



EASTMAIN

Eastmain Resources Inc. Year End Financial Statements

FOR THE FIFTEEN MONTH PERIOD ENDING JULY 31, 2000

Clearwater Project

Eastmain and SOQUEM completed three phases of exploration in 2000. This work focused principally on upgrading the gold resource within the Eau Claire deposit and evaluating other targets on the Clearwater property.

The first phase of work was designed to test the lateral and depth extension of gold-rich veins discovered in the fall of 1999 at the 450W Zone. Twenty-two holes totaling 3,100 metres were drilled at 25-m intervals between 400W and 625W. Fifty-two drill intersections assayed greater than 5 grams gold per tonne, thereby confirming the depth extension of these new veins.

The second phase of work included in-fill channel sampling at 5-metre-intervals on each of the new veins discovered within the 450W Zone. Sampling confirmed a marked increase in both continuity and grade for each of these veins. The P Vein averaged 18.08 grams gold per tonne along a length of 138 metres. The J-Q Vein, located 10 metres north of P, averaged 30.37 grams gold per tonne for a length of 167 metres and the R Vein assayed 58.17 grams gold per tonne along a length of 26 metres.

High-grade gold with values of up to 405 grams gold per tonne, including a 5.9-metre-wide section grading 44.99 grams gold per tonne, was reported in altered rock associated with these veins.

The third phase of work completed by Eastmain and SOQUEM in early October consisted of 14 drill holes totaling 2,400 metres, and surface stripping and channel sampling 400 metres west of the 450W Zone. Five new high-grade veins (#11 to 16) were exposed from 850W to 900W.

The Eau Claire deposit has potential to increase in size to the east towards the Cannard Prospect. Gold has been detected within the same rock formation and structural break at Cannard, located two kilometres east of Eau Claire.

Assay results from surface stripping and drilling at Eau Claire exceed the gold grade requirements for an economic deposit. Our near term objective at Clearwater is to define two million tonnes at 10 grams gold per tonne. The next phase of exploration will include metallurgical work to establish the milling and recovery characteristics of the ore.

Railroad Project and Stratabound Option

Exploration in Bathurst is focused on the discovery of a 20-million-tonne zinc-lead-silver massive sulphide deposit. Eastmain has identified eight significant base metal targets by applying new exploration technology created in-house. This technique was developed by gathering geochemical data from past and presently producing mines and comparing it to the Railroad Project and Stratabound Option.

The Corporation is seeking funding for the project through a joint venture with a senior mining company. A recent audit on the project confirmed that "there is ample evidence that a strong mineralized system exists (at Railroad and Stratabound)". A major diamond drill program has been recommended for the fall 2000.

Abitibi Extension

Exploration has confirmed that the world's richest greenstone belt extends under glacial cover onto our four claim blocks. Diamond drilling earlier this year intersected massive sulphide in 16 of 17 holes. A two-phase geophysical and drilling program is recommended for this high-potential frontier. Quaterra Resources is earning 50% interest by funding the first four years of work.

Financial

As at July 31, 2000 the assets of the Corporation are \$660,478. Eastmain contributed \$661,469 during the 15-month period in deferred exploration expenditures, principally to advance our Clearwater and Railroad projects. The government of Quebec contributed \$175,000 in funding towards Clearwater in 2000. New Brunswick has awarded the Company \$40,000 for exploration at Railroad. The Company raised \$520,000 through a private placement and exercise of stock options.

Our principal objective is to fund exploration through joint venture partnerships and supplemental government grants. The Corporation is actively seeking a Senior Partner to fund its base metal exploration program in New Brunswick. Quaterra Resources is obligated to fund the next \$ 1,000,000 on our Abitibi Extension Project.

