EASTMAIN RESOURCES INC.
2011 ANNUAL REPORT

JAMES BAY, QUÉBEC
AN EMERGING MINING DISTRICT

To Our Shareholders

Our Company is focused on gold exploration in the province of Québec. Our business is to build shareholder value through discovery and growth of our assets. During this past year Eastmain saw the growth of our core asset, the Eau Claire gold deposit, at Clearwater and the discovery of several new target zones on the property. Drilling at our second deposit – Eastmain Mine also added to our total gold inventory. Your Company has a commanding land position, in excess of 1200 km,^{2} covering three significant greenstone belts within James Bay, Québec. These ancient prolific belts of volcanic rock are host to an array of mineral deposits – especially gold. Worldwide, greenstone-hosted gold deposits have produced more than 437 million ounces of gold and are second in significance only to the Witwatersrand District of South Africa in terms of gold production.

With five gold discoveries ranging in size from 100K to >10M ounces, James Bay, Québec is on the verge of becoming one of Canada's newest mining districts. Eastmain owns two of the five discoveries, both of which are high-grade gold deposits with multi-million ounce potential. Eastmain's *"Québec Advantage"* includes mining infrastructure, which is rapidly improving with "Plan Nord" and financial incentives resulting in half-price exploration.

2011 was marked by several significant milestones, beginning with our flagship property, Clearwater. In April an updated resource estimate demonstrated a 62% increase in gold resources within the Eau Claire gold deposit. The resource estimate also confirmed potential open pit mineral resources of 5.72 g/t Au, which is three to five times higher than most open pit gold mining operations in Canada. We were also able to eliminate the outstanding NSR (Net Smelter Royalty) levied against the Clearwater Project – which is now 100% royalty free!

Our Québec Advantage also includes a favourable investment climate in the Province – during the year we raised $11.5 M at $2.20 per share, essentially doubling our treasury in exchange for a 5% dilution of the capital structure. We anticipate a very productive year with 50,000 metres of drilling planned – most of which will be focused on expanding the Eau Claire gold deposit.

Clearwater Project

The Company completed 68 large diameter (HQ) holes for 26,320 metres of drilling at Clearwater in 2011 – concentrating on defining resources outside the limits of the Eau Claire gold deposit. In April 2011, an updated resource estimate was announced, incorporating the definition drilling previously completed on the 450 West Zone (drilling to the end of 2009). This definition drilling upgraded the deposit to include measured resources and demonstrated that the upper portion could potentially be extracted by open pit mining methods.

The Eau Claire 450 West Zone hosts 30 quartz-tourmaline veins containing 502,000 ounces measured and indicated open pit resources at an average grade of 5.72 g/t gold and 127,000 ounces inferred open pit resources at 2.83 g/t gold (April 26, 2011 News Release). The deposit also contains 130,000 ounces measured and indicated underground resources at an average grade of 6.46 g/t gold and 910,000 ounces inferred underground resources at 7.21 g/t gold. Potential open pit resources were reported using a cut-off grade of 0.5 g/t gold, whereas potential underground resources were reported using a cut-off grade of 2.5 g/t gold.

Grade sensitivity analysis of the last resource estimate also demonstrated that there is in excess of one million ounces of gold contained in a measured and indicated resource category at all cut-off grades. At a 4.0 g/t cut-off grade the uncapped **measured resource grade is 12.9 g/t gold**, the measured and indicated grade is 8.51 g/t gold and the **inferred grade is 20.5 g/t gold**. The Eau Claire deposit is distinguished by its grade. There are very few high-grade gold deposits in North America and we believe that continued drilling at closer spacing within the deposit will continue to produce an even higher-grade gold resource at Eau Claire.

New Discoveries

2011 was an exceptional year at Clearwater for new discoveries. Trenching generated four high-quality resource targets outside the limits of the current gold resource, which is centred on the 450 West Zone. Trenching north of Eau Claire uncovered the Conrad Zone – a stacked series of quartz-tourmaline veins. This occurrence is a priority drill target for 2012 and may represent the surface expression of the T Vein group at depth. Trenching also exposed the Valli Veins, consisting of multiple sets of quartz-tourmaline veins hosted within felsic porphyry. This discovery is of particular interest as the vein geometry matches the 850 West Zone and has never been drilled.

Trenching along the south face of the 850 West Zone, 300 metres west of the edge of the 450 West Zone revealed a wide, high-grade stacked vein assemblage with abundant visible gold known as the RC Soccer Field. Channel sampling across this zone assayed up to

16.4 g/t gold across 13.5 metres, **including 24.0 g/t gold over 8.5 metres** and one-half metre at 268 g/t gold (7.82 ounces per ton). This discovery represents a very high priority target for resource expansion. The fourth trench discovery was found 500 metres southwest of the 850 West Zone, where high-grade, quartz-tourmaline veins at the Pascal target were exposed. Rock samples from the Pascal target assayed up to **66.5 g/t gold**. Additional trenching and drilling will also be a priority here in 2012.

Drilling at the 850 West Zone and Gap Zone also led to new vein discoveries and expansion of the overall footprint of the Eau Claire deposit by 550 metres to the southwest. Drilling within the Gap between the 450 West and 850 West zones intersected a new vein set in several drill holes at an elevation of 200 metres below surface, referred to as the Stephanie Veins. Holes 309 assayed **18.06 g/t gold and 23.14 g/t tellurium across 3.0 metres**, including 35.74 g/t Au and 45.52 g/t Te over 1.5 metres. Hole 314 assayed **19.22 g/t Au and 88.75 g/t Te over 2.0 metres**. Hole 308 also intersected a wide vein interval at depth, interpreted as the Stephanie Vein, with an average grade of **7.29 g/t gold and 12.31 g/t tellurium over 16.5 metres,** including a high-grade section at **35.08 g/t Au and 73.58 g/t Te across 2.5 metres**. These drill intersections provide evidence that the 450 West Zone and 850 West Zone may be connected at depth.

The 2011 drill program also discovered the Sophie Vein, located at the western limit of the 850 West Zone, at 300 metres depth. The Sophie vein is also characterized by abundant visible gold in several intersections. Hole 307 intersected the Sophie Vein, grading 3.28 g/t gold across 6.50 metres, at a depth of 331.5 metres. Hole 317 intersected a one-half metre interval from the Sophie Vein which assayed 21.2 g/t gold.

850 West Zone

2011 drilling focused principally on expanding the potential resources within the 850 West Zone. Approximately 20 veins have been intersected at the 850 West Zone within an area 550 metres long, 300 metres wide and from surface to depths of over 300 metres. Visible gold was intersected in 27 of 68 drill holes and significant intersections ranged from 0.5 to 25.5 metres in width, with an average thickness of 6.09 metres. Numerous significant gold-bearing intersections were discovered throughout the 850 West Zone including:

Hole 287	6.96 g/t Au / 13.5 m;
Hole 298	17.94 g/t Au / 12.2 m;
Hole 303	7.79 g/t Au / 10.5 m;
Hole 305	3.90 g/t Au / 17.0 m;
Hole 308	7.29 g/t Au / 16.5 m;
Hole 335	7.09 g/t Au / 4.50 m ; and
Hole 346	8.21 g/t Au /4.00 m

The 850 West Zone is open laterally and at depth. As at the 450 West Zone, the gold-bearing veins at 850 West are comprised of both quartz and tourmaline and controlled by F_2 structures. There is a pronounced trend of significant gold-bearing vein intersections plunging to the southwest, sub-parallel to the F_2 structural pattern. Drill testing the lateral extension of this trend will be a high priority in 2012. The same pattern is evident from 3D modeling of the 450 West Zone, where testing this trend will also be a high priority.

$7 million has been allocated for exploration at Clearwater in 2012. Field programs will include 40,000 metres of drilling focused on expanding the global gold resources at both the 850 and 450 West Zones laterally, and vertically from surface to depth of about 500 metres. Drilling will also continue to test new gold discoveries to the east and west, while surface work defines regional structural targets, which may also add to future resource potential. All exploration drilling to the end of 2011 is currently being incorporated into another mineral resource estimate, to be released upon completion. We believe there is multi-million-ounce gold resource potential at Clearwater, and future drill programs will focus on proving our belief.

Éléonore South JV

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

Goldcorp is currently sinking an exploration shaft and ramp into their deposit, which is scheduled to begin production in late 2014. The production forecast for the Éléonore project of 600,000 ounces of gold per year at a cash cost of $400 per ounce, makes Roberto one of the most significant discoveries in the Canadian Shield.

Exploration to date at Éléonore South has defined a kilometric-scale, gold-in-soil anomaly extending across the property for more than 10 kilometres. Follow-up prospecting and trenching led to the discovery of a surface prospect containing up to 5.3 g/t gold across 8.0 metres on the JT Target. To date, 47 drill holes totaling 10,406 metres have been completed in three campaigns on the Éléonore South property. Drilling and trenching have outlined a kilometre-long stacked horizon containing anomalous Au-As-Sb mineralization in a geological setting comparable to Goldcorp's Éléonore project.

An interim budget has been approved by the partners to integrate all of the exploration data collected to date into 3D modeling software, in order to best define future drill targets. There are 12 kilometres of unexplored real estate between the JT gold prospect and the Roberto gold deposit, roughly half of which consists of high potential ground covered by the Éléonore South property; the other half of which belongs to Goldcorp. The Corporation has budgeted $1M for 2012 to continue testing this high- priority corridor.

Eastmain Mine Property

Your Company controls a dominant land position within a second prolific greenstone belt within the James Bay, Mining District of Québec. The Eastmain Mine property and Ruby Hill claim blocks cover a significant portion of the Eastern Eastmain Greenstone belt. The Eastmain Mine, our second gold deposit, is a structurally-controlled gold deposit hosted within a package of ancient greenstone belt rocks, which can be traced for 10 kilometres before disappearing under cover. Exploration success at the Eastmain Mine will be driven by a sustained and systematic effort.

Exploration success will also be enhanced with improved access to this relatively unexplored greenstone belt. Again our Québec Advantage applies as Plan Nord, now underway, includes the extension of Route 167 from the communities of Chibougamau and Mistissini to the Eastmain Mine property and beyond. This new access road opens the door to exploration and discovery by reducing transportation obstacles and significantly improving costs and logistics.

The Corporation completed 28 NQ drill holes in 2011 within the A, B and C Zones at the Eastmain Mine property for a total of 13,060 metres, drilled to test extensions of these historic zones. Highlights include drill hole EM11-52, which intersected two gold-bearing horizons within the A Zone; a two-metre-wide upper zone grading 5.04 g/t Au and 0.38% copper and a 5.5-metre main zone interval grading 5.84 g/t Au and 0.26% copper.

Visible gold was observed in five drill holes during the 2011 drill program. At least one drill hole from each of the three known mineralized zones contains visible gold. Additional results are expected once check assays have been received.

A $1M exploration budget has been allocated to the project for 2012, which will include drilling and surface exploration along the Mine corridor.

Radisson Project

The Radisson Project covers a third segment (>100 km^2) of unexplored greenstone belt within the James Bay, Québec region, which comprises part of the La Grande Greenstone Belt system. Previous exploration by Eastmain and others on the property, detected mineralized trends within similar rocks, mineralization and alteration to those hosting both the Eau Claire and Roberto gold deposits, as well as mineralized iron-rich zones in a similar setting to those found at the Lupin (NWT) and Homestake (Dakotas) gold mines.

In August of 2011 Eastmain Resources Inc. signed a Letter of Intent with Honey Badger Exploration Inc. (HBE), granting HBE an option to earn a 50% interest in the Radisson property, in exchange for a cash payment of $50,000, issuance of 5 million common shares of HBE to Eastmain and work expenditure commitments of $2.5 million, including 6,000 metres of drilling, over a three-year period.

HBE recently announced that 18 high-priority gold targets have been confirmed on the property, and a winter drill program is planned to test seven of the most prospective targets.

Other Projects

The Corporation holds 12 properties throughout James Bay, Québec with active programs proposed for five projects in 2012. The seven other projects also cover large segments of unexplored highly prospective greenstone belts. While our immediate focus will be the exploration of our advanced projects, our approach will include the forging of new partnerships on these strategically located, extremely promising properties as well.

Financials

Eastmain has financial resources of approximately $16.4 million comprised of $11.5 million in cash and cash equivalents, $3.71 million in marketable securities and $1.2 million in prepaid and receivables. The Company has no debt.

As at October 31, 2011 there were 94.9 million shares issued with a market capitalization of $126 million. There were 0.3 million warrants outstanding, issued at an average purchase price of $1.84 per share, and 4.9 million stock options outstanding, issued at an average purchase price of $1.09 per share.

Net exploration expenditures for the period ending October 31, 2011 of $12.21 million were principally allocated to the Clearwater and Eastmain Mine drill programs. The 2011 exploration expenditures were reduced by $1.1 million due to rebates from the Province of Québec.

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

Future Outlook

The focus of the Company is the exploration and development of its core gold assets located in James Bay, Québec. Endowed with a vast array of mineral deposits, complimented by essential mine-building infrastructure, including roads, power and communications, all of which is supported by provincial financial incentives, Québec remains one of the best places in the world to explore. Québec's Plan Nord provides even greater economic stimulus to the James Bay region while validating the early work of intrepid explorers, like Eastmain, who were quick to recognize the huge potential of this mineral-laden northern district.

Our $10-million 2012 exploration budget continues to reflect the Company's commitment to gold exploration in the James Bay area of Québec. With a minimum of 40,000 metres of drilling planned at Clearwater, our effort will be focused on expanding near-surface, open-pitable resources west and north of the current deposit and making new discoveries.

10,000 metres of drilling has been proposed for Eastmain mine, Éléonore South and Reservoir, with an allocation of approximately 3,000 metres for each project.

Surface exploration, including prospecting, trenching, and 3-D modeling of current results will aid in target generation and definition at all four properties.

Our commitment begins with the recognition and training of our exploration team. Each year our team of highly skilled explorationists undergoes specific safety, field and data training before the start of each summer program. Management believes that such practices will not only encourage a long-term commitment to the Company but also foster excellent team-building skills, while providing valuable opportunity for knowledge-based geologic think tanks. **Eastmain Resources Inc. *is* Exceptional People, Projects, and Partners.**

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

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

Donald J. Robinson, Ph.D., P.Geo
President and CEO
March 17, 2012

All scientific and technical data disclosed in this report has been prepared under the supervision of, and verified by Dr. Donald J. Robinson, a "qualified person" within the meaning of National Instrument 43-101.

