



# EASTMAIN

## Eastmain Resources Inc.

### FIRST QUARTERLY REPORT

FOR THE PERIOD ENDING JULY 31, 1999

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#### Highlights

- \$1.3 million in exploration funding to April 30, 2000
- Railroad – surface mapping traces VMS horizon
- Tingley – Buried magnetic anomaly – metallic source
- CNE – High grade zinc deposit trucking distance from mill
- Lac Elmer – Prospecting on high grade gold zone
- Clearwater – Surface stripping uncovers VG in new vein
- Abitibi – geophysics unlocks potential on new frontier

#### Base Metal Exploration

**Railroad Project** – One hundred kilometres of line cutting, electromagnetic and magnetic surveys along with geological mapping have been completed on our 100% owned Railroad claim group. These surveys have enabled us to trace the Brunswick mine trend completely across the claim block. IP surveys have defined drill targets up to one kilometre long coinciding with strongly chloritized rocks. These rocks characterize the footwall alteration of the mines.

**Tingley Brook Project** – 1,825 metres of diamond drilling were completed in August to test geophysical and geochemical anomalies on the property. Four of nine drill holes intersected rocks comparable to footwall rocks hosting the base metal orebodies in Bathurst. Drill hole TB-99-01 intersected up to 10% disseminated sulphide over 65 metres and includes accessory base metals across six metres. According to independent geophysicists, a very large magnetic anomaly located near hole TB-99-01 is consistent with a buried response from a massive base metal sulphide deposit.

**CNE Deposit** – Eastmain has reached an agreement in principle with Stratabound Minerals Corporation to extract a small but high-grade zinc-rich massive sulphide deposit located 1.5 km northeast of Railroad. The project is within trucking distance of the mill at Brunswick #12, which is currently operating below capacity. Stratabound previously completed three small profitable open pit “bulk samples” extracting a total of 39,000 tonnes using local contractors.

The mineable open pit reserve reported by Stratabound is 83,000 tons grading 7.3% zinc, 2.6% lead and 2.6 ounces silver per ton. Based on previous “bulk sample” results, in which actual mill feed metal concentrations were significantly higher than the resource estimates, Eastmain considers the open pit reserve grades to be understated. Recent exploration on our Railroad project indicates that CNE, Railroad and Roche Long Lac are on the same trend. The potential for expanding the high-grade massive sulphide zone at depth at CNE will be evaluated by Eastmain. In addition to supplementing our treasury, extracting the CNE high-grade ore through local contractors will assist us with exploration at Railroad. The economic viability of the project is sensitive to zinc price fluctuations and negotiating an acceptable custom milling agreement.

Eastmain and Stratabound have agreed to split any profits equally after all direct mining and milling costs are recovered from the Net Smelter Return of the ore.

**Abitibi Extension Project** – Linecutting and geophysical surveys are in progress in preparation for a winter drill program. The project covers the lateral extension of the Abitibi Greenstone Belt – which has accounted for 170 million ounces of gold, 625 million ounces of silver, 9 million tonnes of copper and 19 million tonnes of zinc from a multitude of impressive ore deposits. Quaterra Resources Inc. is earning a 50% interest in the project by funding \$1.53 million in exploration over four years. The objectives of the current program are to confirm the location, conductive strength and orientation of approximately 35 high priority airborne EM targets.

### **Gold Exploration**

**Clearwater Project** – A program of surface stripping is in progress on the Eau Claire Gold Deposit, a 50/50 joint venture with SOQUEM. Previous stripping in May exposed the *J Vein* for a length of 80 metres. The joint venture partners have estimated that the *J Vein* currently contains 400,000 tonnes grading 10 grams gold per tonne (8.09 gpt gold with all assay intervals cut to one ounce). The current program has discovered a new vein aligned parallel to the *J Vein* extending from 4+70 W to 6+00 W, a length of 130 metres. Visible gold has been observed within this new vein, which will be channel sampled at 10-metre-intervals. Additional stripping and closer spaced diamond drilling is necessary to estimate the total gold resource within the Eau Claire deposit as many of the veins are less than 100 metres long but may extend down-dip for several hundred metres. Five other sectors on the property have been identified as having potential to add to the gold resource at Clearwater. Stripping and sampling will be completed by mid-October.

**Lac Elmer Project** – Cambior completed prospecting and mapping on nine target areas in August and September. Highlights of the program include the discovery of a new sector containing quartz veins and stockwork 700 metres northeast of the Gabbro showing. Previous work by Barrick Gold Corporation detected from 35 to 43 grams gold per tonne within the Gabbro showing. 103 samples from the nine target areas have been submitted for assay.