Donald J. Robinson,
President and Chief Executive Officer
October 31, 2000

EASTMAIN RESOURCES INC.
BALANCE SHEETS

For the Period	July 31, 2000	April 30, 1999
	Audited	Audited
ASSETS		
CURRENT		
Cash and cash equivalents	\$ 242,974	\$ 628,363
Marketable securities (Note 2)	402,193	551,425
Prepaid and Sundry	15,311	6,995
	660,478	1,186,783
Capital Assets (Note 3)	21,608	26,831
Mining Properties (Note 4)	769,389	645,845
Deferred Exploration Expenditures (Note 5)	5,043,203	4,486,248
	\$ 6,494,678	\$ 6,345,707
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 94,470	\$ 69,700
Advances from joint venture partners	-	135,845
	94,470	205,545
SHAREHOLDERS' EQUITY		
Capital stock	8,634,784	8,098,578
Deficit	(2,234,576)	(1,958,416)
	6,400,208	6,140,162
	\$ 6,494,678	\$ 6,345,707

APPROVED ON BEHALF OF THE BOARD:

“Donald J. Robinson”

Director

“Hugh R. Snyder”

Director

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

**EASTMAIN RESOURCES INC.
STATEMENT OF OPERATIONS**

For the Period	July 31, 2000	April 30, 1999
	Audited	Audited
Revenue		
Interest and dividends	\$ 70,830	\$ 112,050
Management fees	35,884	-
	106,714	112,050
Expenses		
General and office administration	237,626	173,705
Writedown in investments	95,981	191,292
Loss on sale of investments	18,427	5,232
Professional fees	16,607	13,281
Abandoned mineral property	6,184	52,527
Amortization	8,049	10,326
	382,874	446,363
Net loss for the period	276,160	334,313
Deficit, beginning of period	1,958,416	1,624,103
Deficit, end of period	\$ 2,234,576	\$ 1,958,416
Net loss per share	\$ 0.016	\$ 0.021

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

EASTMAIN RESOURCES INC.
STATEMENT OF CASH FLOWS

For the period ending	July 31, 2000	April 30, 1999
Cash provided by (used for)	Audited	Audited
Operating Activities		
Net loss for the period	\$ (276,160)	\$ (334,313)
Items not affecting cash:		
Loss on sale of investments	18,427	5,232
Write-down in investments	95,981	191,292
Abandoned mineral property	6,184	52,527
Amortization	8,049	10,326
	(147,519)	(74,936)
Net changes in non-working capital (Note 7)	(119,391)	74,344
	(266,910)	(592)
Investing activities		
Acquisition of capital assets	(2,826)	(5,472)
Acquisition of mining claims	(99,367)	(39,534)
Deferred exploration expenditures (schedule)	(661,469)	(566,461)
Government grants	100,160	135,586
Purchase of marketable securities	(682,969)	(300,000)
Proceeds from sale of marketable securities	717,786	3,267
	(738,684)	(772,614)
Financing activities		
Private placement	500,000	-
Issue expense	(9,794)	-
For cash, on exercise of stock options	20,000	6,250
	510,206	6,250
Increase (decrease) in cash	(385,389)	(766,956)
Cash and cash equivalents, beginning of period	628,363	1,395,319
Cash and cash equivalents, end of period	\$ 242,974	\$ 628,363

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

EASTMAIN RESOURCES INC.
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2000 AND APRIL 30, 1999

1. SIGNIFICANT ACCOUNTING POLICIES

- a) **Financial Statements**
These financial statements are prepared in accordance with generally accepted accounting principles in Canada.
- b) **Nature of Financial Statements**
All costs of acquiring mineral properties are capitalized. Exploration and development costs incurred to bring a mining property into production, expand the capacity of an operating mine, develop new ore bodies, or develop mine areas substantially in advance of production are capitalized.
- If a mineral property or major exploration project is abandoned, or considered to have no immediate value, all costs related thereto are written off. Mineral property acquisition costs and deferred exploration and development costs relating to producing properties will be amortized using a unit-of-production method based on the estimated useful life of the mine.
- c) **Amortization**
Amortization on the Company's capital assets is provided for at 30% per annum on a declining balance basis.
- d) **Future Operations**
These financial statements have been prepared on a going concern basis notwithstanding the effect of continued losses over the years and a deficit. Future operations are dependent upon continuing to successfully obtain funding or future profitable operations or proceeds from disposition.
- e) **Joint Ventures**
The Company conducts some of its exploration activities on a joint venture basis. These financial statements reflect only the expenditures made by the company for its proportionate interest in such joint ventures.
- f) **Fair Market Value of Financial Instruments**
The carrying value of cash and cash equivalents, prepaid and sundry receivables, marketable securities and accounts payable approximate fair value given their short-term nature.
- g) **Use of Estimates**
Management makes various estimates and assumptions in determining the reported amounts of assets and liabilities, revenues and expenses for each year presented. Changes in estimates and assumptions will occur based on additional information and the occurrence of future events.
- h) **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 mining and resource properties.
- i) **Year End Changes**
During the year the Company changed its year-end from April 30 to July 31. Accordingly these financial statements include the fifteen months of operations to July 31, 2000, and having comparative figures for the twelve months ended April 30, 1999.