For further details on the properties of the Corporation, please refer to the 2011 Annual Information Form available on SEDAR at www.sedar.com .

Forward-Looking Statements

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

EASTMAIN RESOURCES INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

GENERAL

The following discussion of performance, financial condition and future prospects should be read in conjunction with the audited consolidated financial statements (the "consolidated financial statements*") of Eastmain Resources Inc. (the "Company" or "Eastmain") for the year ended October 31, 2011 and related notes thereto, which have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and approved by the Audit Committee. All dollar amounts are expressed in Canadian dollars unless otherwise indicated.*

All statements, other than historical facts, included herein, including without limitation, statements regarding potential mineralization, resources, exploration results and future plans and objectives of the Company are forward-looking statements and involve various risks and uncertainties. There can be no assurance that such statements will prove to be accurate, and actual results and future events could differ materially from those anticipated. Factors which may cause actual results and events to differ materially from those anticipated include, but are not limited to: actual results of mineral exploration and development; availability of financing; changes in applicable regulations; mineral value; equity market fluctuations; and cost and supply of materials. Other risk factors may include: general business, economic, competitive, political and social uncertainties; reliability of resource estimates; the actual results of current exploration activities; actual results of reclamation activities; conclusions of economic evaluations; fluctuations in the value of Canadian and United States dollars relative to each other; changes in project parameters as plans continue to be refined; changes in labour costs or other costs of production; future prices of gold and other metal prices; possible variations of mineral grade or recovery rates; failure of plant, equipment or processes to operate as anticipated; accidents, labour disputes and other risks of the mining industry, including but not limited to environmental hazards, cave-ins, pit-wall failures, flooding, rock bursts and other acts of God or unfavourable operating conditions and losses; political instability, insurrection or war; delays in obtaining governmental approvals or financing or in the completion of development or construction activities; and the factors discussed in the section entitled "Risk Factors" of the Annual Information Form filed under the Company's profile on www.sedar.com.

DATE

This management's discussion and analysis is dated January 30, 2012.

CORPORATE OVERVIEW

The Company, incorporated under the laws of Ontario, and its wholly-owned subsidiary, Eastmain Mines Inc. are engaged in the mineral exploration and development of resource properties containing gold, silver, copper, nickel and zinc within Canada. However, the Company's primary focus is exploration for precious metals in the Eastmain/Opinaca area of James Bay, Québec, a region that is becoming a highly important area for mineral exploration and discovery in North America. Like other major mining districts throughout the Canadian Shield, the James Bay area is laden with a broad range of mineral deposits.

The Company holds 100% interest in two high-grade gold deposits – Eau Claire and the Eastmain Mine within the James Bay district of Québec. The Company also holds approximately 36.5% interest in, and manages exploration of, the Éléonore South project, a mineral exploration joint venture located immediately south of Goldcorp Inc.'s ("Goldcorp") Éléonore Project (Roberto gold deposit). The Company has a pipeline of high-potential exploration properties covering over 1200 km^2 within this new and fertile mining district.

In a news release dated January 10, 2011, Goldcorp Inc. announced that the first mine in the district, scheduled to open in late 2014, will be at Éléonore. Upon reaching full production, the Roberto Deposit will be one of the largest, lowest-cost mining operations in Canada.

The Québec government also recently announced its "Plan Nord", an initiative to make the vast James Bay territory more accessible for the development of mining and tourism. Under the initiative, major infrastructure programs will include the vital extension of a permanent road (Route 167) to the Eastmain mine property from the communities of Chibougamau and Mistissini. Construction is scheduled to begin late 2011 and should reach the Eastmain mine property by 2013.

OVERALL PERFORMANCE

Share-price performance and Global Metal Prices

Although the price of gold increased by 12% in 2011, the junior mining market sector was hit with lower investor confidence and sells-off of up to 50%, leaving many companies, including Eastmain, with enterprise values per resource ounce of gold (EV/oz) at levels comparable to those of April 2011. However, the Company's fundamentals remain strong. Our prime asset, the Eau Claire gold deposit, grew by over 62% with the April resource calculation. Continued exploration in 2011 also led to the discovery of several new near-surface, high-grade zones with wide intervals of gold mineralization, located well outside the known limits of the existing resource. Many of these zones are expected to add to Eau Claire's open-pitable resources.

Institutional interest in Eastmain remains high, with institutions lending support on the open market as well as through private placement proceeds. Subsequent to year-end, management was able to procure a $5.75M placement at an 80% premium to the share price. The Company has sufficient funds to continue with a $10M exploration program for 2012, which will include 50,000 metres of drilling.

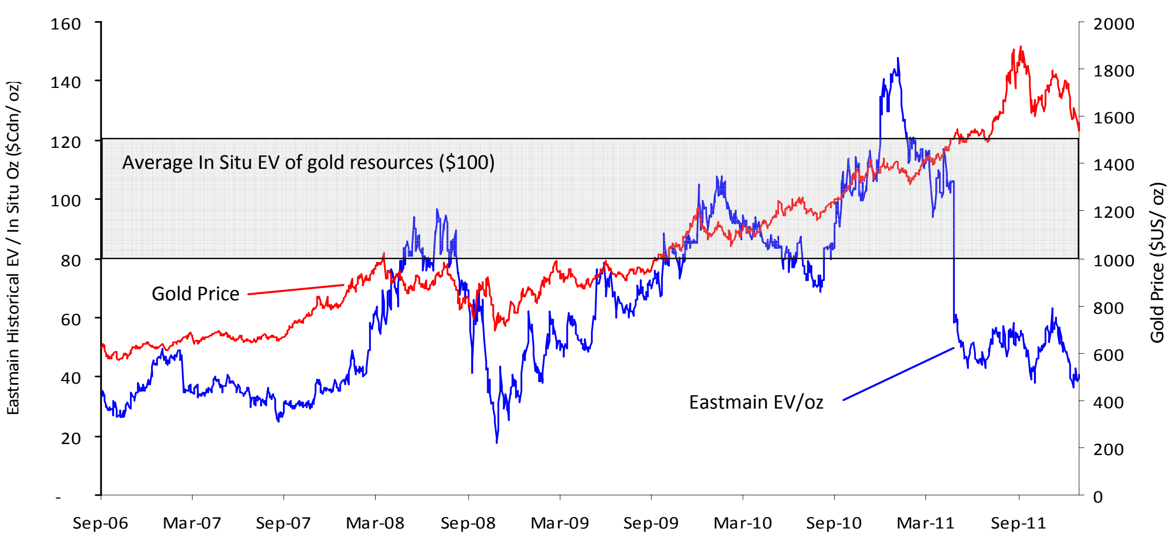
During 2011, the Company was also able to acquire all outstanding royalty interests held against its flagship Clearwater property. Now Eastmain will be able to command sliding-scale royalties on any sale of its assets at Clearwater.

Relative to other mining districts, Quebec is still regarded as one of the most mine-friendly places in the world. Clearwater has permanent road access to its doorstep and power nearby, while the initiation of Quebec's "Plan Nord" is expected to provide much welcomed access and infrastructure to our 100%-owned Eastmain Mine property.

As of January 18, 2012, Laurentian Securities, Macquarie Equities Research, Rodman & Renshaw and Casimir Capital are all recommending that their clients buy Eastmain, with a target price ranging from $2.25 to $2.82.

Historical Trading Multiples Analysis

Eastmain's 5-Year EV [1]/In Situ Ounce of Gold Valuation Multiple



Note: (1) Enterprise Value = Market Capitalization + Net Debt - Cash.

Discovery and resource expansion are the ultimate value drivers for the Corporation. Our near-term priority is to expand the size of the open-pitable resources beyond the limits of the current resource estimate.

2011 Exploration results were extremely positive.

2011 Exploration Highlights

Clearwater Project

850 West Zone

- Drilling has intersected multiple gold-tellurium-bearing veins comparable to those found within Eau Claire, over an area 400 metres long to a depth of more than 300 metres;
- The 850 West Zone coincides with a topographic high, with multiple high-grade and wide intervals of gold mineralization located within 200 metres of surface and therefore potentially amenable to open pit extraction;
- Visible gold occurs in over one-third of the drill holes and was discovered within channel samples from trenching; and
- The limits of the 850 West Zone are open laterally to the west, north and at depth.

Gap Zone

- Gold mineralization has been intersected both near surface and at depth in several drill holes completed in the "Gap" between the 450 West and 850 West Zones; and

- Drill holes 308, 309 and 314 intersected both high-grade and wide gold-bearing intervals at 200 metres below surface, suggesting that at least locally the 450 West and 850 West Zone are connected at depth.

Other targets

- Regional prospecting and trenching discovered new quartz-tourmaline veins, including the Conrad Zone, Valli Veins, Dobbelsteyn Veins and Pascal target north, south and west of the Eau Claire gold deposit; and

- The Pascal target and Dobbelsteyn veins are 500 metres west and along trend of the 850 West Zone. Rock samples from the Pascal target assayed up to 66.5 g/t Au, representing a priority exploration target.

Eastmain Mine Project

- Several drill holes completed in the A, B and C Zones during the 2011 program intersected gold mineralization within the main mine horizon at depth;

- Plan Nord – The Quebec government has made a commitment to create new infrastructure to develop the north which will enhance the value of our assets in the vicinity of the Eastmain mine and Ruby Hill projects.

Radisson Project

- The Corporation received $50,000 cash and 5 million shares of Honey Badger Exploration Inc. as well as a commitment of $2.5 million in future exploration expenditures to advance the Radisson project.

EXPLORATION PROPERTIES

Clearwater Project

The Clearwater Project, which is located in James Bay, Quebec, in close proximity to the EM-1 power facility and connected to Hydro Quebec's road network, hosts the Eau Claire gold deposit. The most recent NI 43-101 compliant resource update was completed in April 2011, indicating a 62% increase in total gold resources. After assessing the Clearwater data and comparing Eau Claire to hundreds of other deposits, P&E Mining Consultants who completed the NI 43101 compliant resource calculation, suggested the Eau Claire deposit would be amenable to both open pit and underground mining operations. Therefore, through the expertise of P&E the Eau Claire resource calculation was presented as both high-grade open pit and underground resources (Table 1).

Eau Claire Gold Deposit – Resource Estimate

Table 1
Open Pit (Pit) and Underground (UG)Resources

0.5 g/t Pit Cut Off	**Tonnes**	**Capped** Au g/t**	**Uncapped Au g/t**	**Capped ** Au oz.**	**Uncapped Au oz.**
Measured (M)	1,641,000	6.05	6.73	319,000	355,000
Indicated (I)	1,088,000	3.79	4.20	133,000	147,000
M & I	**2,729,000**	**5.15**	**5.72**	**452,000**	**502,000**
Inferred	1,398,000	2.56	2.83	115,000	127,000

2.5 g/t UG Cut Off	**Tonnes**	**Capped** Au g/t**	**Uncapped Au g/t**	**Capped** Au oz.**	**Uncapped Au oz.**
Measured	143,000	6.81	6.81	31,000	31,000
Indicated	482,000	6.36	6.36	99,000	99,000
M & I	625,000	6.46	6.46	130,000	130,000
Inferred	**3,923,000**	**7.18**	**7.21**	**905,000**	**910,000**

Total Pit & UG	Tonnes	Capped** Au g/t	Uncapped Au g/t	Capped** Au oz.	Uncapped Au oz.
Measured	1,783,000	6.11	6.74	350,000	386,000
Indicated	1,570,000	4.58	4.86	231,000	246,000
M & I	**3,354,000**	**5.39**	**5.86**	**581,000**	**632,000**
Inferred	**5,322,000**	**5.96**	**6.06**	**1,020,000**	**1,037,000**

- Open Pit resources are confined to the upper 200 metres of the Eau Claire Deposit using a 0.5 grames per tonne gold (g/t Au) cut-off grade and based on $1100 gold price;
- Open Pit resources include an average of 3,000 ounces per vertical metre;
- Open Pit resource grades are 3 to 5 times higher than most open pit operations in Canada; and
- Underground resources were calculated based on a 2.5 g/t Au cut-off grade.

2011 Exploration Highlights

Subsequent to the resource calculation, drilling in late 2010 detected gold-bearing veins at the 850 West zone in a different orientation than those found within the main Eau Claire (450 West) deposit. Drill holes ER10-266 to ER10-282 (even numbers only) were collared to test the 850 West Zone from north to south, or a 160^{o} rotation, from previous drill holes. Each of these holes intersected gold-bearing quartz-tourmaline vein material near surface with assays up to 6.97 g/t Au and 13.17 g/t Te over 5.0 metres in hole ER10-268.

In 2011 the program continued at the 850 West and Gap Zones with two drill rigs completing 68 holes (26,320 metres) in the area. This program generated significant gold bearing intercepts over a length of 400 metres and from surface to vertical depths of 300 metres. The footprint of the Eau Claire vein system now extends for 2,000 metres in length by more than 300 metres in width and has been tested to a depth of 900 metres below surface. Visible gold was observed in 25 drill holes and one trench during 2011; all well outside the limits of the previous resource estimate.

<u>Assay Highlights</u>

284	9.25 g/t Au over 4.3 m
incl.	**22.6 g/t Au over 1.5 m**
287	6.95 g/t Au over 13.5 m
incl.	**60.5 g/t Au over 1.5 m**
298	17.9 g/t Au over 12. 2 m
incl.	**23.9 g/t Au over 9.1 m**
303	7.30 g/t Au over 10.5 m
incl.	**23.4 g/t Au over 2.5 m**
305	3.80 g/t Au over 17.0 m
incl.	**19.5 g/t Au over 2.5 m**
308	5.82 g/t Au over 16.5 m
incl.	**25.1 g/t Au over 3.5 m**
309	15.5 g/t Au over 3.5 m
incl.	**35.7 g/t Au over 1.5 m**
310	3.38 g/t Au over 13.0 m
incl.	**35.6 g/t Au over 1.0 m**
314	19.2 g/t Au over 2.0 m

Drilling between the 450 West and 850 West Zones in the "Gap" area has intersected wide zones of low-grade gold mineralization near surface, as well as several high-grade intervals at depth in holes 308, 309 and 314. These intercepts indicate that the 450 West and 850 West Zones are part of the same mineralizing system and at least locally they are connected at depth. Both the 450 West and the 850 West Zones are extremely enriched gold and tellurium. Not only is the chemical signature of the two areas similar, but the structural style of veining is also mirrored in the two zones, providing further evidence that these two zones represent part of the same substantially robust gold system.

