \$986,567; a charge of \$86,685 for share-based compensation; deferred income taxes of \$673,044; an unrealized loss on investment revaluation of \$36,267 and; an impairment charge of \$13,093.

*07/31/2015*

Comprehensive net loss includes: flow-through common share premium income of \$137,563; deferred income tax of \$36,454 and; a charge of \$117,600 for share-based compensation; an unrealized loss on investment valuation of \$75,884 and; an impairment charge of \$33,703.

*04/30/2015*

Comprehensive net loss includes: flow-through common share premium income of \$68,671; deferred income tax of \$20,479; a realized loss on disposal of investments of \$60,183; an unrealized loss on investment revaluation of \$12,637 and; an impairment charge of \$46,700.

*01/31/2015*

Comprehensive net loss includes: flow-through common share premium income of \$134,363; deferred income taxes of \$33,325; an unrealized loss on investment revaluation of \$134,363 and; an impairment charge of \$39,743.

*10/31/2014*

Comprehensive net loss includes: flow-through common share premium income of \$525,232; deferred income taxes of \$80,447; an unrealized loss on investment revaluation of \$30,045 and; an impairment charge of \$10,434,944.

## 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(c) to the audited consolidated financial statements, dated October 31, 2015, 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. As at July 31, 2016, the Company's carrying value of exploration and evaluation assets, net of recoveries and impairment charges was \$59,505,960 (October 31, 2015 - \$57,261,681).

## **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 July 31, 2016, the Company had current assets of \$19,817,542 and current liabilities of \$3,728,868 yielding a working capital of \$16,088,674. 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 July 31, 2016, the Company held investments of \$430,028 valued at fair market with initial 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.

Prepaid and sundry receivables at July 31, 2016 were \$305,289 which included recoverable sales taxes paid of \$213,624 which are subject to verification and normally refunded within 60 to 90 days of the claim. Refunds of taxes are not considered a financial instrument since governments are not obligated to make these payments. Other accounts receivable and advances were \$91,665.

At July 31, 2016, amounts payable and accrued liabilities were \$513,484 which included payroll withholdings of \$18,868. Trade accounts are normally settled within 30 days. Flow-through premiums are amortized to income in proportion to eligible Canadian exploration expenditures (CEE) incurred.

The Company has an estimated \$120,000 in resource investment credits and mining duty rebates recoverable from the Province of Québec for qualified expenditures on returns filed up to July 31, 2016. Since confirmation of these amounts has not yet been received, this estimated refund has not been recorded in the Company's unaudited condensed interim financial statements.

During the nine months ended July 31, 2016, the Company received net proceeds of \$21,771,147 from common shares issued and \$1,020,960 in resource investment tax credits. During the same period, the Company spent \$3,320,694 on claim acquisition, claim maintenance, and exploration and evaluation of mineral resource properties. Exploration expenditures are discretionary except the flow-through commitments described below. 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.

In December 2015, the Company completed a non-brokered private placement consisting of 880,000 flow-through shares at \$0.50 per share for aggregate gross proceeds of \$440,000.

In April 2016, Eastmain completed the Private Placement pursuant to which it issued 9,500,000 flow-through common shares at \$0.50 per share and 999,999 Units at \$0.35 per Unit to raise additional aggregate gross proceeds of approximately \$5,100,000.

In May 2016, the Company completed the Integra Private Placement pursuant to which it issued 3,100,000 flow-through common shares at \$0.50 per share and 12,800,000 Units at \$0.35 per Unit to raise aggregate gross proceeds of \$6,030,000.

Eastmain also completed the July 2016 Private Placement to other investors pursuant to which it issued 9,803,000 flow-through shares at \$0.918 per share and 4,197,000 common shares at \$0.51 per common share for aggregate gross proceeds of \$11,139,624.

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**

The Company issued common flow-through shares during the nine months ended July 31, 2016 which require the Company to incur flow-through eligible expenditures of \$14.5 million before December 31, 2017. As disclosed to investors, the funds raised are being used to expand the Company's 2016 exploration program.

## **Capital Resources**

The Company, as is typical of junior exploration companies, has only a small investment in capital resources, which is comprised of \$63,240 in computer equipment and field equipment of \$403,396. The net book value at July 31, 2016 was \$51,690.