2. MARKETABLE SECURITIES

Marketable securities are recorded at the lower of cost and market value

3. CAPITAL ASSETS

The capital assets are recorded at cost and are comprised as follows:

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>July 31 2000 Net Book Value</u>	<u>April 30 1999 Net Book Value</u>
Computer equipment	\$ 34,024	\$ 19,206	\$ 14,818	\$ 17,132
Office and field equipment	21,072	14,282	6,790	9,699
	<u>\$ 55,096</u>	<u>\$ 33,488</u>	<u>\$ 21,608</u>	<u>\$ 26,831</u>

4. MINING PROPERTIES

The mining property claims are recorded at cost and consist of the following projects:

		<u>July 31 2000</u>	<u>June 30 1999</u>
<u>Quebec:</u>	Clearwater	\$ 230,823	\$ 230,800
	Reservoir	109,809	103,874
	Lac Elmer	12,572	12,542
	Lidge	46,731	44,842
	Lac Hudson	18,414	11,738
	Matagami	-	1,829
<u>Ontario:</u>	Abitibi Extension	54,654	18,747
	Akweskwa	139,483	139,483
	Kidd	60,340	60,340
<u>New Brunswick:</u>	Railroad	23,066	8,743
	Rocky Lake	12,852	11,503
	Tingley Brook	3,323	-
	Stratabound	52,700	-
	CNE Project	2,367	-
	Bathurst	2,255	1,404
		<u>\$ 769,389</u>	<u>\$ 645,845</u>

5. DEFERRED EXPLORATION EXPENDITURES

Deferred exploration expenditures are recorded at cost and are comprised as follows:

	<u>Balance April 30, 1999</u>	<u>Expenditures</u>	<u>Government Grants</u>	<u>Abandoned Mineral Property</u>	<u>Balance July 31, 2000</u>
a) Clearwater	\$ 1,142,253	\$ 366,691	\$ (44,891)	\$ -	\$ 1,464,053
Reservoir	1,380,098	1,896	-	-	1,381,994
Lac Elmer	136,274	4,330	(15,269)	-	125,335
Lidge	370,659	-	-	-	370,659
Lac Hudson	117,548	-	-	-	117,548
Matagami	4,354	-	-	(4,354)	-
Akweskwa	613,066	-	-	-	-
Kidd	69,203	-	-	-	-
Abitibi	46,369	36,789	-	-	83,158
Railroad	185,832	163,350	(40,000)	-	309,182
Tingley Brook	-	33,926	-	-	33,926
Rocky Lake	119,511	-	-	-	-
Bathurst	88,489	2,526	-	-	91,015
General and other	212,592	49,216	-	-	261,808
	<u>\$ 4,486,248</u>	<u>\$ 661,469</u>	<u>\$ (100,160)</u>	<u>\$ (4,354)</u>	<u>\$ 5,043,203</u>

5. DEFERRED EXPLORATION EXPENDITURES (continued)

Deferred exploration expenditures are recorded at cost and are comprised as follows:

	Balance April 30, 1998	Expenditures	Government Grants	Abandoned Mineral Property	Balance April 30, 1999
b) Clearwater Reservoir	\$ 1,176,356	\$ 14,872	\$ (48,975)	\$ -	\$ 1,142,253
Lac Elmer	1,389,493	17,216	(26,611)	-	1,380,098
Lidge	77,143	59,625	(494)	-	136,274
Lac Hudson	387,942	2,223	(19,506)	-	370,659
Matagami	117,548	-	-	-	117,548
Akweskwa	154	4,200	-	-	4,354
Kidd	606,911	6,155	-	-	613,066
Abitibi	69,203	-	-	-	69,203
Railroad	1,103	45,266	-	-	46,369
Rocky Lake	6,398	219,434	(40,000)	-	185,832
Bathurst	78,942	40,569	-	-	119,511
General and other	1,624	86,865	-	-	88,489
Taber	142,556	70,036	-	-	212,592
	<u>52,527</u>	<u>-</u>	<u>-</u>	<u>(52,527)</u>	<u>-</u>
	<u>\$ 4,107,900</u>	<u>\$ 566,461</u>	<u>\$ (135,586)</u>	<u>\$ (52,527)</u>	<u>\$ 4,486,248</u>

c) Projects subject to option and royalty agreements as at April 30, 1999:

Kidd Project

The Company holds an option to earn a 100% interest in the Butterworth claims, situated in Wark Township, Timmins, Ontario. The property is subject to a 10% Net Profits Interest Royalty, whereby Eastmain has the option to purchase one half of the royalty. The Company formed a 50/50 joint venture with Falconbridge Limited, which includes the Butterworth claims and adjacent claims owned by Falconbridge. Falconbridge must fund the next \$150,000 in work expenditures to earn their 50% interest in this 112 hectare base metal project and the cost of the Butterworth option payments shall be divided equally among the joint venture partners. The owners of the Butterworth claims have accepted notice that further option payments will be suspended until market conditions improve.

Akweskwa Project

The Company has acquired the Akweskwa Project subject to a Net Smelter Return Royalty up to 2.5%, located near Timmins, Ontario. This 752-hectare property includes 9 patented claims optioned from Falconbridge Limited, 7 mining claims optioned from Hanson, 11 mining claims optioned from Bradbrook and 20 mining claims staked by the Company. Eastmain has earned a 50% interest in the Falconbridge claims and a 100% interest in the Bradbrook claims.

The owners of the Hanson claims have accepted notice that further option payments will be suspended until market conditions improve.

Reservoir Project (includes Lidge Project)

In an agreement with Boliden Westmin Limited dated February 21, 1995 and amended September 23, 1998, Eastmain acquired a 100% interest in the Reservoir Project subject to a 1% Net Smelter Return Royalty.

Clearwater Project

Eastmain holds a 50% interest in the 14,480 hectare Clearwater Project, located in Quebec, subject to a 3% Net Smelter Return Royalty to Boliden Westmin Limited. Eastmain has issued 200,000 Common Shares valued at \$144,000 for this 50% interest. Eastmain has the option to convert two-thirds of the Net Smelter Return Royalty in exchange for 500,000 Common Shares and 500,000 Share Purchase Warrants at \$0.75 per share. Societe Quebecoise d' Exploration Miniere (SOQUEM) has earned the other 50% interest in the project by expending \$2 million.

Lac Elmer Project

The Company holds a 50% interest in three exploration permits totalling 27,595 hectares, located within the Eastmain River area, Quebec, in joint venture with Barrick Gold Corporation. Barrick previously earned a 50% interest in the Lac Elmer Project by funding \$1 million in work expenditures.

BHP Agreement (includes Railroad and Abitibi Extension Projects)

The Company acquired a 100% interest in lands formerly under BHP Minerals Canada Ltd.'s control or ownership in Quebec, Ontario and New Brunswick subject to a 3% Net Smelter Return Royalty by issuing 1,500,000 Share Purchase Warrants. 1,000,000 of these Warrants have expired and 500,000 of these Warrants are exercisable at \$2.75 until May 31, 2001. Eastmain has the option to purchase one percent of the Net Smelter Return Royalty for \$1 million.

Eastmain and BHP Minerals amended their agreement on March 26, 1999, whereby the Abitibi Extension Project shall be subject to a 2% Net Smelter Return Royalty in favour of BHP. Eastmain has the option to purchase one-half of the royalty for \$1,000,000.

Rocky Lake - Otter Brook Project

The Company granted McBroom Resources Inc. an option to earn a 25% interest in the Rocky Lake - Otter Brook Project, located within the Bathurst Mining District, New Brunswick. McBroom earned its interest in the property by funding \$200,000 in work. Any further work shall be funded on a pro rata share of expenditures. Any party failing to contribute its pro rata share of future expenditures shall have its interest converted to 10% net profits interest if its interest is diluted below 10%.

Abitibi Extension Project

Quaterra Resources Inc. acquired an option to earn a 50% interest in the Abitibi Extension Project in exchange for \$1,530,000 in exploration expenditures and 300,000 Quaterra common shares prior to April 30, 2003. Eastmain shall be the project operator and entitled to a 10% management fee.