New Discoveries

Several new vein discoveries were made at Clearwater in 2011 through prospecting, trenching and drilling. These discoveries include: the Conrad Zone; MatSky Vein; Stephanie Vein; Sophie Vein; Rebecca Zone; Dobbelsteyn Vein, Valli Veins and Pascal Veins. Both the Dobbelsteyn and Pascal occurrences were found in the late fall through prospecting and are located along trend 500 metres west of the 850 West Zone.

The MatSky Vein detected near surface in multiple drill holes within the Gap Zone contains visible gold. The Stephanie Vein was also intersected in drilling within the Gap Zone at depth. Assays from the Stephanie Vein include up to 15.5 g/t Au and 19.9 g/t Te over 3.5 metres in hole 309 and 19.2 g/t Au and 88.8 g/t Te over 2.0 metres in hole 314.

The Sophie Vein, which contains multiple occurrences of visible gold, was detected in drilling at depths of about 300 metres within the 850 West Zone. The Rebecca Zone, which is also located within the 850 West corridor, is represented by a 10-metre-wide trench section of altered rock and quartz-tourmaline veins containing abundant visible gold.

The Valli Veins consist of a stacked set of laminated quartz-tourmaline veins exposed by trenching 400 metres south of the Eau Claire deposit. And the Conrad Zone occurs immediately north of the Eau Claire deposit and may represent the up-dip equivalent of the T-Veins.

Many of these new discoveries which were found through prospecting and trenching, including the Conrad Zone, Valli Veins, Dobbelsteyn and Pascal targets have not been drill tested. Each of these new zones will be drill-tested in 2012.

2012 Exploration Program

A 40,000-metre $7M drill program has been allocated for the Clearwater Project. The top priority will be to expand and define gold resources amenable to open pit extraction. Prospecting, trenching and drilling will continue along the key horizon extending laterally in both directions from the Eau Claire deposit.

The Company's investment in the Clearwater Project to October 31, 2011 is $21,524,891

Clearwater Royalty

The Corporation paid $1 million in cash and issued one million shares, to SOQUEM Inc. to purchase the outstanding Net Smelter Return Royalty held against the Clearwater Project. Eastmain now owns 100% of the Eau Claire deposit and the Clearwater Project free and clear of any outstanding royalties or third party property ownership.

Eastmain Mine Property

The Eastmain Mine project comprises 152 mineral claims and one mining license located in the Upper Eastmain River Greenstone Belt of James Bay, Québec. The Eastmain Mine project, which hosts the Eastmain gold deposit, a copper-gold-silver, sulphide-rich deposit, consisting of three high-grade, gold-rich zones known as the, “A”, “B” and “C” Zones, containing historical resources of 255,750 ounces of gold[1)], is in the target definition and drilling stages of exploration. The Company’s exploration focus at Eastmain is the expansion of known resources and discovery of a second deposit regionally along the extensive 10 kilometre-long mine trend.

Earlier work by the Company confirmed the A and B Zones, which were thought to extend to 300 metres vertical depth, actually continue laterally and vertically beyond the limits of historical drilling and mine development. The footprint of the Eastmain Mine deposit has been traced for a length of at least 1.8 kilometres and occurs at the break between two volcanic rock formations, where major deformation and mineralizing events deposited significant quantities of gold, silver and copper.

109 historical drill holes within the A and B Zones contain an average grade of 18.9 g/t gold (0.55 ounces per ton), 15.9 g/t silver and 0.24% copper across an average thickness of 3.93 metres. The most significant drill intersection in the deposit to date, contains an average grade of 53.28 g/t Au, 59.2 g/t silver and 0.20% copper across 13.2 metres at a vertical depth of approximately 170 metres within the B Zone (hole 332045).

28 NQ drill holes were completed in 2011 within the A, B and C Zones at the Eastmain Mine property for a total of 13,060 metres, drilled to test extensions of these historic zones. Drill hole EM11-52 intersected two gold-bearing horizons within the A Zone, including a two-metre-wide upper zone grading 5.04 g/t Au and 0.38% copper at a down-hole depth of 424 metres, and a 5.5-metre main zone interval of 5.84 g/t Au and 0.26% copper at a depth of 443 metres. Visible gold was observed in five drill holes during the 2011 drill program. At least one drill hole from each of the three known mineralized zones contains visible gold. Assays are pending.

The Québec government recently reported that a Certificate of Authorization has been granted for the construction of the Route 167 extension highway. Part of Québec's "Plan Nord", the Route 167 extension will provide permanent road access from the communities of Chibougamau and Mistissini to the Eastmain Mine property and beyond. This new infrastructure will stimulate exploration in the region and significantly improve project logistics by reducing transportation costs.

A $1-million exploration program, including mapping, prospecting and 3,000 metres of diamond drilling has been allocated for 2012. The focus of the 2012 program will be target definition for future drilling.

The Company's total investment in the Eastmain Mine project to October 31, 2011, is $10.9 million.

1) *255,750 ounces gold – Measured & Indicated Historical Non-NI43-101 Compliant Resources at Eastmain Mine (Campbell 2004 AR) and should not be relied upon. A qualified person from Eastmain has not done sufficient work to classify the historical estimate as current mineral resources, and therefore the historical estimate should not be treated as current mineral resources.*

Éléonore South Joint Venture

The Éléonore South project is an exploration-drilling-stage property, which lies within the Eastmain/Opinaca geologic district of James Bay, Québec. The Éléonore South project is jointly held by Eastmain, Azimut Exploration Inc. and Les Mines Opinaca Ltée, a wholly-owned subsidiary of Goldcorp Inc. Located near the Opinaca Reservoir, the property consists of 282 mining claims covering 147 km^2 along the southern boundary of Les Mines Opinaca's Éléonore project, 14 km south of the Roberto Gold Deposit and 45 km northwest of Eau Claire.

Exploration to date has defined a kilometric-scale gold-in-soil anomaly extending across the property for more than 10 kilometres. Follow-up prospecting and trenching led to the discovery of a surface prospect containing up to 5.3 g/t gold across 8.0 metres on the JT Target. To date 47 drill holes totalling 10,406 metres have been completed in three campaigns on the property. Drilling and trenching have outlined a kilometre-long stacked horizon containing anomalous Au-As-Sb mineralization in a geological setting comparable to Goldcorp's Éléonore project.

In January 2011, Goldcorp announced that it expects to reach initial production at Éléonore by late 2014 and full production, at a rate of 7,000 tonnes per day, by 2017. The project is expected to produce 600,000 ounces of gold per year at a cash cost of less than $400 per ounce over a minimum 15-year mine life. Upon full production the Éléonore project will rank amongst one of the most significant ore deposits in Canada.

Given the major developments of the Éléonore project next door, the untapped exploration potential of the Éléonore South property remains extremely significant to the Company.

The Eléonore South exploration cost sharing program operates on a fiscal year as determined by committee. In October of 2011, the joint venture partners agreed to a modified interim budget, which would include compilations and 3-D modeling of work completed to date in order to better identify future drill targets. Eastmain has allocated up to $1 million for the property for 2012.

The Company's investment in the project to October 31, 2011 is $4.8 million

Reservoir Project

The Reservoir Project, comprising 156 claims covering approximately 8,098 hectares, is located in the Eastmain-Opinaca district of James Bay, Québec approximately 60 kilometres southwest of Goldcorp's Roberto deposit and approximately 45 kilometres west of the Eau Claire gold deposit. This property hosts a large copper-gold occurrence in albite altered volcanic-sedimentary rocks comparable to those hosting the past producing 10-million-ounce MacIntyre Mine in Timmins, Ontario.

The Reservoir project is in the target-definition and early-drilling stage. Previous drilling by the Company includes intervals which assayed up to 8.0 g/t gold, 23.5 g/t silver and 4.21% copper. Surface channel samples included up to 36 g/t gold, 52 g/t silver and 5% copper. Although a $1-million exploration program, including 5,000 metres of drilling, was recommended for 2011, work could not be carried out due to the unavailability of drilling rigs and crew. The Company has proposed that the 2011 program and budget be carried over to 2012.

The Company's investment in the project to October 31, 2011 is $0.4 million.

Ruby Hill Project

The Ruby Hill Project is located within the Upper Eastmain River Greenstone Belt of James Bay, Québec. The property includes 268 mineral claims divided into two blocks (Ruby Hill East and Ruby Hill West) covering approximately 14,125 hectares. The centre of the Ruby Hill West block is located about 32 kilometres west of the Eastmain Mine Deposit and consists of 180 claims covering an area of 9,485 hectares. The Ruby Hill East block is contiguous with the Eastmain Mine property and consists of 88 claims, which cover an area of 4,640.05 hectares including key mine horizon stratigraphy.

The Ruby Hill claims exhibit similar geology, alteration and mineralization to the mine property and thus are also highly prospective with respect to economic potential. Additional work is required to evaluate and test the potential of what may be the folded equivalent of Eastmain Mines series rocks at Ruby Hill.

The Company's investment in the project to October 31, 2011 is $1.8 million.

Radisson Project

The Radisson property comprises 207 mineral claims covering approximately 10,698 hectares located within the La Grande Greenstone Belt district of James Bay, Québec. The property straddles a similarly-aged structural and stratigraphic setting, near a break between complex volcanic and sedimentary rocks, to the setting at Goldcorp's Roberto Gold deposit. Historic gold discovered within well-developed iron formations on the property suggest that Radisson may also be prospective for Lupin-style (Northwest Territories) gold mineralization.

The Radisson project is in the early exploration stage. Previous work by Eastmain and others has confirmed high potential for gold discovery on the Radisson Project. Work completed by Noranda in the early 1990's uncovered an eight-kilometre-long, gold-bearing trend with channel samples ranging from 5.4 to 9.8 g/t gold. Other historic work in the project area has delineated a polymetallic gold-silver-copper-lead-zinc occurrence, which contains up to 34 gpt gold and 340 gpt silver.

In August of 2011 Eastmain Resources Inc. signed a Letter of Intent with Honey Badger Exploration Inc. (HBE), granting HBE an option to earn a 50% interest in the Radisson property, in exchange for a cash payment of $50,000, issuance of 5 million common shares of HBE to Eastmain and work expenditure commitments of $2.5 million, including 6,000 metres of drilling, over a three-year period. Upon earning a 50% interest in the property, HBE, as project operator, will have a one-time 60-day option to acquire an additional 10% interest in the project by making two additional cash payments of $50,000 and spending an additional $3.0 million in exploration, including at least a minimum of 6,000 metres more drilling.

To date Honey Badger Exploration Inc. has made its initial cash payment and issued 5 million common shares to Eastmain. HBE's 2011 exploration program consisted of collecting 4,915 B-horizon soil samples and 323 rock samples over an area of approximately 30.6 square kilometres, and completing roughly 168,575 line kilometres of ground magnetic surveys in preparation for drilling.

The Company's investment in the project to October 31, 2011 is $0.1 million.

Projects Available for Option or Joint Venture

Road King Property

The Road King project is located within the Eastmain/Opinaca district, 85 kilometres west of the Roberto gold deposit. Similar to Roberto, this 108-claim property straddles the major structural and stratigraphic break between the Eastmain Greenstone Belt and Opinaca sedimentary rocks. The property is also accessible from the LG2 highway. Road King is in the very early stages of exploration. Although the property has been covered by airborne geophysics as well as regional, widely-spaced soil geochemical surveys and minimal prospecting, there has been very limited work on the property and additional exploration is warranted.

Lac Hudson Project

The Lac Hudson project is located immediately south of the Reservoir Project within the central part of the Eastmain River Greenstone Belt, 35 kilometres west of Clearwater. The property consists of 187 claims covering 9,682 hectares underlain by volcanic and sedimentary rocks containing sulphide facies iron formation and chemical exhalatives. Several local concentrations of gold and base metals have been detected in iron formation on the property. Previous drilling intersected up to 15.2 g/t gold and 22.3 g/t silver. This early-stage exploration property is prospective for a sedimentary- or volcanic-hosted gold deposit and additional exploration is warranted.

Lac Elmer Project

The Lac Elmer project is located at the western end of the Eastmain Greenstone Belt approximately 35 kilometres west of the LG2 highway and roughly 80 kilometres west of the Reservoir property. The property consists of 178 claims covering 9,379 hectares. Lac Elmer is in the target definition and drilling stage of exploration.

Lac Elmer is underlain by two structural blocks separated by the Opinaca fault. A felsic to intermediate volcanic rock assemblage in the northern block is characterized by a widespread highly altered mineralized horizon that geologically resembles the multi-million-ounce Hemlo gold mine in Northern Ontario and the La Ronde gold deposit, located in Val d'Or, Québec, while the southern block comprises mafic to intermediate volcanic rocks and iron formations.

The Lac Elmer property hosts a kilometric-sized mineralized horizon enriched in silver-gold-copper and zinc. Intensely sericite-silica altered rocks throughout the northern block display several zones of disseminated pyrite enriched in gold (up to 7.0 g/t). Previous exploration detected multi-ounce silver and ounce-level gold assays in surface showings and up to 50 g/t silver and 0.5 g/t gold across 30 metres in drilling within felsic volcanics. Quartz veins in sheared gabbro/mafic volcanic rocks and quartz-ankerite stockwork in biotite-rich diorite returned assays of up to and 42 g/t and 102 g/t gold respectively. Altered, mineralized and folded iron formation also assayed up to 5.0 g/t gold. Auriferous, sericitized intermediate volcanic rocks within the lower sequence locally grade up to 1-2% Cu-Zn. Additional exploration is warranted.

Other Projects

The Other Project category is composed of a collection of properties of geological interest located in the James Bay area of northern Québec (including Road King, Lac Hudson and Lac Elmer). These projects are available for option or joint venture.

The carrying value of the Company's investment in all other projects to October 31, 2011 is $1.8 million.

Xstrata Joint Venture "MegaTEM Project" Ontario

The MegaTEM project covers an area of over 14,500 line-kilometres of airborne geophysical surveys, which have generated in excess of 225 top-priority drill targets, within the Abitibi Greenstone belt of Northeastern Ontario and Northwestern Québec. One of the most prolific mineral districts in the world, the Abitibi Belt has accounted for more than $120 billion in past metal production. Over 200 million ounces of gold has been produced from the belt in addition to 8.5 million tonnes of copper, 20 million tonnes of zinc and 900 million ounces of silver. The presence of major felsic volcanic centres, anomalous assays and alteration assemblages intersected in past drilling, and proximity to known base- and precious-metal occurrences suggest that any one of the Company's selected 225 priority geophysical anomalies has the potential to lead to discovery.

