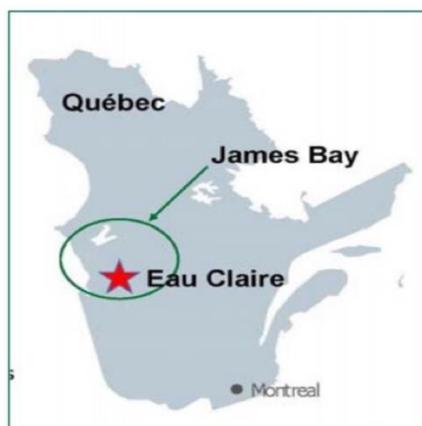


## Eastmain Resources Inc.

### ER \$0.20

TSX Exchange | OTCQX:EANRF | Market Cap \$41M

**Description:** Eastmain Resources is an exploration-stage gold mining company focused in Quebec’s James Bay Au district, a region characterized by high-grade resources as well as an excellent transportation infrastructure and a reliable and readily accessible electric power grid. ER has three principal assets: 100% interests in the Eau Claire and Eastmain Mine gold deposits and a 36.72% interest in the Eleonore South mineral mining joint venture, which is located immediately south of and contiguous with a gold mine that produces more than 300,000 ounces of gold annually (see page 4). Most notably, the Eau Claire deposit has very positive medium- and long-term prospects and economics (see below).



**Eau Claire Deposit:** Exploratory drilling began at Eau Claire more than ten years ago and has accelerated as a new ER leadership team was installed in 2Q 2016. The company’s goal is to establish Eau Claire as a high-grade, profitable, stand-alone gold mining operation with a mine life of at least ten years – a goal which seems attainable given an extremely favorable Preliminary Economic Assessment (PEA) issued on May 23, 2018 by P&E Mining Consultants Inc., a world-class mine consultant firm.

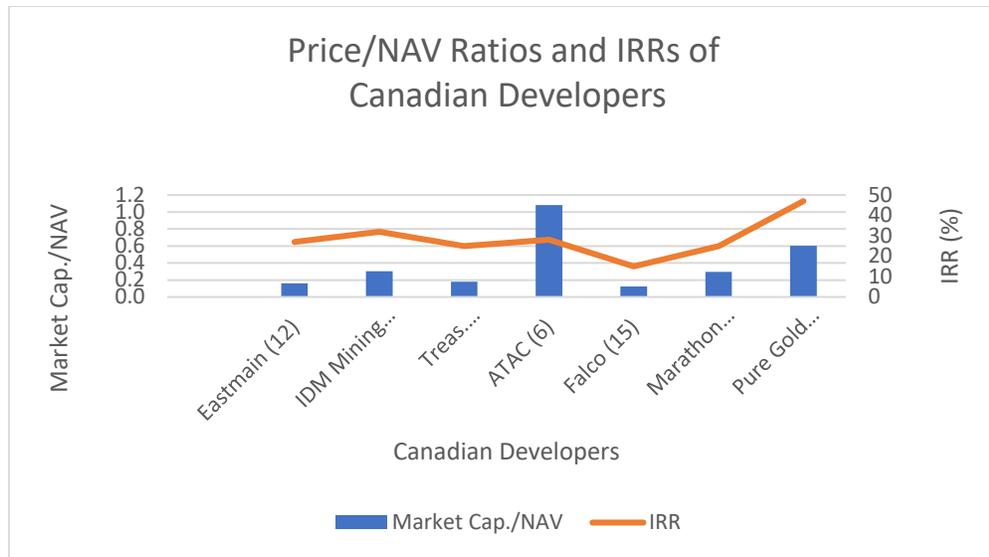
Some of the key assessments regarding the Eau Claire deposit that were highlighted in the PEA are as follows:

- After applying a 5% after-tax discount rate and factoring in all expected cash costs of production including refining, transport and corporate G&A costs, as well as an assumed gold sales price of US\$1,250 per ounce, the net present value (NPV) of the Eau Claire deposit is just over \$260 million. Note especially that the market value of Eastmain Resources shares trades at an 84% discount to the after-tax NPV of just one of its principal assets. (Indeed, the “true” discount is even larger considering that the company has no debt and a pro forma cash balance of \$7.4 million after factoring in a private placement scheduled to close in early July 2018.)
- The after-tax internal rate of return (IRR) is estimated to be a robust 27%, and the life of the mine is projected to be 12 years.
- Even if one factors in a substantial reduction in future gold prices to US\$1,150 per ounce, Eau Claire’s economics remain quite strong: an NPV of \$205 million and an IRR of 23%.

