

Unaudited Financial Statements of

**EASTMAIN RESOURCES INC.**

(PREPARED BY MANAGEMENT)

Third Quarter Ended April 30, 2001



# EASTMAIN

## Eastmain Resources Inc. THIRD QUARTERLY REPORT FOR THE PERIOD ENDING APRIL 30, 2001

---

### Highlights

- Clearwater Project - surface stripping and channel sampling underway
- Railroad Project – diamond drill in progress on Railroad deposit and regional targets
- CNE Project – IP surveys outline untested Brunswick horizon – drilling to follow
- Abitibi Extension – new surface geophysical surveys confirm airborne targets
- Working capital \$1 million

### Clearwater Project, Quebec

The current estimate at Eau Claire is approximately 300,000 ounces of gold in drill indicated and inferred resources. With the emphasis on expanding this resource, surface stripping and channel sampling, proven to be the most effective tools for locating gold-rich veins at Clearwater, are underway. A number of new gold zones will also be tested.

The current program will focus on the west end of the Eau Claire deposit (850 West Zone), where previous work exposed Vein 16 for a length of 67 metres at an average grade of 21 grams gold per tonne (0.61 ounces). Additional stripping will also focus on expanding Vein 11 which assayed 355 grams gold per tonne (10.4 ounces) across a 0.9 metre thickness. Intense rock alteration is more abundant in the vicinity of the 850 West Zone than elsewhere at Eau Claire. This could reflect proximity to the gold source.

Other target areas to be tested will include gold-bearing prospects at Maurice, Cannard and Natel. A second phase of drilling is planned for the Fall 2001. Results from this current surface program will be released prior to drilling.

### Railroad Project – Billiton JV, New Brunswick

Diamond drilling commenced in mid-June. Billiton is funding the program through a \$700,000 private placement completed in December 2000. Drilling will test several base metal prospects previously located on the property within the same rock formations as

the 160-million-tonne Brunswick #12 zinc-lead-copper-silver mine. With 46 massive sulphide deposits discovered to date, ranging from 1 to >100 million tonnes, the Brunswick mining camp represents one of the most prolific regions in the world to explore for base metals.

Two drills will be utilized on the property; one drill will concentrate on the Railroad deposit while the second rig will test regional targets. Six holes, totaling 3,000 metres, are planned to test the Railroad deposit at 200 to 400 metres below surface. Fifteen to twenty holes, totaling 4,000 metres will test IP and magnetic anomalies within rock formations laterally equivalent to the Brunswick mine horizon. Results will be announced at the conclusion of this phase of drilling.

### CNE Project – Stratabound Option, New Brunswick

The CNE acquisition has doubled our exposure to potential ore-bearing rocks within the Brunswick mine horizon. Two base metal deposits have already been discovered. Phase one diamond drilling is scheduled to begin at the CNE project upon completion of the Railroad program. Six holes are planned to test IP targets coinciding with the Brunswick mine trend.

### Abitibi Extension Project, Ontario

Ground geophysical surveys on the Nett River, North French and Chabbie claim blocks have confirmed airborne EM targets previously identified by BHP. A \$250,000 diamond drill campaign is planned for August 2001. The program will be funded by Quaterra Resources and managed by Eastmain.

### Financial

As at April 30, 2001 the working capital of the Corporation was \$1,051,061. Eastmain has contributed \$484,858 in deferred exploration expenditures on the Railroad, Abitibi and Clearwater Projects. Revenue for the nine-month period was \$51,988 while operating expenses totaled \$146,711.

Donald J. Robinson,  
President and Chief Executive Officer

# EASTMAIN RESOURCES INC.

## Balance Sheets (Prepared by Management)

	April 30 2001 (Unaudited)	July 31 2000 (Audited)
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 1,048,962	\$ 242,974
Marketable securities	141,260	402,193
Accounts receivable	46,612	15,311
	1,236,834	660,478
Capital assets	15,571	21,608
Mining properties	787,398	769,389
Deferred exploration expenditures	5,528,061	5,043,203
	\$ 7,567,864	\$ 6,494,678
<b>Liabilities and Shareholders' Equity</b>		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 185,773	\$ 94,470
Capital stock (Note 4)		
Authorized		
Unlimited common shares		
Issued		
20,334,469 common shares	9,842,184	8,634,784
Deficit	(2,460,093)	(2,234,576)
	7,382,091	6,400,208
	\$ 7,567,864	\$ 6,494,678

# EASTMAIN RESOURCES INC.

## Statements of Operations and Deficit (Prepared by Management)

(Unaudited)

	Three Months Ended April 30		Nine Months Ended April 30	
	2001	2000	2001	2000
Revenue				
Interest and dividends	\$ 15,219	\$ 12,411	\$ 32,583	\$ 42,729
Management fee	5,048	26,527	19,405	35,285
	20,267	38,938	51,988	78,014
Expenses				
Amortization	2,012	2,013	6,037	6,038
General and administration	68,451	83,549	140,674	191,643
	70,463	85,562	146,711	197,681
Loss for the period before (loss) gain on sale of marketable securities	(50,196)	(46,624)	(94,723)	(119,667)
(Loss) gain on sale of marketable securities	635	15,557	(130,794)	(135,890)
Loss for the period	(49,561)	(31,067)	(225,517)	(255,557)
DEFICIT, beginning of period	(2,410,532)	(2,225,683)	(2,234,576)	(2,001,193)
DEFICIT, end of period	\$ (2,460,093)	\$ (2,256,750)	\$ (2,460,093)	\$ (2,256,750)
Basic and fully diluted loss per share (Note 5)	\$ (0.002)	\$ (0.003)	\$ (0.005)	\$ (0.007)