Eastmain is project operator and currently holds a 70% interest in any discovery made from these surveys. Xstrata, who holds the remaining 30%, has no back-in rights. MegaTEM is a greenfields project in the preliminary to early stages of exploration. Based on results from deep penetrating geophysical surveys, combined with the knowledge of geologic signatures, associated with known ore deposits elsewhere in the Abitibi, the project has the potential to generate a significant discovery. To date however, there has been insufficient exploration work completed to define mineral resources on the MegaTEM Project and it is uncertain if further exploration will result in a target being delineated as a mineral resource. Although no fieldwork is planned for the MegaTEM project this year, primarily due to the Company's current focus on its 100% owned gold projects in James Bay Québec, further work is warranted.

The Company has written-down the carrying value of its investment in this project to $0.6 million.

RESULTS OF OPERATIONS

The Company does not earn any significant revenue from consolidated operations. Interest is derived from the investment of funds for the period between the receipt of funds from equity placements and the disbursement of exploration expenditures. Other income is derived from management fees and charges for the use of Company facilities by third parties.

Three months ended October 31, 2011 compared to the three months ended October 31, 2010

Net loss for the quarter ended October 31, 2011 was $742,330, an increase of $148,959 over the three months ended October 31, 2010, or a 25.1% greater loss than 4th quarter 2010.

- General and administrative expenses decreased by $90,133 (35.8%).
- The quarter-end loss included a mineral property write-down of $634,142. $60,961 (8.7%) less than the quarter ended October 31, 2010. (See mineral properties write-down for the year below).

Year ended October 31, 2011 compared to the year ended October 31, 2010

Net loss for the year ended October 31, 2011 was $997,386, a decrease of $1,524,303 over the year ended October 31, 2010, which included a mineral property write-down of $1,671,493.

- General and administrative expenses decreased by $82,941 (10.0%).
- Stock option Compensation charged to the statement of operations increased by $37,878 (9.0%).

In fiscal 2011, the Company extended the term from 5 to 10 years on service provider stock options to help optionees retain an ownership stake without having to having sell stock. The Black-Scholes value associated with extending 250,000 stock options was $297,500, of which $44,600 was charged to operations and $252,900 was charged to mineral properties. To date, 100,000 fewer service provider options have been granted than in the same period last year (approximate value - $61,000). With the exception of the amounts above, the reduction in the cost of stock option compensation is due primarily to changes in stock price volatility. The Black-Scholes valuation attributes a cost to the Company for issuing stock options as compensation. The factors affecting the cost are the exercise price of the option, dividend rate of the stock, the risk-free interest rate, the expected term of the option and the volatility of the stock's trading range over the historical period of time compared to the expected term of the option. The Black-Scholes assumptions used in stock option pricing are detailed in Note 7 to the audited consolidated financial statements. The Black-Scholes value attributed to security-based compensation is a non-cash transaction in the Company's financial statements.

STOCK OPTION COMPENSATION

2011 Stock Options	Options Granted	Black-Scholes Value	Operating Statement	Deferred Expenditures
Directors	250,000	$224,250	$224,250	-
Officers	450,000	$274,050	$144,637	$129,413
Service Providers	200,000	$419,300	$ 88,753	$330,547
	900,000	$917,600	$457,640	$459,960

2010 Stock Options				
Directors	250,000	$202,250	$202,250	-
Officers	450,000	$321,750	$169,812	$151,938
Service Providers	300,000	$214,500	$ 92,950	$121,550
	1,000,000	$738,500	$465,012	$459,960

- Mineral properties write-down decreased by $1,037,351 (62.1%). During the year ended October 31, 2010 the Company wrote off a substantial portion of its holdings in base metal claims in Ontario recognizing its intention to focus on gold exploration in Québec. An additional 50% of the remaining balance was written off in 2011.
- Recovery of a future income tax liability decreased by $441,778. The recovery of future income tax liabilities in the income statement is related to the difference between the book value of the Company's assets compared to the carrying value for tax purposes.
- Interest and other income increased by $25,538 (9.0%) as a result of a higher average cash balance on hand during the current year.

SELECTED QUARTERLY INFORMATION

	Quarter ended 10/31/2011	Quarter ended 07/31/2011	Quarter ended 04/30/2011	Quarter ended 01/31/2011
Interest / other Income	$ 80,589	$ 60,488	$ 68,148	$ 77,026
Net income (loss)	(742,330)	(327,661)	283,637	(211,032)
Per share basic	$(0.0079)	$(0.0035)	$0.0030	$(0.0023)
Per share diluted	$(0.0079)	$(0.0035)	$0.0028	$(0.0023)
Trading Range of Shares				
High	$1.41	$1.60	$1.91	$2.17
Low	$0.98	$1.08	$1.35	$1.57

	Quarter ended 10/31/2010	Quarter ended 07/31/2010	Quarter ended 04/30/2010	Quarter ended 01/31/2010
Interest / other Income	$ 85,736	$ 51,952	$ 97,548	$ 27,477
Net loss	(593,371)	(1,327,632)	(402,065)	(198,621)
Per share basic	$(0.0067)	$(0.0150)	$(0.0046)	$(0.0022)
Per share diluted	$(0.0067)	$(0.0150)	$(0.0046)	$(0.0022)
Trading Range of Shares				
High	$1.85	$1.44	$1.60	$1.75
Low	$1.16	$1.15	$1.27	$1.24

COMPREHENSIVE INCOME (LOSS)

Marketable securities are subject to changes in valuation depending on market fluctuations. The Company has designated all of its financial assets as available-for-sale which is recorded at fair-market value. Unrealized gains or losses arising from the valuation of these financial assets are reported in the balance sheet as “Other Comprehensive Income (Loss)”. Realized gains and losses are transferred to the statement of operations.

The periodic revaluation of the Company’s marketable securities from historical cost to fair-market value October 31, 2011 results in a cumulative unrealized loss of $574,307.

The Q4 2011 comprehensive unrealized loss on marketable securities was $167,271, comprised of a loss on common shares of $175,717 and a gain on bonds of $8,446. The year-to-date 2011 comprehensive unrealized net loss is $330,608.

The increase in the Company’s cumulative comprehensive income loss from October 31, 2010 is a reflection of movements in the financial markets. Actual gains or losses are recorded upon disposal of investments.

RISKS AND UNCERTAINTIES

There have been no changes in the Company’s risks and uncertainties from those described in the 2011 audited annual financial statements or the most recent Annual Information Form, filed under the Company’s profile on www.sedar.com.

DEFERRED MINERAL PROPERTY COSTS AND EXPLORATION EXPENDITURES

The cost of exploration and development 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 a policy, described in Note 2b to the audited consolidated financial statements, whereby the carrying amounts of exploration properties are reviewed for events or changes in circumstances that suggest that the carrying amount may not be recoverable.

LIQUIDITY

As at October 31, 2011, the Company had working capital of $10.9 million and no long-term debt. The Company maintains a high liquidity by holding a large cash balance in an interest-bearing bank account. At October 31, 2011 the Company held investments of $1.2 million valued at fair-market with maturities extending beyond 1 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. Shares in other companies acquired as a result of property transactions are classified as available-for-sale and are also a component of the funds on-hand for exploration.

Accounts receivable as at October 31, 2011 were $1,186,694 including $755,235 for recoverable sales taxes, which are subject to verification and normally refunded within 60 to 90 days of the claim. Refunds of taxes are not considered a financial instrument since governments are not obligated to make these payments. Other prepaid accounts and accounts receivable were $431,459.

Accounts payable and accrued liabilities outstanding as at October 31, 2011 were $4,339,427.

The Company has an estimated $1.1 million in mining duty rebates recoverable from the Province of Québec for qualified expenditures in respect of the fiscal years ended October 31, 2010 and 2011. Since no confirmation of the amounts has been received, the estimated refund has not been recorded in the Company’s financial statements.

The properties held by the Company are not income generating. 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.

During the year ended October 31, 2011, the Company received net proceeds of $5.2 million from the issue of shares and received $0.7 million in government rebates. During the same period, the Company invested $8.1 million in claim maintenance and exploration of mineral resource properties. The Company’s base operating cost is approximately $68,000 per month. All exploration expenditures to be made by the Company, except the flow-through commitments described below, are discretionary. As such, management believes the Company has sufficient working capital to fund the ongoing overheads and costs of its exploration activities for the foreseeable future.

FLOW-THROUGH COMMITMENTS

The Company’s commitment to spend $13,401,000 in Québec flow-through expenditures by December 31, 2011 in respect of flow-through shares issued in 2010 was fulfilled as of October 31, 2011. The Company has undertaken an additional obligation of $5,862,520 with respect to flow-through expenditures for common shares issued in December 2011, which must be completed by December 31, 2012.

CAPITAL RESOURCES

The Company, as typical of junior exploration companies, has only a small investment in capital resources which is comprised of $49,561 in computer equipment and field equipment of $342,569. Net book value as at October 31, 2011 was $114,123.

INCOME TAXES

Provincial resource tax credits available to the Company are transferred to the investor upon the issuance of flow-through shares to Québec residents. As a result these flow-through shares sell at a premium.

For tax year-ends after December 31, 2005, non-capital losses can be carried forward and used to offset future gains for a period of twenty years, after which they expire (ten years for losses in tax years ending prior to December 31, 2005 and seven years for losses in tax years ending prior to March 22, 2004). To the extent that loss carry-forwards could be used to reduce future tax liabilities, they are a financial resource that can be managed. The Company, by its nature as a mineral exploration business, generates non-capital tax losses, which are not recognized on the income statement because, at this point in time, it is not certain that they will be used to offset tax liabilities within their carry-forward life. Canadian tax legislation allows an enterprise to issue securities to investors, whereby the deductions for tax purposes, relating to resource expenditures, may be claimed by the investors when not claimed by the enterprise. These securities are referred to as flow-through shares. Under recommendation number 146, issued by the Emerging Issues Committee (EIC-146), regarding GAAP for the accounting treatment of flow-through shares, the issuer recognizes part of the proceeds from the sale of flow-through shares as tax credits associated with the expenditures being transferred to the shareholders, records this amount as a future income tax liability and the rest of the net proceeds as shareholders' equity. As a result, in connection with the renunciation of expenditures associated with the issue of flow-through shares, the Company has recorded future income taxes of $3,158,402 and a current year recovery of future income taxes of $660,883.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

TRANSACTIONS WITH RELATED PARTIES

Related party transactions include $18,900 per month salary and $1,000 per month premises rent paid to the President of the Company. Consulting fees of $630 per day and out of pocket expenditures are paid to a related service provider.

SHARE CAPITAL

The authorized capital of the Company consists of an unlimited number of common shares of which, as of January 30, 2012, there are 97,717,874 common shares outstanding; 4,859,605 share purchase options; and 360,926 common share purchase warrants outstanding.

The 4,859,605 options outstanding, with a weighted-average exercise price of $1.09, would generate in proceeds of $5,300,272, if exercised. The 360,926 common share purchase warrants outstanding, with an average exercise price of $1.65, would generate in proceeds of $594,097, if exercised.

In December 2010 the Company issued 1,819,000 flow-through shares in a brokered private placement at $2.75 per share for gross proceeds of $5,002,250. Issue costs in connection with the private placement were $375,189, which includes legal fees and a brokerage commission of 6% of gross proceeds. In addition, 109,140 broker warrants were issued entitling the holder to purchase one common share at a price of $1.85 until December 7, 2011. The Black-Scholes value associated with these broker warrants was $38,400. On December 31, 2010 the Company also completed a non-brokered private placement financing with directors, officers, employees and other service providers of the Company. This issue of 65,000 flow-through common shares at $2.75 per share raised net proceeds of $178,750. Issue costs were $10,894. Other private placements may be completed if market conditions are appropriate. Stock options exercised contributed another $453,600.

The Company recognizes the future tax liability and reduces shareholders' equity accordingly on the date that the Company renounces the tax credits associated with expenditures from flow-through proceeds. The future income tax liability can be offset against unrecognized future income tax assets, if certain criteria are met. As a result, the Company recorded future income taxes recoverable of $3,819,285 of which $660,883 was applicable to the current year.

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

CRITICAL ACCOUNTING ESTIMATES

Critical accounting estimates used in the preparation of the financial statements include the Company's estimate of the recoverable value of its mineral properties, related deferred exploration expenditures and stock-based compensation. These critical accounting estimates significantly affect the values attributed to the following line items in the Company's financial statements: mining properties and deferred exploration expenditures; total assets; shareholders' equity; stock-based compensation; total expenses; loss for the period; net loss; deficit; and basic and diluted loss per share.

These estimates involve considerable judgment and are, or could be, affected by factors that are out of the Company's control. Factors affecting stock-based compensation include estimates of when stock options and compensation warrants might be exercised and stock-price volatility. The timing for exercise of options is out of the Company's control and will depend upon the market value of the Company's shares and the financial objectives of the holders of the options. The Company has used historical data to determine volatility in accordance with the Black-Scholes model, however future volatility is uncertain and the model has its limitations. These estimates can have a material impact on the stock-based compensation and hence results of operations. The assumptions used for options issued are detailed in Note 7 to the audited consolidated financial statements and assumptions used for warrants are detailed in Note 8.

The Company's recorded value of its mineral properties and associated deferred exploration expenses is based on historical costs that may be recovered in the future. The Company's recoverability evaluation is based on market conditions for minerals, underlying mineral resources associated with its properties and future costs that may be required for ultimate realization through mining operations or by sale. The Company operates in an industry that is exposed to a number of risks and uncertainties, including but not limited to: exploration risk; development risk; commodity-price risk; operating risk; ownership and political risk; currency risk; and environmental risk. The ability of the Company to obtain necessary financing to complete the development of its properties and obtain future profitable production is also uncertain.

CHANGE IN ACCOUNTING POLICY

There were no changes in accounting policy during the year ended October 31, 2011.