## **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.

As at October 31, 2015, the Company has non-capital losses available for deduction of \$9,704,876 which begin to expire in 2026, and unused capital losses of \$438,844 which have no expiry date. In addition, the Company has Canadian exploration and development expenditures available to reduce future years' taxable income of approximately \$27,000,000. The tax benefit of these amounts may be carried forward indefinitely.

Income taxes on interim results have been estimated and apportioned at a reasonable approximation of the deferred income tax liability that will be applicable to the operating results for the full fiscal year.

## **Off-Balance-Sheet Arrangements**

The Company has no off-balance-sheet arrangements.

## **Transactions with Related Parties**

A number of transactions with related parties ceased on April 29, 2016. Previously, related party transactions included \$18,900 per month salary and \$1,000 per month premises rent paid to the former President and CEO of the Company. In addition, professional geological consulting and management services fees of \$900 per day plus out of pocket expenditures were paid to Shawonis Explorations and Enterprises Ltd. ("Shawonis"). The president of Shawonis is related to the former President and CEO of Eastmain. Financial consulting service fees in respect of the services of the CFO of the Company in the amount of \$130 per hour plus out-of-pocket costs were paid to QB 2000 Inc. The former CFO of Eastmain is the president of QB 2000 Inc. The value of related party transactions for the nine months ended July 31, 2016 was \$260,346 (2015 - \$337,475). The amount due to related parties as at July 31, 2016 was \$nil (October 31, 2015 - \$57,411).

Remuneration of directors and key management personnel, other than consulting fees, of the Company was as follows:

Management Discussion and Analysis

Eastmain Resources Inc.

	Nine months ended July 31, 2016 (\$)	Nine months ended July 31, 2015 (\$)
Salaries and benefits	476,765	216,600
Share-based compensation	423,334	147,000
<b>Total</b>	<b>900,099</b>	<b>363,600</b>

	Three months ended July 31, 2016 (\$)	Three months ended July 31, 2015 (\$)
Salaries and benefits	142,865	72,200
Share-based compensation	313,959	147,000
<b>Total</b>	<b>456,824</b>	<b>219,200</b>

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

Certain officers have employment or service contracts with the Company which invoked termination payments on April 28, 2016. Directors do not have any employment or service contracts but received remuneration as a result of the mandate of the Special Committee being fulfilled. Officers and directors are entitled to share-based compensation and cash remuneration for their services.

A director of the Company purchased 14,285 units and 40,000 flow-through shares in the April 2016 Private Placement.

Officer and directors of the Company purchased 1,250,000 shares in the July 2016 Private Placement.

The Company has a diversified base of investors. To the Company's knowledge, no shareholder holds more than 10% of the Company's common shares as at July 31, 2016.

## Share Capital

The authorized capital of the Company consists of an unlimited number of common shares of which, as of September 6, 2016, there are 175,354,814 common shares outstanding; 9,253,605 options outstanding with a weighted average exercise price of \$0.68, which would generate proceeds of \$6,292,451, if exercised; and 6,899,999 warrants outstanding at an exercise price of \$0.50, which if exercised would generate proceeds of \$3,450,000.

## Critical Accounting Estimates

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

#### **a) Significant judgements in applying accounting policies**

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

##### ***Exploration and evaluation assets; and***

In estimating the recoverability of capitalized exploration and evaluation assets, management is required to apply judgement in determining whether technical feasibility and commercial viability can be demonstrated for its mineral properties. Once technical feasibility and commercial viability of a property can be demonstrated, it is reclassified from exploration and evaluation assets to property and equipment, and subject to different accounting treatment. As at July 31, 2016 management deemed that no reclassification of exploration and evaluation assets was required.

##### ***Income taxes and recoverability of potential deferred tax assets***

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 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.

#### **b) Significant accounting estimates and assumptions**

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

##### ***Impairment of exploration and evaluation assets;***

When there are indications that an asset may be impaired, the Company is required to estimate the asset's recoverable amount. The recoverable amount is the greater of value in use and fair value less costs to sell. Determining the value requires the Company to estimate future cash flows associated with the assets and a suitable discount rate in order to calculate the present value. During the nine months ended July 31, 2016, the Company's exploration and evaluation assets were written down by \$84,255 (2015 - \$120,146).