Graph 1 on page 2 compares the market cap/NPV ratios and IRR calculations for a number of similarly positioned Canadian gold developers. Also, the expected mine life in years for each company is reflected in the number in parentheses next to the name of each company on the horizontal axis. Note specifically that for

Eastmain Resources, we only include the NPV value of Eau Claire and ignore all potential NPV from the Eastmain Mine and the Eleonore South JV. (The NPV's for all companies are predicated on an assumed gold price of US\$1,250 per ounce with the minor exceptions of US\$1,225 for Treasury Metals, US\$1,300 for Falco Resources and US\$1,275 for Pure Gold Mining.)

GRAPH 1: Key Financial Parameters For Canadian Developers



Eastmain Resources has one of the smallest market cap-to-NPV ratios (16%) versus its peers, as well as one of the highest projected after-tax IRRs (27%) and among the highest remaining mine lives (12 years).

**Gold Prices:** After bottoming in late 2015, gold prices have been in a general uptrend since late 2015. (Graphs 2 and 3 show the progression of gold prices over the last ten years in both U.S. dollar and Canadian dollar terms.) When gold was trading over US\$1,900 in September 2011, the Canadian-U.S. dollar exchange rate was trading almost at par. Since that time, the Canadian dollar has declined by 23%. This is to the benefit of Canadian gold producers like Eastmain Resources. Moreover, two factors which tend to be supportive of gold prices – geopolitical concerns and consistent, albeit moderate, increases in inflation readings in the U.S. – seem likely to remain in place for some time.