# EASTMAIN RESOURCES INC.

## Statements of Cash Flows (Prepared by Management)

(Unaudited)

	Three Months Ended April 30		Nine Months Ended April 30	
	2001	2000	2001	2000
Cash provided by (used in)				
<b>OPERATING ACTIVITIES</b>				
Loss for the period	\$ (49,561)	\$ (31,067)	\$ (225,517)	\$ (255,557)
Amortization	2,012	2,013	6,037	6,038
Loss (gain) on sale of marketable securities	(635)	(15,557)	130,794	135,890
Changes in non-cash working capital items	139,445	(27,157)	60,002	(21,786)
	91,261	(71,768)	(28,684)	(135,415)
<b>FINANCING ACTIVITIES</b>				
Issue of common shares	-	-	1,207,400	520,000
<b>INVESTING ACTIVITIES</b>				
Acquisition of mining claims	(7,244)	(34,821)	(18,009)	33,100
Deferred exploration expenditures	(139,726)	(42,004)	(484,858)	(294,846)
Change in marketable securities	(4,930)	(107,889)	130,139	36,525
	(151,900)	(184,714)	(372,728)	(225,221)
Change in cash and cash equivalents	(60,639)	(256,482)	805,988	159,364
Cash and cash equivalents, beginning of period	1,109,601	888,589	242,974	472,743
Cash and cash equivalents, end of period	\$ 1,048,962	\$ 632,107	\$ 1,048,962	\$ 632,107
<b>Supplementary information</b>				
Interest paid	\$ -	\$ -	\$ -	\$ -
Income taxes paid	-	-	-	-

# EASTMAIN RESOURCES INC.

Notes to Financial Statements (Prepared by Management)

Third Quarter Ended April 30, 2001

(Unaudited)

---

## 1. ACCOUNTING POLICIES

The management of Eastmain Resources Inc. (the "Corporation") have prepared these financial statements in accordance with Canadian generally accepted accounting principles. These statements should be read in conjunction with the audited financial statements for the year ended July 31, 2000. These statements follow the same accounting policies and methods as the most recent annual audited financial statements, except for:

### Loss per share

Eastmain has retroactively adopted the new recommendations for determining loss per common share issued by the Canadian Institute of Chartered Accountants. Accordingly, basic loss per share has been determined by dividing net loss attributable to common shareholders by the weighted average number of common shares outstanding during the period. Dilutive loss per share is in accordance with the treasury method and are based on the weighted average number of common shares and dilutive common share equivalents outstanding.

In the opinion of management, all adjustments considered necessary for fair presentation have been included in these financial statements. Operating results for the nine months ended April 30, 2001 is not indicative of the results that may be expected for the full year ended July 31, 2001.

## 2. STOCK OPTIONS

At April 30, 2001, the Corporation had the following stock options outstanding:

	NUMBER OF OPTIONS	EXERCISE PRICE \$	EXPIRY DATE
	100,000	0.25	March 25, 2003
	395,000	0.65	August 13, 2002
	50,000	0.30	May 19, 2003
	825,000	0.36	February 4, 2005
	100,000	0.34	May 17, 2006
	1,470,000		

---

# EASTMAIN RESOURCES INC.

Notes to Financial Statements (Prepared by Management)

Third Quarter Ended April 30, 2001

(Unaudited)

---

## 3. INCOME TAXES

At April 30, 2001, the Corporation's income tax expense was nil. No benefit has been recognized in these financial statements.

The future income tax assets or future income tax liabilities that may result from differences in tax values and accounting values have not been reflected in these financial statements since it is more than likely than not that some, or all, of the future tax assets and liabilities will not be realized.

## 4. CAPITAL STOCK

During the period, the Corporation entered into an option and subscription agreement with Billiton Metals Canada Inc. and Billiton Resources Canada Limited (collectively Billiton). Under the terms of the subscription agreement, Billiton has purchased 1,000,000 units at a price of \$0.70 per unit for a net proceeds of \$700,000. Each unit consists of one common share of the Corporation and one-half of one share purchase warrant. Each warrant entitles Billiton to buy an additional common share of the Corporation for a period of two years at an exercise price of \$0.80 per share. Billiton has the right to participate in future Eastmain financings pro rata with its percentage interest in the Corporation.

The Corporation completed an offering of 699,714 flow-through common shares for gross proceeds of \$244,900. The Corporation also sold 750,000 flow-through units to the Contrarian Resource Fund 2000 Limited Partnership for net proceeds of \$262,500, with each unit consisting of one flow-through common share and one-half of one transferable common share purchase warrant. One warrant is exercisable for 18 months at \$0.45 cents per share.

## 5. BASIC AND DILUTED LOSS PER SHARE

The loss per share is computed by dividing the loss for the period by the weighted average number of common shares outstanding during the period. Fully diluted loss per share, which reflects the maximum possible dilution from the potential exercise of outstanding stock options and warrants, is anti-dilutive for both periods presented.