FUTURE ACCOUNTING PRONOUNCEMENTS

Business Combinations and Consolidated Financial Statements and Non-Controlling Interests

The CICA issued three new accounting standards in January 2009: Section 1582 Business Combinations, Section 1601 Consolidated Financial Statements and Section 1602 Non-Controlling Interests. These new standards will be effective for fiscal years beginning on or after January 1, 2011. Section 1582 replaces 1581 and establishes standards for the accounting for a business combination. It provides the Canadian equivalent to IFRS 3 – Business Combinations. The section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Sections 1601 and 1602 together replace section 1600 Consolidated Financial Statements. Section 1601 establishes standards for the preparation of consolidated financial statements and applies to both interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is the equivalent to the corresponding provisions of IFRS IAS 27 – Consolidated and Separate Financial Statements and applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. The Company is in the process of evaluating the requirements of the new standards and expects to adopt the standards November 1, 2011.

International Financial Reporting Standards ("IFRS")

In January 2006, the CICA's Accounting Standards Board ("AcSB") formally adopted the strategy of replacing Canadian GAAP with IFRS for Canadian enterprises with public accountability. On February 13, 2008 the AcSB confirmed that the use of IFRS was to be required in 2011 for publicly accountable profit-oriented enterprises. For these entities, IFRS will be required for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Company will issue its first annual and interim consolidated financial statements prepared under IFRS for the fiscal year ended October 31, 2012 and the three months ended January 31, 2012 respectively with IFRS compliant comparative information.

The four phases of the Company's IFRS transition plan are as follows: scoping and planning ("phase 1"), detailed assessment ("phase 2"), operations implementation ("phase 3"), and post implementation ("phase 4"). Phases 1, 2 and the first stage of phase 3, the design of business, reporting and system processes to support the compilation of

IFRS compliant financial data for the opening balance sheet November 1, 2011, have been completed. The implementation of changes to the reporting system and processes to support preparation of the IFRS opening balance sheet at November 1, 2011 has been completed. Phase 4 will be carried out throughout fiscal 2012.

Impact of adopting IFRS on the Company's Financial Statements

The adoption of IFRS has created some changes to the Company's accounting policies that apply to recognition, measurement and disclosure of balances and transactions in its financial statements. The following provides a summary of management's evaluation to date of the changes to accounting policies in key areas based on the current standards and guidance within IFRS. This is not intended to be a complete list of policy areas impacted by IFRS, but rather to address those areas identified having the most significant differences.

Exploration and Evaluation Expenditures

Currently under IFRS, companies deferring exploration and evaluation expenditures, as permitted under Canadian GAAP, will be allowed to continue this practice. They may however, elect to expense exploration expenditures until such time as either reserves are proven or permits to operate a mineral resource property are received and financing to complete the project has been obtained. Those currently treating exploration expenditures as operating expenses or those opting to write-off their deferred exploration expenditures are not be permitted to reverse these deferrals or defer any future exploration expenditures.

Under IFRS, pre-exploration expenditures such as acquisition expenditures, leasing, staking, etc. are expensed. Companies that have elected to use the deferral method will also be allowed to continue the deferral of pre-exploration costs, if such has been their past practice under Canadian GAAP. The Company's current policy and election under IFRS will be to defer both exploration and pre-exploration expenditures.

Management believes that the current deferral policy for exploration and evaluation expenditures as well as pre-exploration expenditures will provide the reader of the Company's financial statements with a better perspective of its financial position, since such deferral reflects the possibility of a future recovery of these expenditures.

Impairment of (Non-financial) Assets

IFRS like Canadian GAAP, requires an assessment at each reporting date as to whether there are indicators of impairment of deferred exploration and evaluation costs. The factors considered under IFRS are similar to Canadian GAAP, but there are some differences. IFRS requires a write down of assets if the higher of the fair-market value and the value in use of assets is less than its carrying value. Value is determined using discounted estimated future cash flows. Canadian GAAP requires a write down to estimated fair value only if the undiscounted estimated future cash flows of a group of assets are less than its carrying value.

Share-based Payment

Under certain circumstances, IFRS requires a different measurement than Canadian GAAP of security-based compensation related to stock options. Changes to accounting policies in compliance with IFRS on share-based payments do not result in any significant change to the Company's financial statements.

Property and Equipment

IFRS guidance related to recognition and measurement of property and equipment contains differences to Canadian GAAP. Changes to accounting policies in compliance with IFRS on recognition and measurement of property and equipment do result in any significant change to the Company's financial statements.

Income Taxes

Under certain circumstances, IFRS contains different requirements related to the recognition and measurement of future income taxes. Under IFRS the Company's future income tax liability will be attributed to shareholders' equity.

Flow-through Shares

The flow-through share program is a unique Canadian income tax incentive which is subject to specific guidance under Canadian GAAP. Under IFRS the foregone tax benefits renounced to investors being the premium paid for the flow-through shares will be recognized as a liability, which is reduced and recorded as a recovery to the account of deferred mineral exploration costs on a pro rata basis, to the corresponding eligible exploration expenditures incurred.

The International Accounting Standards Board ("IASB") continues to amend and add to current IFRS standards. The Company's transition plan includes monitoring actual and anticipated changes to IFRS and related rules and regulations and assessing the impact of these changes on the Company and its financial statements, including the dates of when such impacts are effective.

USE OF FINANCIAL INSTRUMENTS

The Company has not entered into any specialized financial agreements to minimize its investment risk, currency risk or commodity risk. There are no off-balance-sheet arrangements and the Company does not hold any asset-backed commercial paper. The principal financial instruments affecting the Company's financial condition and results of operations currently are its cash and marketable securities portfolio. To minimize risk, the funds are managed by independent financial advisors with ultimate administration by the Company. All of the Company's investment portfolio has been designated as available-for-sale and is recorded at fair-market value, in accordance with CICA Handbook Section 3855.

FUTURE OUTLOOK

The focus of the Company is the exploration and development of its core gold assets located in James Bay, Québec. Endowed with a vast array of mineral deposits, complimented by essential mine-building infrastructure, including roads, power and communications, all of which is supported by provincial financial incentives, Québec remains one of the best places in the world to explore. Québec's "Plan Nord" provides even greater economic stimulus to the James Bay region while validating the early work of intrepid explorers like, Eastmain, who recognized the huge potential of this mineral-laden northern district.

Our $10-million 2012 exploration budget continues to reflect the Company's commitment to gold exploration in the James Bay area of Québec. With a minimum of 40,000 metres of drilling planned at Clearwater, our effort will be focused on expanding near-surface, open-pitable resources west and north of the current deposit and making new discoveries.

10,000 metres of drilling has been proposed for Eastmain mine, Éléonore South and Reservoir, with an allocation of approximately 3,000 metres for each project.

Surface exploration, including prospecting, trenching, and 3-D modeling of current results will aid in target generation and definition at all four properties.

Our commitment begins with the recognition and training of our exploration team. Each year our team of highly skilled explorationists undergoes specific field and data training before the start of each summer field program. Management believes that such practices will not only encourage a long-term commitment to the Company but also foster excellent team-building skills, while providing valuable opportunity for knowledge-based geologic think tanks. Eastmain Resources Inc. Is Exceptional People, Projects, and Partners.

SUBSEQUENT EVENTS

On December 2, 2011 the Corporation entered into a private placement agreement consisting of 2,615,441 flow-through shares at a price of $2.20 per share (approximately an 80% premium to market) for aggregate gross proceeds of $5,753,970. The shares are subject to a hold period of four months. Finder's fees for the placement agent are equal to 6% of the gross proceeds of the financing as well as non-transferable broker-warrants entitling the agent to purchase 156,926 ordinary common shares at $1.40 per share for a period of 18 months from the closing date. In accordance with income tax legislation, the Company will renounce resource expenditure tax deductions equal to the eligible amount spent, to a maximum of $5,573,970, on December 31, 2011 for activities funded by this flow-through share arrangement as described in Note 6(iv). Under Canadian GAAP, the transaction will result in a future income tax liability and a corresponding reduction of share capital, in the period when the renunciation occurs (second quarter of fiscal 2012) to a maximum of approximately $1,594,000.

On December 29, 2011 the Corporation completed a non-brokered private placement with directors, officers and service providers consisting of 83,500 flow-through shares at a price of $1.30 per share for aggregate gross proceeds of $108,550. The shares are subject to a hold period of four months. Under Canadian GAAP, the transaction will result in a future income tax liability and a corresponding reduction of share capital, in the period when the renunciation occurs (second quarter of fiscal 2012) to a maximum of approximately $31,000.

SCIENTIFIC AND TECHNICAL DISCLOSURE

All disclosure of a scientific or technical nature herein concerning the currently published Eau Claire resource estimate is based upon the technical report entitled "Eau Claire Gold Deposit, Clearwater Project, James Bay Area, Middle North Quebec" which was prepared by P&E Mining Consultants Inc. (the "Clearwater Report") as of June 10, 2011. Tracy Armstrong, P.Geo and Antoine Yassa, P.Geo are "qualified persons" within the meaning of National Instrument 43-101 of the Canadian Securities Administrators and have verified the data underlying the statements contained herein concerning the currently published Eau Claire resource estimate. Further information concerning the Clearwater Project is contained in the Clearwater Report available at www.sedar.com.

DISCLOSURE CONTROLS AND PRECEDURES

Disclosure controls and procedures are designed to provide assurance that all relevant information is gathered and reported to senior management, which includes the Company's President and Chief Executive Officer, Chief

Financial Officer and the Corporate Secretary on a timely basis so that appropriate decisions can be made regarding public disclosure. The Company's certifying officers, being the President and Chief Executive Officer and the Chief Financial Officer have evaluated the effectiveness of the Company's disclosure controls and procedures. Based upon the results of that evaluation, the certifying officers have concluded that, as of the end of the period covered by this report, the disclosure controls and procedures effectively provide reasonable assurance that information required to be disclosed in the Company's annual filings and interim filings, (as such terms are defined in National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings), and reports filed or submitted under Canadian securities laws were recorded, processed, summarized and reported within the time periods specified by those laws. The certifying officers also concluded that material information was accumulated and communicated to management of the Company, including the President and Chief Executive Officer and the Chief Financial Officer, as appropriate to allow timely decisions regarding disclosure.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Company's President and Chief Executive Officer and the Chief Financial Officer are responsible for establishing and maintaining the Company's internal controls over financial reporting in accordance with National Instrument 52-109 of the Canadian Securities Administrators. These controls were reviewed as at October 31, 2011. There were no changes during the three months ended October 31, 2011, which materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting. The Company's President and Chief Executive Officer and the Chief Financial Officer are satisfied that these controls and procedures are operating effectively.

ACCOUNTING RESPONSIBILITES, PROCEDURES AND POLICIES

The Board of Directors, which among other things is responsible for the financial statements of the Company, delegates to management the responsibility for the preparation of the financial statements. Responsibility for their review rests with the Audit Committee. Each year the shareholders appoint independent auditors to audit and report directly to them on the financial statements.

The Audit Committee is appointed by the Board of Directors and all of its members are non-management directors. The Audit Committee meets periodically with management and the external auditors to discuss internal controls, auditing matters and financial reporting issues, and to confirm that all administrative duties and responsibilities are properly discharged. The Audit Committee also reviews the financial statements, Management's Discussion and Analysis and considers the engagement or reappointment of external auditors. The Audit Committee reports its findings to the Board of Directors for its consideration when approving the financial statements for issuance to the shareholders. The external auditors have full and free access to the Audit Committee.

The accounting systems employed by the Company include appropriate controls, checks and balances to provide reasonable assurance that the Company's assets are safeguarded from loss or unauthorized use as well as facilitating the preparation of comprehensive, timely and accurate financial information. There are limits inherent in all systems based on the recognition that the cost of such systems should not exceed the benefits to be derived. Management believes that its policies and procedures provide the best controls achievable under the constraints described above.

USE OF ACCOUNTING ESTIMATES

In preparing the financial statements, great care is taken to use appropriate Canadian generally accepted accounting principles and estimates, considered necessary by management, to present the financial position and results of operations on a fair and consistent basis. The principal accounting policies followed by the Company are summarized in Note 2 to the audited consolidated financial statements.

ADDITIONAL INFORMATION

Additional information relating to the Company, including any published Annual Information Forms, can be found on SEDAR at www.sedar.com.

Stern & Lovrics LLP
Chartered Accountants

Samuel V. Stern, BA, CA
George G. Lovrics, BComm, CA, CPA (Illinois)

Nazli Dewji, BA, CMA

INDEPENDENT AUDITORS' REPORT

To the Shareholders of **Eastmain Resources Inc.**

We have audited the accompanying consolidated financial statements of **Eastmain Resources Inc.** , which comprise the consolidated balance sheets as at October 31, 2011 and 2010, and the consolidated statements of operations and deficit, comprehensive loss, shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of **Eastmain Resources Inc.** as at October 31, 2011 and 2010 and the results of its operations and its cash flow for the years then ended in accordance with Canadian generally accepted accounting principles.

Stern & Lovrics LLP
Chartered Accountants
Licensed Public Accountants

North York, Ontario
January 26, 2012

1200 Sheppard Avenue East, Suite 406, North York, Ontario M2K 2S5 Tel: (416) 499-8848 Fax: (416) 491-5301

EASTMAIN RESOURCES INC.
CONSOLIDATED BALANCE SHEETS
AS AT OCTOBER 31

	2011	2010
Assets		
Current assets		
Cash and cash equivalents	$ 11,529,234	$ 14,472,115
Marketable securities maturing in one year (Note 3)	2,490,963	1,721,066
Prepaid and sundry receivables	1,186,694	950,217
	15,206,891	17,143,398
Marketable securities (Note 3)	1,216,618	1,512,406
Equipment (Note 4)	114,123	94,510
Mineral properties (Note 5)	42,004,423	30,785,659
	$ 58,542,055	$ 49,535,973
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities	$ 4,339,427	$ 1,204,686
Future income tax liability (Note 14)	3,158,402	-
	7,497,829	1,204,686
Shareholders' equity		
Capital stock (Note 6)	56,752,924	53,419,042
Warrants (Note 8)	140,676	102,276
Contributed surplus (Note 11)	10,208,716	9,541,856
	67,102,316	63,063,174
Deficit	(15,483,783)	(14,486,397)
Accumulated other comprehensive loss (Note 13)	(574,307)	(245,490)
	51,044,226	48,331,287
	$ 58,542,055	$ 49,535,973

APPROVED ON BEHALF OF THE BOARD

"Signed"
Donald J. Robinson – Director

"Signed"
James L. Bezeau - Chief Financial Officer

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

EASTMAIN RESOURCES INC.

CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT
FOR THE YEARS ENDED OCTOBER 31

	2011	2010
EXPENSES		
Amortization	$ 36,419	$ 26,846
General and administration	742,055	824,996
Professional fees	76,055	81,318
Stock option compensation (Note 7)	457,640	419,762
Write down of mineral properties	634,142	1,671,493
	1,946,311	3,024,415
Loss for the year before the following	(1,946,311)	(3,024,415)
Interest and other income	286,251	262,713
Gain on the sale of investments	1,791	908
NET LOSS BEFORE INCOME TAXES	(1,658,269)	(2,760,794)
Future income tax recovery	660,883	239,105
NET LOSS FOR THE YEAR	(997,386)	(2,521,689)
DEFICIT, beginning of year	(14,486,397)	(11,964,708)
DEFICIT, end of year	$ (15,483,783)	$ (14,486,397)
BASIC AND DILUTED LOSS PER SHARE	$ (0.011)	$ (0.028)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	94,175,481	89,002,897

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

EASTMAIN RESOURCES INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
FOR THE YEARS ENDED OCTOBER 31

	2011	2010
NET LOSS FOR THE YEAR	$ (997,386)	$ (2,521,689)
OTHER COMPREHENSIVE INCOME (LOSS)		
Gain on the sale of investments transferred to Statement of operations	1,791	
Unrealized gains (losses) on available-for-sale financial assets arising during the year net of income taxes and taxes recovered)	(330,608)	(10,428)
COMPREHENSIVE LOSS FOR THE YEAR	$ (1,326,203)	$ (2,532,117)

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY
AS AT OCTOBER 31, 2011

	Share Capital	Warrants	Contributed Surplus	Accumulated Other Comprehensive Income (loss)	Deficit	Total Shareholders' Equity
As at October 31, 2009	44,695,646	4,681,823	4,465,309	(235,062)	(11,964,708)	41,643,008
Share capital issued	8,570,796	-	-	-	-	8,570,796
Flow-through tax effect	(141,800)	-	-	-	-	(141,800)
Stock-based compensation	-	-	791,400	-	-	791,400
Options exercised	396,676		(396,676)	-	-	-
Warrants issued	(102,276)	102,276	-	-	-	-
Warrants expired	-	(4,681,823)	4,681,823	-	-	-
Fair-market-value loss available-for-sale financial assets	-	-	-	(10,428)	-	(10,428)
Net loss for the year	-	-	-	-	(2,521,689)	(2,521,689)
As at October 31, 2010	$ 53,419,042	$ 102,276	$ 9,541,856	$ (245,490)	$ (14,486,397)	$ 48,331,287
Share capital issued	6,940,827	-	-	-	-	6,940,827
Flow-through tax effect	(3,819,285)	-	-	-	-	(3,819,285)
Stock-based compensation	-	-	917,600	-	-	917,600
Options exercised	250,740	-	(250,740)	-	-	-
Warrants issued	(38,400)	38,400	-	-	-	-
Warrants expired	-	-	-	-	-	-
Fair-market-value loss available-for-sale financial assets	-	-	-	(328,817)	-	(328,817)
Net loss for the year	-	-	-	-	(997,386)	(997,386)
As at October 31, 2011	$ 56,752,924	$ 140,676	$ 10,208,716	$ (574,307)	$ (15,483,783)	$ 51,044,226

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

EASTMAIN RESOURCES INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED OCTOBER 31

	2011	2010
Cash provided by (used in)		
OPERATING ACTIVITIES		
Loss for the year	$ (997,386)	$ (2,521,689)
Adjustments not affecting cash:		
Amortization	36,419	26,846
Gain on sale of investments	(1,791)	(908)
Future income tax recovery	(660,883)	(239,105)
Stock option compensation (Note 7)	457,640	419,762
Write-down of mineral properties	634,142	1,671,493
Change in non-cash working capital items	252,611	(365,264)
	(279,248)	(1,008,865)
FINANCING ACTIVITIES		
Proceeds on issue of common shares	5,181,000	8,635,835
Proceeds on exercise of stock options	453,600	623,628
Share issue costs	(413,771)	(688,667)
	5,220,829	8,570,796
INVESTING ACTIVITIES		
Purchase of equipment	(56,032)	(53,498)
Mineral properties	(8,105,249)	(6,808,429)
Government resource credits and recoveries Received	727,954	1,887,299
Purchase of marketable securities	(2,776,840)	(2,454,396)
Net proceeds from the sale and redemption of marketable securities	2,325,705	2,402,623
	(7,884,462)	(5,026,401)
Change in cash and cash equivalents	(2,942,881)	2,535,530
Cash and cash equivalents, beginning of year	14,472,115	11,936,585
Cash and cash equivalents, end of year	$ 11,529,234	$ 14,472,115

SUPPLEMENTARY INFORMATION (Note 11)

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

1. NATURE AND CONTINUANCE OF OPERATIONS

Eastmain Resources Inc. (the "Company" or "Eastmain") and its wholly-owned subsidiary, Eastmain Mines Inc., are engaged in the acquisition and exploration of resource properties within Canada. The Company is a publicly-held company incorporated under the Business Corporations Act (Ontario) and its common shares are listed on the Toronto Stock Exchange.

The company is in the process of exploring its mineral properties and has not yet determined whether its properties contain reserves that are economically recoverable. The recuperation of the amounts spent for mineral properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its properties, and upon future profitable production or proceeds from the disposition of the properties. The Company will periodically have to raise additional funds to continue operations and while it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future. To date the Company has not earned significant revenues and is considered a company in the exploration stage. Although the Company has taken steps to verify title to mineral properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property titles may be subject to unregistered prior agreements and may be non-compliant with regulatory requirements.

These consolidated financial statements have been prepared in accordance with accounting principles applicable to a going concern, which assumes continuity of operations, realization of assets and the settlement of liabilities in the normal course of business in the foreseeable future. In assessing whether the going concern assumption is appropriate, management takes into consideration all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. As at October 31, 2011, the Company had working capital of $10,867,464 a net loss of $997,386 and an accumulated deficit of $15,483,783. While the Company has sufficient funds to meet its current commitments, the Company will require additional funding for its operations and exploration of its mineral resource properties. Management is aware in making its assessment, that material uncertainties related to events or conditions may cast a doubt upon the ability to continue as a going concern. Accordingly, they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business, and at amounts different from those in the accompanying consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies used in the preparation of these financial statements:

a) Consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). All material inter-company transactions and balances have been eliminated.

b) Mineral Properties

Mineral properties are comprised of both acquisition costs, which consist of the right to explore for mineral deposits and deferred exploration costs, which consist of costs attributable to the exploration of mineral properties. All direct costs associated with exploration properties are capitalized as incurred. If the property proceeds to development, these costs become part of pre-production and development costs of the mine. If a property is abandoned or continued exploration is not deemed appropriate in the foreseeable future, the related costs and expenditures are written off.

The Company's policy is to defer expenditures related to the acquisition, exploration and development of its exploration properties. If an exploration property is abandoned, continued exploration is not planned in the foreseeable future or when other events and changes in circumstances indicate that the carrying amount may not be recovered, the accumulated costs and expenditures are written down to the fair value. Deferred expenditures relating to exploration projects represent costs to be charged to operations in the future and do not necessarily reflect the present or future values of the particular projects.

Indications that the net capitalized carrying costs on the exploration properties will not be recovered would include:

- exploration activities have ceased;
- exploration results are not promising, such that exploration will not be planned for the foreseeable future;
- lease ownership rights expire, are cancelled or expropriated;
- sufficient funding is not expected to be available to complete the program; or
- other indications of impairment exist.

c) Amortization

Amortization on the Company's equipment is provided for at 30% per annum on a declining balance basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d) Financial Instruments

All financial assets and liabilities are recognized when the entity becomes a party to the contract creating them.

All financial instruments are classified as one of the following: held-to-maturity; loans and receivables; held-for-trading; available-for-sale or other financial liabilities. Financial assets and liabilities held-for-trading are measured at fair value with gains and losses recognized in net income. Financial assets held-to-maturity, loans and receivables and other financial liabilities are measured at amortized cost using the effective interest method. Available-for-sale financial instruments are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) and reported in shareholders' equity. Any financial instrument may be designated as held-for-trading upon initial recognition.

Transaction costs other than those related to financial instruments classified as held-for-trading, which are expensed as incurred, are added to the fair value of the financial asset or financial liability on initial recognition.

Comprehensive income (loss) is the overall change in the net assets of the Company for a period, other than changes attributable to transactions with shareholders. It is made up of net income (loss) and other comprehensive income (loss). Other comprehensive income (loss) consists of gains and losses affecting shareholders' equity that under GAAP are excluded from net income (loss).

The Company categorizes its financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate fair value.

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company has designated its cash and cash equivalents (Level 1) as held-for-trading, which are measured at fair value. Marketable securities (Level 1) as available-for-sale, which are measured at fair value. Amounts receivable (Level 3) are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities (Level 3) as accrued liabilities, which are measured at amortized cost.

e) Cash and Cash Equivalents

Cash equivalents, include cash and those short-term money-market instruments that are readily convertible to cash with an original term of less than 90 days. Cash and cash equivalents are recorded at fair value.

f) Proportionate Cost Sharing Ventures

Certain of the Company's exploration activities are conducted jointly with others. These financial statements reflect only the Company's interest in such activities. Although the Company holds certain interest in mineral properties through joint venture agreements, none of its operations are carried on through joint venture entities.

g) Stock-based Compensation

The Company has in effect a Stock Option Plan, which is described in Note 7. Stock-based compensation is accounted for at fair value as determined by the Black-Scholes option pricing model, using amounts believed to approximate the volatility of the trading price of the Company's stock, the expected lives of the awards of the stock-based compensation, the share price at the close of trading on the day immediately preceding the grant and the risk-free interest rate.

The fair value of all stock options granted is recorded as a charge to operations, or an addition to mineral properties and deferred exploration and development expenditures, as the stock options vest, and a credit to contributed surplus in shareholders' equity. Stock option expense is added to the properties in a consistent manner in which exploration wages have been added to the properties. Any consideration paid on the exercise of stock options is credited directly to share capital.

h) Use of Estimates

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenues and expenses during the reporting period.

Significant areas requiring the use of management estimates relate to accrued liabilities, determining the fair value of financial instruments, determination of the assumptions used in the calculation of stock-based compensation, impairment of mineral property interests, rates for depletion and amortization, determination of environmental obligations and determination of the valuation allowance of future tax assets. While management believes the estimates are reasonable, actual results could differ from those estimates and could affect results of operations and cash flows.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) Flow-through Financing

The Company has financed a portion of its exploration activities through the issue of flow-through shares, which transfer the tax deductibility of exploration expenditures to the investor. Proceeds received on the issue of such shares have been credited to capital stock and the related exploration costs have been charged to mineral exploration expenditures. Resource expenditure deductions for income tax purposes, related to exploration and development activities funded by flow-through share arrangements, are renounced to investors in accordance with income tax legislation. When these expenditures are renounced, temporary taxable differences created by the renunciations reduce share capital.

j) Loss Per Share

Basic loss per share is calculated by dividing the loss for the year by the weighted average number of common shares outstanding during the year.

Diluted loss per share is calculated using the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding, used for the calculation of diluted loss per share, assumes that the proceeds to be received on the exercise of dilutive stock options and warrants are used to repurchase common shares at the average market price during the year. For the years presented, this calculation proved to be anti-dilutive.

k) Income and Resource Taxes

Income and resource taxes are calculated using the asset and liability method of accounting. Under this method, current income taxes are recognized for the estimated income taxes payable for the current year. Determination of future income tax assets and liabilities is based on the differences between the financial reporting and tax bases of assets and liabilities, and is measured using the substantially enacted tax rates and laws that will be in effect when these differences are expected to reverse. The Company records a valuation allowance against any portion of future income tax assets that it believes will, more likely than not, fail to be realized.

l) Exploration Tax Credits

Mining Duty Credits

The company is entitled to refundable mining duty credits on eligible exploration expenditures incurred in Québec. The refundable mining duty credit may reach 15% of qualified expenditures upon which no resource tax credit has been claimed and 12% for those upon which the resource tax credit has been claimed. These credits are applied against the costs incurred when they are actually received.

Tax Credits for Resource Expenditures

The Company is entitled to refundable tax credits available to all mining sector companies on eligible expenditures incurred in Québec after March 31, 2001. The refundable tax credit is 38.75% of qualified expenditures. These credits are applied against the costs incurred when they are actually received.

m) Asset Retirement Obligations

During the course of acquiring and exploring potential mineral properties, the Company must comply with government regulated environmental evaluation, updating and reclamation requirements. The costs of complying with these requirements are capitalized as incurred. The carrying value will be amortized over the life of the related assets on a unit-of-production basis and the related liabilities are accreted to the original asset value estimate. Asset retirement obligations, if any, cannot be determined at this time and no amount has been recorded in these financial statements. The present value of the reclamation liabilities may be subject to change based on management's current estimates, changes in remediation technology or changes to the applicable laws and regulations by regulatory authorities, which affect the ultimate cost of remediation and reclamation. Such charges will be reflected in the accounts of the Company as they arise. As at October 31, 2011, the Company did not have any asset retirement obligations.

n) Comparative Figures

Certain amounts in prior-year financial statements have been reclassified for comparative purposes to conform to the presentation in the current-year financial statements.

o) Changes in Accounting Policies and New Accounting Developments

International Financial Reporting Standards ("IFRS")

In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use the IFRS, replacing Canadian GAAP. Accordingly, the changeover is effective for interim and financial statements for fiscal years beginning on or after January 1, 2011. For the fiscal year 2011-2012 the Company will be required to restate amounts previously reported for the year ending October 31, 2011 to IFRS for comparative purposes. The

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

o) Changes in Accounting Policies and New Accounting Developments (Continued)

Company is prepared to adopt IFRS effective November 1, 2011.

Business Combinations and Consolidated Financial Statements and Non-Controlling Interests

The CICA issued three new accounting standards in January 2009: Section 1582 Business Combinations, Section 1601 Consolidated Financial Statements and Section 1602 Non-Controlling Interests. These new standards will be effective for fiscal years beginning on or after January 1, 2011. Section 1582 replaces 1581 and establishes standards for the accounting for a business combination. It provides the Canadian equivalent to IFRS 3 – Business Combinations. The section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Sections 1601 and 1602 together replace section 1600 Consolidated Financial Statements. Section 1601 establishes standards for the preparation of consolidated financial statements and applies to both interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is the equivalent to the corresponding provisions of IFRS IAS 27 – Consolidated and Separate Financial Statements and applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. The Company is in the process of evaluating the requirements of the new standards and expects to adopt the standards November 1, 2011.