GRAPH 2: Gold Price History in Canadian Dollars Per Ounce

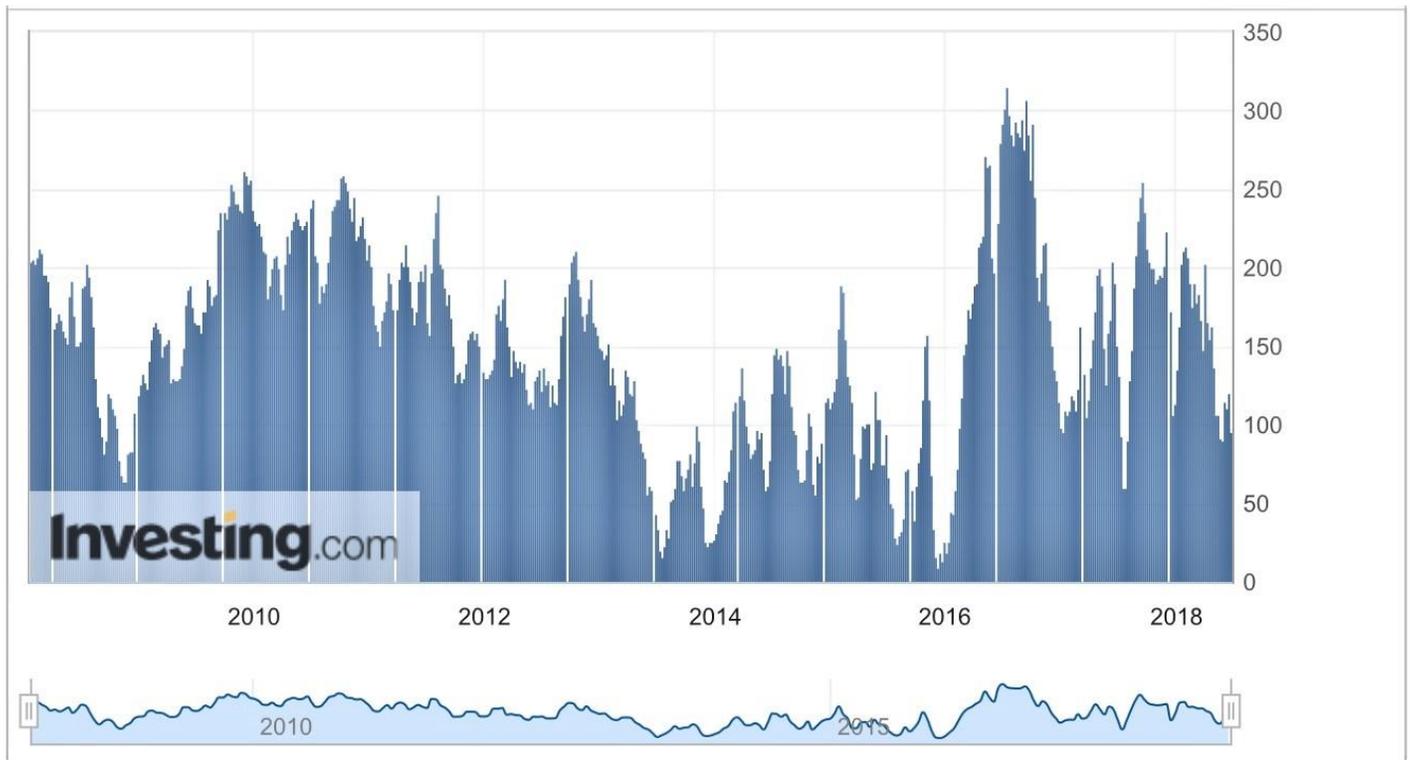


GRAPH 3: Gold Price History in U.S. Dollars Per Ounce



A contrarian indicator may imply further gains in the price of this precious metal. Data from the Commodity Futures Trading Commission (CFTC) shows that net long positions of “non-commercial” (e.g., speculative) traders are now at their lowest level in 2 ½ years, and at roughly the same level as observed in late 2008 before gold’s multi-year price explosion into the early 2010’s. See Graph 4 below.

GRAPH 4: Speculative Gold Positions



**Strong New Management Team:** ER's new management team led by President and CEO Claude Lemasson has substantial industry experience and, equally important, a solid track record of development and production successes. Indeed, Mr. Lemasson and the company's exploration head, William McGuinty, have a combined 70 years of experience in mining construction, operations and mineral exploration.

**Other Assets/Growth Opportunities:** Note the following key points:

- In the year ended October 31, 2017, ER completed nearly 12,000 meters of exploratory drilling at the Eastmain Mine Project. Based on this work, the company calculates the mine has an indicated mineral resource of more than 200,000 ounces of gold. ER's net investment in the Eastmain Mine Project is around \$16 million.
- About 9,500 meters have been drilled at the Eleonore South JV in 2017 and 2018. Similar geochemical anomalies exist at the joint venture location as exist at Goldcorp's nearby operating gold mine, which has about 8 million ounces of gold reserves. In late 2017, the three partners announced a major discovery on the JV property.
- New interpretations of structural geology could imply that Eau Claire could have mineralization potential at even greater depths than were reflected in the May 2018 PEA assessment.

**Exploration-Stage Canadian Gold Miners Have Dramatically Lagged the Market and the Price of Gold:** Stocks of the seven mining companies listed in Graph 1 have declined by slightly more than 20% on average (non-weighted average) thus far in 2018; gold itself has declined around 5%. ER shares have significantly underperformed these figures, having declined by around 40% since December 31, 2017 despite the announcement of extremely constructive economics at Eau Claire.

**Conclusion:** Based on the economics of the Eau Claire project alone, shares of Eastmain Resources represent an attractive speculative investment; at current market prices, the entire company is valued at just 16% of the net present value of this project. Furthermore, if one applies a reasonable appraisal to ER's two other key assets, the gap between the company's true value and its market capitalization grows even wider. ER also could benefit from a potential upward movement in gold prices.

*Tormont50 Research  
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