### **Financial**

Eastmain has \$1,032,234 in working capital as at July 31, 1999. Our exploration budget for the current fiscal year is \$1.3 million, which includes \$775,000 for gold, and \$530,000 for base metal exploration. Eastmain's portion is \$105,000. The Company will benefit from \$200,000 in financial assistance from Minière du Moyen-Nord grants towards Clearwater and \$40,000 from New Brunswick.

Donald J. Robinson,  
*President and Chief Executive Officer*  
September 30, 1999

**EASTMAIN RESOURCES INC.**  
**BALANCE SHEETS (Unaudited)**

**Three months ended July 31,**

	<b>1999</b>	<b>1998</b>
<b>ASSETS</b>		
CURRENT		
Cash and short-term investments	\$ 472,742	\$ 1,258,987
Marketable securities	528,893	303,024
Sundry receivables	30,599	10,503
	1,032,234	1,572,514
Capital Assets	24,819	34,119
Mining Properties	740,452	610,918
Deferred Exploration	4,548,228	4,232,311
	\$ 6,345,733	\$ 6,449,862
<b>LIABILITIES</b>		
CURRENT		
Accounts payable and accrued liabilities	\$ 11,795	\$ 29,777
Advances from joint venture partners	236,554	115,141
	248,349	144,918
<b>SHAREHOLDERS' EQUITY</b>		
Capital stock	8,098,578	8,098,578
Deficit	(2,001,194)	(1,793,634)
	6,097,384	6,304,944
	\$ 6,345,733	\$ 6,449,862

**EASTMAIN RESOURCES INC.**  
**STATEMENT OF OPERATIONS (Unaudited)**

<b>Three months ended July 31,</b>	<b>1999</b>	<b>1998</b>
<b>Revenue</b>		
Interest and dividends	\$ 7,927	\$ 12,109
Management fees	599	
	<u>8,526</u>	<u>12,109</u>
<b>Expenses</b>		
Professional fees	-	804
General and office	26,759	30,109
Write down of marketable securities to market value	22,532	148,189
Depreciation	2,012	2,537
	<u>51,303</u>	<u>181,639</u>
<b>Net loss for the period</b>	<u>\$ 42,777</u>	<u>\$ 169,530</u>
Net loss per share	<u>\$ 0.00</u>	<u>\$ 0.01</u>

**SCHEDULE OF EXPLORATION EXPENDITURES**

**Three months ended July 31, (Unaudited)**

<b>Projects</b>	<b>1999</b>	<b>1998</b>
Reservoir	28	6,692
Lac Elmer	2,449	2,564
Clearwater	3,654	5,688
Lidge	-	1,962
Abitibi Extension	2,295	3,134
Mattagami VMS	-	3,636
Bathurst VMS	997	27,070
Rocky Lake	1,659	-
Railroad	46,395	39,230
General Exploration	4,503	37,846
	<u>61,980</u>	<u>127,822</u>
Government grants	-	(3,416)
	<u>\$ 61,980</u>	<u>\$ 124,406</u>

## STATEMENT OF CASH FLOWS (Unaudited)

Three months ended July 31,	1999	1998
<b>Cash provided by (used in)</b>		
<b>Operating Activities</b>		
Net loss for the period	\$ (42,777)	\$ (169,530)
Items not affecting cash:		
Write down of marketable securities to market value	22,532	148,191
Depreciation	2,012	2,537
	(18,233)	(18,802)
Net changes in non-working capital		
(Increase) decrease in sundry receivables	(23,604)	38,174
Increase (decrease) in accounts payable	(57,907)	1,939
Increase (decrease) in advances from joint venture partners	100,709	(29,904)
	965	(8,593)
<b>Investing activities</b>		
Exploration expenditures (schedule)	(61,980)	(124,406)
Acquisition of capital assets	-	(4,971)
Acquisition of mining claims	(94,605)	(4,607)
	(156,585)	(133,984)
<b>Financing activities</b>		
Issuance of common shares:		
For cash, on exercise of stock options	-	6,250
	-	6,250
<b>Increase (decrease) in cash</b>	(155,620)	(136,327)
Cash and short-term investments, Beginning of period	628,363	1,395,314
Cash and short-term investments, End of period	\$ 472,743	\$ 1,258,987

**EASTMAIN RESOURCES INC.**

**TRANSFER AGENT**

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**SHARES LISTED**

The Toronto Stock Exchange

**EXPLORATION OFFICE**

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