Where an impairment loss subsequently reverses, the carrying value of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, unless that amount exceeds the carrying value recorded prior to the recognition of the impairment loss, in which case the carrying value would be re-instated to its pre-impairment loss carrying value. A reversal of an impairment loss is recognized immediately in the consolidated statement of loss and comprehensive loss.

Management estimates of mineral prices, recoverable reserves, operating capital and restoration costs are subject to certain risks and uncertainties that may affect the recoverability of exploration and evaluation assets. Although management has made its best estimate of these factors, it is possible that changes could occur in the near term that could adversely affect management's estimate of net cash flow to be generated from its projects.

##### ***Share-based payments;***

The amount expensed for share-based payments is derived from the application of the Black-Scholes option pricing model, which is highly dependent on the expected volatility of the Company's shares and the expected life of the options. The Company uses an expected volatility rate for its shares based on past trading data. Actual volatility may be significantly different. While the estimate of share-based payments can have a material impact on the operating results reported by the Company, it is a non-cash charge and as such has no impact on the Company's cash position or future cash flows. During the nine months ended July 31, 2016 the Company granted stock options valued at \$568,537 (2015 - \$117,600).

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized in the period in which the estimates are revised and in any future periods affected.

### ***Depreciation and impairment of property and equipment; and***

The determination of the useful life of property and equipment is based on management estimates. Indicators of impairment are also subject to management's estimates.

### ***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 year.

## **Impairment Analysis**

Each reporting period, management reviews the general and economic conditions and mining industry trends that influence recoverability of the carrying value of its exploration and evaluation expenditures. As at July 31, 2016, no further impairment charges were deemed necessary, however, during the quarter ongoing exploration and evaluation expenditures of \$21,138 incurred on properties previously determined to be impaired were written down. An impairment analysis performed in 2014, identified impairment characteristics on some of the Company's properties which lead to an impairment write off totaling \$10,434,944 in that year. The properties affected were: Éléonore South; Ruby Hill; Reservoir; Radisson; Dyna and; Lidge. Ongoing exploration and claims maintenance expenditures on these properties are being written off as incurred until such time as economic conditions permit a reversal of the impairment charges.

## **Changes in Accounting Policies**

### ***Financial Instruments***

IFRS 9 – *Financial Instruments* ("IFRS 9"), issued by the International Accounting Standards Board in October 2010 is intended to entirely replace IAS 39 - *Financial Instruments: Recognition and Measurement* ("IAS 39"), IAS 39, using a single approach to determine whether a financial asset is measured at amortized cost or fair value, thereby reducing the complexity of 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 financial assets. Most of the requirements in IAS 39 for the classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires the use of a single method of impairment determination, which replaces the multiple methods available under IAS 39. The standard will be effective for annual periods beginning on or after January 1, 2018. The Company is currently evaluating the impact this final standard is expected to have on its consolidated financial statements.

## **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 4 in the unaudited condensed interim consolidated financial statements for the period ended July 31, 2016.

### **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 July 31, 2016, the Company had current assets of \$19,817,542 to settle current liabilities of \$3,728,868. All of the Company's financial liabilities have contractual maturities of 30 days or less except flow-through liabilities which continue until December 31, 2017.

During the nine months ended July 31, 2016, the Company raised net proceeds of \$21,771,147 through the issue of common shares, the exercise of options and received resource tax credits of \$1,020,960. In management's opinion, there are sufficient funds to support the ongoing operating costs and discharge the Company's financial commitments 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 July 31, 2016.

#### ***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.

### **Sensitivity analysis**

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are reasonably possible over a nine month period:

- i. Cash and cash equivalents are subject to floating interest rates. The Company has no variable debt and receives low interest rates on its cash and cash equivalent balances. As such, the Company does not have significant interest rate risk.
- ii. As at July 31, 2016, all of the Company's \$430,028 investment in marketable securities is subject to market fluctuations. If the fair value of the Company's investment in marketable securities had increased or decreased by 25%, with all other variables held constant, the comprehensive loss and equity for the period ended July 31, 2016 would have been approximately \$108,000 higher or lower.