3. MARKETABLE SECURITIES

a) Marketable Securities

Bonds and other securities are recorded at current market values in accordance with CICA Section 3855 on financial instruments. The Company has classified all of its investments in marketable securities, including the investments below, as available-for-sale in the current year. Investments in bonds bear interest at annual rates ranging from 1.25% to 5.75%, maturing between November 11, 2011 and June 16, 2016. Investments in public companies consist of shares in Dianor Resources Inc., which were acquired in exchange for geological data; shares of Threegold Resources Inc., received as a dividend from Dianor Resources Inc.; shares in Concordia Resource Corporation (formerly Western Uranium Corporation) received in exchange for prospecting permits and mineral claims; shares in Western Lithium Corporation resulting from a spin-out of Western Uranium Corporation; and shares in Honey Badger Exploration Inc., received in conjunction with an option to acquire a 50% interest in the Radisson property.

Marketable Securities	Shares	2011	Shares	2010
GIC's and investment grade bonds		$2,997,268		$2,554,533
Concordia Resource Corporation (formerly Western Uranium Corporation) common shares	539,336	318,208	539,336	463,829
Dianor Resources Inc. common shares	500,000	17,500	500,000	37,500
Honey Badger Exploration common shares	5,000,000	300,000	5,000,000	-
Threegold Resources Inc. common shares	12,380	1,672	12,380	2,910
Western Lithium Corporation common shares	169,612	72,933	169,612	174,700
		3,707,581		3,233,472
Less Current portion		2,490,963		1,721,066
		$ 1,216,618		$1,512,406

b) **Hedging Activities**

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

4. EQUIPMENT

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

	Cost	Accumulated Amortization	Net Book Value October 31, 2011	Net Book Value October 31, 2010
Computer equipment	$ 49,561	$ 32,518	$ 17,043	$ 11,852
Field equipment	342,570	245,490	97,080	82,658
	$ 392,131	$ 278,008	$ 114,123	$ 94,510

5. MINERAL PROPERTIES

The mineral properties are recorded at cost and are comprised as follows:

PROJECT EXPENDITURES FOR THE YEAR ENDED OCTOBER 31, 2011

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

PROJECT EXPENDITURES FOR THE YEAR ENDED OCTOBER 31, 2010

Project	Drilling & Assays	Technical Surveys	Project Acquisition & Maintenance	Gross Expenditures	Grants & Recoveries	2010 Net Expenditures
Clearwater	$ 1,492,097	$ 768,247	$ -	$ 2,260,344	$ (1,349,444)	$ 910,900
Eastmain Mine	3,281,795	400,757	9,430	3,691,982	(179,818)	3,512,164
Éléonore South	571,818	249,142	11,724	832,684	(186,810)	645,874
Xstrata JV	2,898	14,661	-	17,559	-	17,559
Azimut C	-	9,646	-	9,646	-	9,646
Ruby Hill	24,853	16,478	10,112	51,443	(28,614)	22,829
Reservoir	4,273	29,172	18,759	52,204	(4,795)	47,409
Radisson	24,173	25,651	5,663	55,487	(132,772)	(77,285)
Other	-	43,069	38,680	81,749	(5,046)	76,703
Total	$ 5,401,907	$ 1,556,823	$ 94,368	$ 7,053,098	$ (1,887,299)	$ 5,165,799

The following is a summary breakdown of the cumulative expenditures on mineral property acquisition and exploration for the Company's significant projects:

CUMULATIVE EXPENDITURES FOR THE YEAR ENDED OCTOBER 31, 2011

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

5. MINERAL PROPERTIES (Continued)

CUMULATIVE EXPENDITURES FOR THE YEAR ENDED OCTOBER 31, 2010

Project	Balance October 31, 2010	2010 Net Expenditures	Write-Downs	Balance October 31, 2010
Clearwater	$ 11,294,703	$ 910,900	$ -	$ 12,205,603
Eastmain Mine	4,862,566	3,512,164	-	8,374,730
Éléonore South	3,129,308	645,874	737,037	4,512,219
Ruby Hill	1,802,647	22,829	-	1,825,476
Xstrata JV	2,916,041	17,559	(1,665,316)	1,268,284
Azimut C	727,391	9,646	(737,037)	-
Reservoir	376,521	47,409	-	423,930
Radisson	568,142	(77,285)	-	490,857
Other	1,614,034	76,703	(6,177)	1,684,560
	$ 27,291,353	$ 5,165,799	$(1,671,493)	$ 30,785,659

As at October 31, 2011 the Company has outstanding refund claims for mining duties and resource investment tax credits from the Ministry of Natural Resources (Québec) and Revenue Québec in respect to claims filed up to October 31, 2011, amounting to approximately $1,140,000 ($1,000,000 as at October 31, 2010). As of the financial statement date of each year respectively, the Company had not received confirmation of those refund amounts, therefore they have not been reflected in each of those year's financial statements.

a) Clearwater Project

Eastmain holds 100% interest in the Clearwater Project, located in Québec. To acquire SOQUEM's project interest, Eastmain made cash payments of $1.0 million and issued 1,500,000 common shares and 500,000 share-purchase warrants to SOQUEM. The share-purchase warrants have expired. In 2011 Eastmain purchased SOQUEM's 2% Net Smelter Return Royalty for 1 million shares valued at $1.72 million and $1.0 million cash.

b) Eastmain Mine Project

The Eastmain Mine property was acquired in February 2007 from Campbell Resources Inc. through the Company's wholly-owned subsidiary, Eastmain Mines Inc. at a total consideration of $4.3 million in cash, shares and share-purchase warrants. In July 2008, 500,000 share-purchase warrants were exercised generating proceeds to the Company of $750,000. Campbell Resources Inc. retains a 2% net smelter return royalty ("NSR") on the mine property on production exceeding 250,000 ounces of gold. Eastmain Resources Inc. holds an option to purchase one-half of the NSR for $1 million.

c) Éléonore South Project

On April 26, 2006, Eastmain, Azimut Exploration Inc. ("Azimut") and Les Mines Opinaca Ltée. ("Les Mines Opinaca"), a wholly-owned subsidiary of Goldcorp Inc., formed a 3-way joint venture by combining Azimut's mining claims from the Opinaca C Block and selected mining claims from Les Mines Opinaca's Éléonore claim block to create the Éléonore South property. Eastmain satisfied the work requirements to earn a 1/3 interest in the Éléonore South project by completing $4 million in work expenditures within the four-year period. In February 2008, Les Mines Opinaca elected to proceed with an option to acquire an additional 6.67% interest by funding all exploration expenditures up to the delivery of a bankable feasibility study. In January 2009, Les Mines Opinaca withdrew from its option to fund a bankable feasibility study in favour of continuing exploration as a 3-way joint venture, with Eastmain as the project operator. Under the terms of the agreement, Eastmain, as operator, charges management fees based on a percentage of exploration costs.

d) Ruby Hill Project

In 2005, the Company acquired 100% interest in certain mineral properties located within the Upper Eastmain River greenstone belt from Ruby Hill Exploration Inc. ("Ruby Hill"). The Company earned 100% interest in the property by making cash payments of $10,000, issuing 150,000 common shares of the Company to Ruby Hill on signing of the agreement and issuing an additional 100,000 common shares to Ruby Hill prior to the second anniversary. Ruby Hill retains a 2.5% Net Smelter Return Royalty, subject to a buy-out of 1.5% of the royalty for $1.5 million. In 2006, the Company acquired an undivided 50% interest in Ruby Hill Exploration Inc. in exchange for Eastmain's 50% interest in the Thelon Basin Uranium property. The pre-existing common shares of Eastmain and the 2.5% Net Smelter Return Royalty held by Ruby Hill Exploration Inc. were assigned to the original five Ruby Hill Exploration Inc. Syndicate members. Subsequently, the Company's interest in Ruby Hill Exploration Inc. was exchanged for shares in Western Uranium Corporation.

5. MINERAL PROPERTIES (Continued)

e) Xstrata JV, MegaTEM Project

Eastmain has acquired a 70% interest in the MegaTEM project by funding $3.5 million in work expenditures. The option held by Xstrata PLC (“Xstrata”), to increase its interest in any base metal discovery to 50%, has expired. Deferred exploration expenditures on this project have been written down by $2,299,249 reflecting the Company’s diminished interest in base metals in favour of gold exploration.

f) Reservoir Project

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

g) Radisson Project

The Company holds 100% interest in 207 mining cells (CDC’s) comprising approximately 10,698 hectares of the La Grande greenstone belt in a project known as Radisson. A 2% Net Smelter Return Royalty payable to Franco-Nevada Corporation is assigned to eight of the 207 CDC’s. The company has optioned a 50% interest in the Radisson project to Honey Badger Exploration Inc. for consideration of $50,000 and 5 million shares of Honey Badger, conditional upon the completion of $2.5 million in exploration expenditures and a minimum of 6,000 metres of drilling within three years. Honey Badger may also acquire an additional 10% interest in the property for $50,000 and additional exploration expenditures of $2.5 million including 6,000 metres of drilling within a period of two years.

h) Other

i) Québec Projects - Lac Elmer Project
The Company holds a 50% interest in the Lac Elmer Project, which is located within the Eastmain River area of Québec. Barrick Gold Corporation previously earned a 50% interest from Eastmain in the Lac Elmer Project by funding $1 million in work expenditures. Eastmain is the project operator. Should Barrick not elect to participate in any given exploration program it would dilute its interest.

ii) Dyna, Lac Hudson, Lac Lessard, Lidge and Road King Projects
The Company holds 100% interest in the Dyna, Lac Hudson, Lac Lessard, Lidge and Road King properties, all of which are located in the James Bay region of Québec.

6. CAPITAL STOCK

Authorized – unlimited common shares

Issued:

	Shares	Amount
Issued and outstanding, October 31, 2009	86,631,918	$ 44,695,646
Private placement (i)	237,620	415,835
Cost of issue (i)		(21,820)
Private placement (ii)	2,000,000	5,000,000
Cost of issue (ii)		(381,261)
Issue of warrants – Black-Scholes valuation (ii)		(62,040)
Private placement (iii)	1,400,000	3,220,000
Cost of issue (iii)		(285,586)
Issue of warrants – Black-Scholes valuation (iii)		(40,236)
Exercise of stock options	1,185,395	623,628
Exercise of stock options – Black-Scholes valuation		396,676
Flow-through tax effect (iv)		(141,800)
Issued and outstanding, October 31, 2010	91,454,933	53,419,042

6. CAPITAL STOCK (Continued)

Issued and outstanding, October 31, 2010	91,454,933	53,419,042
Private placement (v)	1,819,000	5,002,250
Cost of issue (v)		(375,189)
Issue of warrants – Black-Scholes valuation (v)		(38,400)
Private placement (vi)	65,000	178,750
Cost of issue (vi)		(10,894)
Exercise of stock options	630,000	453,600
Exercise of stock options – Black-Scholes valuation		250,740
Flow-through tax effect (iv)		(3,819,285)
Issue of shares for exploration properties (vii)	1,000,000	1,720,000
Cost of issue (vii)		(27,690)
Issued and outstanding, October 31, 2011	94,968,933	$ 56,752,924

i) In December 2009, the Company issued 237,620 flow-through shares in a private placement to directors, officers, employees, other service providers and a financial institution at $1.75 per share for gross proceeds of $415,835. Issue costs in connection with the private placement were $21,280.

ii) In February 2010, the Company issued 2,000,000 flow-through shares in a private placement at $2.50 per share for gross proceeds of $5,000,000. Issue costs in connection with the private placement were $381,261. A brokerage commission of 6% of gross proceeds was paid and 120,000 (agent) purchase warrants were issued. Each agent warrant entitles the holder to purchase one common share at a price of $2.00 until February 26, 2012. The Black-Scholes value associated with these broker warrants was $62,040.

iii) In September 2010, the Company issued 1,400,000 flow-through shares in a private placement at $2.30 per share for gross proceeds of $3,220,000. Issue costs in connection with the private placement were $285,586. A brokerage commission of 6% of gross proceeds was paid and 84,000 (agent) purchase warrants were issued. Each agent warrant entitles the holder to purchase one common share at a price of $1.60 until September 15, 2012. The Black-Scholes value associated with these broker warrants was $40,236.

iv) The Company has adopted EIC-146, whereby the Company recognizes the future tax liability and reduces shareholders' equity accordingly, on the date that the Company renounces the tax credits associated with expenditures from flow-through proceeds. The future income tax liability can be offset against unrecognized future income tax assets, if certain criteria are met. As a result, the Company has recorded $3,819,285 as a future income tax liability during the fiscal year of which $660,883 was applicable to income in the current year and $3,158,402 was recorded as future income taxes payable. ($141,800 as a future tax liability during the 2010 fiscal year).

v) In December 2010, the Company issued 1,819,000 flow-through shares in a private placement at $2.75 per share for gross proceeds of $5,002,250. Issue costs in connection with the private placement were $375,189. A brokerage commission of 6% of gross proceeds was paid and 109,140 broker warrants were issued. Each warrant entitles the holder to purchase one common share at a price of $1.85 until December 7, 2011. The Black-Scholes value associated with these warrants was $38,400.

vi) In December 2010, the Company issued 65,000 flow-through shares in a private placement to directors, officers, employees and service providers at $2.75 per share for gross proceeds of $178,750. Issue costs in connection with this private placement were $10,894.

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

7. STOCK OPTIONS

The Company has a stock option plan available to directors, officers, employees and other service providers of the Company. Under the plan, the Company may issue options, up to a maximum of 10% of the common shares outstanding, at prices not less than the market price of the common shares at the close of trading on the day immediately preceding the date of the grant. The number of common shares reserved for issuance to any one person may not exceed 5% of the issued and outstanding common shares at the date of such grant. Options granted must be exercised no later than ten years from date of grant or such lesser period as determined by the Company's Board of Directors. Vesting of options is made at the discretion of the Board of Directors at the time the options are granted. During 2011 and 2010, all options granted vested at the date they were granted. The Company applies the fair-value method of accounting for all stock-based compensation awards. Accordingly, stock option compensation of $620,100 was recorded for the 900,000 options granted during the fiscal year of which $413,040 was apportioned to operating

7. STOCK OPTIONS (Continued)

expenses and $207,060 to mineral properties. ($791,400 for 1,075,000 options granted in fiscal 2010 of which $419,762 was apportioned to operating expenses and 371,638 to mineral properties).