Tingley Brook Project

Eastmain granted Bubbee Ventures Inc. an option to earn a 25% interest in the Tingley Brook Project, located within the Bathurst Mining District, New Brunswick. Bubbee earned its interest in the property by funding \$150,000 in work. Any further work shall be funded on a pro-rata share of expenditures. Any party failing to contribute its pro-rata share of future expenditures shall have its interest converted to 10% net profits interest if its interest is diluted below 10%.

Stratabound Agreement

Eastmain acquired an option to earn a 50% interest in 394 claims owned by Stratabound Minerals Corporation, located within the Bathurst Mining District, New Brunswick. Eastmain must incur \$1,500,000 in work expenditures over five years and issue 50,000 common shares to earn its interest. The Corporation has the option to earn an additional 10% interest in the property for an additional \$50,000 cash and \$1,000,000 in exploration expenditures. Eastmain also has the right to contract mine the CNE zinc-lead-silver deposit, located on Mining Lease 251, and split equally any profits with Stratabound.

6. CAPITAL STOCK

- a) The following table sets forth the changes in issued and outstanding Common Shares of the Company:

	<u>Number of Shares</u>	<u>Amount</u>
Authorized:		
Unlimited Common Shares		
Issued and outstanding - April 30, 1998	16,301,187	\$ 8,092,328
Issued during year - conversion of stock options (cash)	<u>25,000</u>	<u>6,250</u>
Issued and outstanding - April 30, 1999	16,326,187	\$ 8,098,578
Issued during year - conversion of stock options (cash)	80,000	20,000
- private placement (cash) (net of \$9,794 issue expenses)	1,428,570	490,206
Shares to be issued for mining properties	<u>50,000</u>	<u>26,000</u>
Issued and outstanding - July 31, 2000	<u>17,884,757</u>	<u>\$ 8,634,784</u>

- b) The Company has a stock option plan available to directors, officers, employees and other service providers of the Company. A maximum of 2,000,000 Common Shares may be issued under the Plan from time to time at prices not less than the market price of the Common Shares at 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.

6. **CAPITAL STOCK (continued)**

At April 30, 1999 the following stock options were outstanding:

<u>Number Of Options</u>	<u>Price Per Share</u>	<u>Expiry Date</u>
275,000	.60	March 21, 2001
100,000	.25	March 25, 2003
395,000	.65	August 13, 2002
50,000	.30	May 19, 2003
<u>825,000</u>	.36	February 4, 2005
<u>1,645,000</u>		

- c) Earnings per share are computed using the weighted average number of Common Shares outstanding, amounting to 17,002,688 (1999 - 16,312,645).

7. **CHANGES IN NON-CASH WORKING CAPITAL**

The changes in non-cash working capital is comprised as follows:

	<u>July 31 2000</u>	<u>April 30 1999</u>
Prepaid and sundry	\$ (8,316)	\$ 41,682
Advances from joint venture partner	(135,845)	(9,200)
Accounts payable	<u>24,770</u>	<u>41,862</u>
	<u>\$ (119,391)</u>	<u>\$ 74,344</u>

8. **INCOME TAXES**

The Company estimates that \$2,937,297 (\$2,876,000 in 1999) of various classes of exploration expenses can be applied against taxable income in subsequent taxation years.

In addition, the Company has remaining losses of approximately \$905,855 carried forward for income tax purposes. These may be used until the year 2007 to reduce income, which would otherwise have been taxed. No provision has been recorded in these financial statements for this possible tax benefit. These losses expire as follows:

2001	10,102
2002	69,886
2003	90,786
2004	252,794
2005	196,369
2006	136,400
2007	149,518

9. **COMPARATIVE FIGURES**

The prior years figures have been reclassified where necessary to conform to this year's presentation.

EASTMAIN RESOURCES INC.

TRANSFER AGENT

Equity Transfer Services Inc.
120 Adelaide St. West,
Suite 800
Toronto, Ontario M5H 3V1

Contact: Louisa Roberto
Tel: (416) 361-0930 ext. 226
Fax: (416) 361-0670

SHARES LISTED

The Toronto Stock Exchange
Trading Symbol : ER

EXPLORATION OFFICE

Eastmain Resources Inc.
RR#1 Orangeville,
Ontario, Canada L9W 2Y8

Tel: (519) 940-4870
Fax: (519) 940-4871
Email: robinson@eastmain.com