### **Future Outlook**

The first nine months of the 2016 fiscal year saw significant changes taking place at Eastmain. On the back of a proxy contest, the Company saw a complete turnover in management along with the formation of an essentially new Board of Directors in Q2. Reinvigorated with a new team offering a unique combination of operational, geological and financial expertise, Eastmain charted a new course with a focus on unlocking value at its 3 key assets. By reconnecting with investors and showcasing the geological merit of our projects, Eastmain quickly gained the support of institutional investors and strategic partners. In doing so, Eastmain successfully recapitalized its balance sheet to include over \$19MM of cash at quarter end. This cash provides the capital needed to expand our already robust exploration programs and we expect to see the benefits of this spending come to fruition in Q4 as our exploration programs ramp up.

After recapitalizing our balance sheet in Q3, we turned our attention to finalizing our exploration budgets. Budgets established for our 2016 program include \$8.8 million for the Company's flagship Clearwater project, \$1.3 million for the past producing Eastmain Mine and \$0.7 million for our proportionate share of the Eleonore South JV. With 3 drill rigs now on-site at Clearwater, the Company has assigned two rigs to conduct infill, step-out and delineation drilling of the Eau Claire deposit. The other rig will test a variety of prospective, near-surface targets that lie outside the main deposit. In total, the company plans to add 77% more drill data for our next mineral resource which we anticipate to be released in the first half of 2017. At the Eastmain mine, our first drill rig is en route with plans to complete a 5,000 metre program. Along with mechanical trenching, the Company will extensively test the claims hosting the historical resource and encouraging geochemical anomalies along the mine trend. On the back of encouraging grab samples which included

some of the best grades obtained to date in the Éléonore mining camp, our JV partner Azimut has continued to ramp up exploration activities with plans for a 5,000 metre drill program to commence in September. We look forward to providing updates on the results of all our programs in the coming months.

## **Contingencies**

The Company has been contacted by the Ordre des géologues du Québec ("OGQ") asserting that the Company and the previous CEO of the Company had violated certain OGQ rules with respect to professional conduct by engaging individuals that were not licensed by the OGQ to perform geological activities. The Company continues to review the matter and has retained legal representation to defend against the claims. If the Company is unsuccessful in its defense it will be subject to a monetary penalty that is not expected to be material.

## **Subsequent Events**

On August 4, 2016, 250,000 stock options with an exercise price of \$0.33 and expiry date of June, 2023 were exercised for cash proceeds of \$82,500.

On August 11, 2016, the Company announced staking of the 600 claim (31,600 ha) Clarkie located immediately east of the Company's flagship Clearwater project. The Clearwater project and Clarkie claims cover a combined total of 51,614 ha of prospective greenstone belt in the Eastmain/Opinaca district of James Bay, Quebec.

## **Scientific and Technical Disclosure**

All disclosure of a scientific or technical nature herein concerning the current mineral resource estimate at Eau Claire is based upon the technical report entitled "Technical Report for the Eau Claire Gold Deposit, Clearwater project, Quebec" dated April 27, 2015 (the "Clearwater Report"), which was prepared by SRK Consulting (Canada) Inc. Dominic Chartier, P.Geo and Jean-Francois, Ph.D, P.Geo are the authors of the Clearwater Report and are each "qualified persons" within the meaning of NI43-101, and have verified the data underlying the statements contained therein concerning the current mineral resource estimate at Eau Claire. Further information concerning the Clearwater Project is contained in the Clearwater Report available at [www.sedar.com](http://www.sedar.com).

All other scientific and technical information contained herein has been prepared under the supervision of, and verified by, Bill McGuinty, Vice President Exploration of the Company. Mr. McGuinty is a "qualified person" within the meaning of NI 43-101.

## **Disclosure Controls and Procedures**

The Company's management, with the participation of its President and CEO, CFO 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 CEO and the CFO 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 CEO and the CFO, as appropriate to allow timely decisions regarding disclosure.

## **Internal Controls over Financial Reporting**

The Company's President and CEO and the CFO, are responsible for establishing and maintaining adequate internal control over financial reporting. Under the supervision of the President and CEO and the CFO, 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 consolidated 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 consolidated

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 consolidated 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 CEO and the CFO 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 consolidated 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 consolidated 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 consolidated financial statements and MD&A 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 consolidated 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).