On January 25, 2011 the Company amended the expiry date of 250,000 options expiring on January 26, 2011 to expire on January 26, 2016. The fair value of these options amounted to $297,500, using the Black-Scholes option-pricing model with the following assumptions: Dividend yield - $0.00, expected volatility – 36.3%, risk free interest rate – 1.71%, expected term 2.5 years. $44,600 of the cost was apportioned to the operating statement and $252,900 to mineral properties.

For purposes of the options granted, the fair value of each option was estimated on the date of grant using the Black-Scholes option pricing model applying the following assumptions:

	2011	2010
Dividend yield	0	0
Expected volatility	46.5 - 54.7%	49.8 - 52.7%
Risk free interest rate	2.81 - 2.89%	2.33 - 3.44%
Expected term – years	7.5	7.5

Stock Options	Number of Options		Weighted Average Exercise Price	
	2011	2010	2011	2010
Outstanding, beginning of year	4,639,605	4,800,000	$ 1.01	$ 0.82
Granted during year	900,000	1,075,000	$ 1.25	$ 1.30
Cancelled or expired during year	-	(50,000)	$ -	$ 1.25
Exercised during year	(630,000)	(1,185,395)	$ 0.72	$ 0.53
Outstanding, end of year	4,909,605	4,639,605	$ 1.09	$ 1.01

As at October 31, 2011, the following options were outstanding and exercisable:

Exercise Price Range	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable
$0.51 - $1.00	2,134,605	1.01 years	$0.85	2,134,605
$1.01 - $1.50	2,525,000	7.87 years	$1.25	2,525,000
$1.51 - $2.00	250,000	9.50 years	$1.51	250,000

Stock options outstanding as at October 31, 2011

Expiry date	Black-Scholes Value ($)	Number of Options	Exercise Price ($)
June, 2012	277,217	863,605	0.78
June, 2012	31,500	100,000	0.77
September, 2013	386,925	825,000	0.96
April, 2014	52,992	96,000	0.96
June, 2014	468,800	800,000	1.25
January, 2016	397,000	250,000	0.72
April, 2020	192,750	250,000	1.35
June, 2020	536,250	750,000	1.27
September, 2020	62,400	75,000	1.46
April, 2021	224,250	250,000	1.51
June, 2021	395,850	650,000	1.15
	3,025,934	4,909,605	1.09

8. WARRANTS

Warrants	Number of Warrants		Weighted Average Exercise Price	
	2011	2010	2011	2010
Outstanding, beginning of year	204,000	6,868,200	$ 1.84	$ 0.76
Granted during year	109,140	204,000	$ 1.85	$ 1.84
Cancelled or expired during year	-	(6,868,200)	$ -	$ 0.76
Outstanding, end of year	313,140	204,000	$ 1.84	$ 1.84

For purposes of the warrants granted, the fair value of each warrant was estimated on the date of grant using the Black-Scholes option pricing model applying the following assumptions:

	2011	2010
Dividend yield	-	-
Expected volatility	33.3%	33.3% - 80.6%
Risk free interest rate	1.61%	1.28% - 1.61%
Expected term – years	1	1-2

Warrants outstanding as at October 31, 2011 and 2010

Expiry date	Black-Scholes Value ($)	Number of Warrants	Exercise Price ($)
December, 2011	38,400	109,140	1.85
February, 2012	62,040	120,000	2.00
September, 2012	40,236	84,000	1.60
	140,676	313,140	1.84

9. CAPITAL MANAGEMENT

The Company’s objectives in managing capital are to ensure that there are adequate resources to sustain operations and to continue as a going concern, to maintain adequate levels of funding to support acquisition and exploration of mineral properties, to maintain investor and market confidence and to provide returns to shareholders. Funds are primarily secured through equity capital raised by way of private placements. The Board of Directors does not establish quantitative return on capital criteria for management, but relies on the expertise of the Company’s management to sustain future development of the business.

Exploration involves a high degree of risk and substantial uncertainties about the ultimate ability of the Company to achieve positive cash flow from operations. Consequently, management reviews its capital management approach on an ongoing basis. As a part of this review, management considers the cost of capital and the risks associated with each class of capital. Based on recommendations from management, the directors balance overall capital structure through new share issues.

Management believes it will be able to raise equity capital as required in the long term, but recognizes there will be risks involved that may be beyond their control. Management intends to continue to use various strategies to minimize its dependence on equity capital, including the securing of joint venture partners where appropriate.

Management considers its capital structure to consist of equity attributable to equity holders of the Company, comprising issued share capital, contributed surplus, warrants and accumulated losses.

There were no changes in management’s approach to capital management during the year ended October 31, 2011. The Company is not subject to externally imposed capital requirements.

10. FINANCIAL RISK FACTORS

The Company’s exposure to risk factors and their impact on the Company’s financial instruments are summarized below:

a) Fair Value
Fair value represents the amount of which a financial instrument could be exchanged between willing parties, based on current markets for instruments with the same risk, principal and remaining maturity. Fair values estimates are based on quoted market values and other valuation methods.

10. FINANCIAL RISK FACTORS (Continued)

b) Credit Risk
Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to cash and cash equivalents, marketable securities and receivables included in prepaid and sundry receivables. The Company has no significant concentration of credit risk arising from operations. Cash and cash equivalents are held with the Royal Bank of Canada, from which management believes the risk of loss to be minimal. Financial instruments included in prepaid and sundry receivables consist of other receivables. Management believes that the credit risk concentration with respect to financial instruments included in prepaid and sundry receivables is minimal.

c) Liquidity Risk
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at October 31, 2011, the Company had cash and cash equivalents of $11,529,234 (October 31, 2010 - $14,472,115) to settle current liabilities of $4,339,427 (October 31, 2010 - $1,204,686). During the year ended October 31, 2011, the Company raised net proceeds of $5,220,829 through the issue of flow-through shares, and through the exercise of stock options. The Company also received Government exploration incentives of $727,954 In management's opinion, there are sufficient funds to support the planned exploration program for the foreseeable future. All of the company's financial liabilities have contractual maturities of 30 days or less and are subject to normal trade terms. The Company's commitment to spending $13,401,000 on flow-through expenditures between February 26, 2010 and December 31, 2011, was fulfilled as of October 31, 2011.

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

Interest Rate Risk
The Company has cash balances, interest-bearing bank accounts and no interest-bearing debt. The Company's current policy is to invest excess cash in investment-grade bonds, treasury bills, bankers' acceptances and money market funds. Due to the short-term nature of these financial instruments, fluctuations in market rates do not have a significant impact on the estimated fair value as at October 31, 2011.

Foreign Currency Risk
The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars. The Company funds certain administrative expenses in the United States on a cash-call basis using US dollar currency converted from its Canadian dollar bank account held in Canada. Management believes the foreign exchange risk derived from currency conversions is manageable and therefore, does not hedge its foreign exchange risk.

Price Risk
The Company is exposed to price risk with respect to commodity and equity prices. Equity-price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity-price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of precious metals, individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company.

e) Sensitivity Analysis
The Company has designated its cash and cash equivalents and marketable securities as available-for-sale, which are both measured at fair value with unrealized gains and losses recorded in other comprehensive income. Financial instruments included in prepaid and sundry receivables are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost.

The carrying- and fair-value amounts of the Company's financial instruments are:

	Assets (Liabilities)			
	October 31, 2011		October 31, 2010	
	Carried at cost ($)	Carried at fair market value ($)	Carried at cost ($)	Carried at fair Market value ($)
Cash and cash equivalents	11,509,346	19,888	14,463,554	8,561
Marketable securities	-	3,707,581	-	3,233,472
Prepaid expenses and sundry receivables	431,458	-	293,449	-
Accounts payable and accrued liabilities	(4,339,427)	-	(1,204,686)	-

10. FINANCIAL RISK FACTORS (Continued)

Financial instruments included in prepaid and sundry receivables are other receivables of $431,458 (2010 – $293,449). Based on Management's knowledge and experience of the financial markets, the Company believes that the following movements are "reasonably possible" over a twelve-month period:

i) Interest-bearing bank accounts are at a variable rate and investments maturing in less than one year are subject to new interest rates at the time of renewal, and therefore, may be impacted. Current short-term interest rates are less than 2.0%. Sensitivity to a plus or minus 1% (100 basis point) change in current interest rates would affect net loss by plus or minus $144,800.

ii) The Company has investments in public companies. Sensitivity to a plus or minus 50% change in the fair-market value of those securities would affect comprehensive net loss by $355,156.

11. SUPPLEMENTARY INFORMATION

As at October 31, contributed surplus is comprised of the following:

	2011	2010
Balance, beginning of year	$ 9,541,856	$ 4,465,309
Options granted	620,100	791,400
Option maturity date extended	297,500	-
Options exercised	(250,740)	(396,676)
Warrants expired	-	4,681,823
Balance, end of year	$10,208,716	$ 9,541,856

Changes in non-cash working capital items:

	2011	2010
Prepaid and sundry receivables (use of funds)	$ 128,992	$ (414,166)
Accounts payable and accrued liabilities	123,619	48,902
	$ 252,611	$ (365,264)

Composition of cash and cash equivalents:

	2011	2010
Cash	$10,655,172	$13,726,237
Cash equivalents	874,062	745,878
	$11,529,234	$14,472,115

	2011	2010
Cash paid for interest	$ -	$ -
Cash paid for income tax	$ -	$ -
Non-cash financing and investing activity issuance of common shares for exploration properties	$1,720,000	$ -
Receipt of common shares for exploration options and information	$ 350,000	$ 26,230

12. RELATED PARTY TRANSACTIONS

	2011	2010
Management wages paid to a director	$ 222,267	$ 205,333
Premises rent paid to a director	$ 12,000	$ 12,000
Accounts payable to a director	$ 3,000	$ 3,000
Geological and administrative fees and out-of-pocket expenditures to a private company controlled by the exploration manager	$ 201,876	$ 189,325
Accounts payable to the exploration manager	$ 76,259	$ 19,262

The transactions were measured at the amount established and accepted by the parties.

13. ACCUMULATED OTHER COMPREHENSIVE LOSS

The balance in accumulated comprehensive loss consists of unrealized gains or losses on available-for-sale investments.

14. INCOME TAXES

Provision for income taxes

Income tax recovery varies from the amounts that would be computed by applying the basic combined federal and provincial income tax rate aggregating 28.6% (2010 - 31.5%) to loss before income taxes, as shown in the following table:

	2011	2010
Expected income tax recovery	$ 474,265	$ 869,650
Non-deductible stock based compensation	(130,885)	(132,225)
Share issue expenses deductible	118,809	133,704
Non-deductible mineral properties	(181,365)	(526,520)
Other	(11,733)	(9,920)
Change in valuation allowance	391,792	(95,584)
Future income tax recovery	$ 660,883	$ 239,105

Significant components of the Company's future income tax assets (liabilities) are as follows:

	2011	2010
Non-capital losses carried forward	$ 1,769,009	$ 1,652,007
Capital assets	152,661	156,669
Mineral properties	(5,533,507)	(1,822,088)
Share issue costs deductible in future periods	268,616	296,371
Other	138,006	100,210
	(3,205,215)	383,169
Valuation allowance	46,813	(383,169)
Future income tax asset (liability)	$ (3,158,402)	$ -

Non-capital loss carry forwards

The Company has reported non-capital losses available for deduction of approximately $6,185,345 (2010 - $5,244,466). These losses, if not utilized, will expire as follows:

2014	$ 352,194
2015	608,924
2026	731,676
2027	682,717
2028	926,936
2029	879,515
2030	1,062,504
2031	940,879
	$ 6,185,345

The Company has Canadian exploration expenditures and Canadian development expenditures available to reduce future years' taxable income, in the amount of $22,646,968. The tax benefit of these amounts is available for carry-forward indefinitely.

15. SUBSEQUENT EVENTS

1. On December 2, 2011 the Corporation entered into a private placement agreement consisting of 2,615,441 flow-through shares at a price of $2.20 per share (approximately 80% premium to market) for aggregate gross proceeds of $5,753,970. The shares are subject to a hold period of four months. Finder's fees for the placement agent are equal to 6% of the gross proceeds of the financing as well as non-transferable broker-warrants entitling the agent to purchase 156,926 ordinary common shares at $1.40 per share for a period of 18 months from the closing date. In accordance with income tax legislation, the Company will renounce resource expenditure tax deductions equal to the eligible amount spent, to a maximum of $5,573,970, on December 31, 2011 for activities funded by this flow-through share arrangement as described in note 6(iv). Under Canadian GAAP, the transaction would result in a future income tax liability and a corresponding reduction of share capital, in the period when the renunciation occurs (second quarter of fiscal 2012) to a maximum of approximately $1,594,000.
2. On December 29, 2011 the Corporation completed a non-brokered private placement with directors, officers and service providers consisting of 83,500 flow-through shares at a price of $1.30 per share for aggregate gross proceeds of $108,550. The shares are subject to a hold period of four months. Under Canadian GAAP, the transaction would result in a future income tax liability and a corresponding reduction of share capital, in the period when the renunciation occurs (second quarter of fiscal 2012) to a maximum of approximately $31,000.

CORPORATE INFORMATION

MANAGEMENT AND DIRECTORS

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

James L. Bezeau, BBA, CMA,
Chief Financial Officer

Catherine I. Butella, B.Sc.
Exploration Manager

Jay Goldman, BA, MBA, LLB
Corporate Secretary

Ian J. Bryans, B.A.*
Director

John A. Hansuld, Ph.D.*
Director

David K. Joyce,
Director

William L. Koyle *
Lead Director

Richard W. Hutchinson, Ph.D.
Chief Technical Advisor

Neil Hillhouse, Ph.D.
Special Advisor

Dr. Ted Moses, (former Cree Grand Chief)
Special Advisor

Chad Steward
Manager Communications

* Member of Audit Committee

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200 University Avenue, Suite 400
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SHARES LISTED

Symbol: ER
The Toronto Stock Exchange

SHARE STRUCTURE (as at Oct. 31, 2011)

Issued: 94,968,933
Options: 4,909,605 ($5,351,469)
Warrants: 313,140 ($576,177)

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