

# **NOTICE TO SHAREHOLDERS FOR THE THREE MONTHS ENDED JANUARY 31, 2007 EASTMAIN RESOURCES INC.**

## Responsibility for Financial Statements:

The accompanying financial statements for Eastmain Resources Inc. have been prepared by management in accordance with Canadian generally accepted accounting principles. The most significant of these accounting principles were set out in the October 31, 2006 audited financial statements. Only changes in accounting information have been discussed in the current financial statements. These statements are presented on the accrual basis of accounting. Accordingly, a precise determination of many assets and liabilities is dependant upon future events. Therefore, using careful judgment, estimates and approximations have been made. Recognizing that the Company is responsible for both the integrity and objectivity of the financial statements, management is satisfied that these financial statements have been fairly presented.

## Auditors' involvement

The auditors of Eastmain Resources Inc. have not performed a review of the unaudited financial statements for the three months ended January 31, 2007 and January 31, 2006.

**EASTMAIN RESOURCES INC.**  
**BALANCE SHEETS**  
(PREPARED BY MANAGEMENT – UNAUDITED)

	January 31, 2007	October 31, 2006
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 3,001,069	\$ 4,003,148
Marketable securities (Note 3)	5,433,648	4,758,961
Prepaid and sundry receivables (Note 5b)	361,178	327,418
	<u>8,795,895</u>	<u>9,089,527</u>
Equipment (Note 4)	107,317	114,012
Mining properties and deferred exploration expenditures (Note 5a)	17,414,213	16,609,920
	<u>\$ 26,317,425</u>	<u>\$ 25,813,459</u>
<b>Liabilities and Shareholders' Equity</b>		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 797,064	\$ 1,320,926
Shareholders' equity		
Capital stock		
Authorized –		
Unlimited common shares		
Issued –		
Common shares (Note 6)	26,748,032	26,985,580
Warrants (Note 8)	946,988	1,074,382
Contributed Surplus (Note 7)	3,460,509	3,350,728
	<u>31,155,529</u>	<u>31,410,690</u>
Deficit	(6,291,518)	(6,918,157)
Accumulated other comprehensive income (Note 2)	656,350	-
	<u>25,520,361</u>	<u>24,942,533</u>
	<u>\$ 26,317,425</u>	<u>\$ 25,813,459</u>

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

**EASTMAIN RESOURCES INC.**  
**STATEMENTS OF OPERATIONS**  
(PREPARED BY MANAGEMENT – UNAUDITED)

	January 31,	
	2007	2006
<hr/>		
<b>Revenue</b>		
Interest and dividends	\$ 62,061	\$ 29,144
	<hr/>	<hr/>
	62,061	29,144
<hr/>		
<b>Expenses</b>		
Amortization	6,695	7,861
General and administration	127,874	149,336
Loss on sale of investments	-	12,013
Professional fees	22,603	6,515
Stock option compensation (Note 7)	46,850	425,550
	<hr/>	<hr/>
	204,022	601,275
<hr/>		
Loss for the period before the following:	(141,961)	(572,131)
Future income tax recovery (Note 6)	768,600	365,607
	<hr/>	<hr/>
<b>NET INCOME (LOSS) FOR THE PERIOD</b>	626,639	(206,524)
<b>DEFICIT, Beginning of period</b>	(6,918,158)	(6,401,730)
	<hr/>	<hr/>
<b>DEFICIT, End of period</b>	\$ (6,291,518)	\$ (6,608,244)
	<hr/>	<hr/>

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

**EASTMAIN RESOURCES INC.**  
**STATEMENT OF SHAREHOLDERS' EQUITY**  
**(PREPARED BY MANAGEMENT – UNAUDITED)**

	Share Capital	Warrants	Contributed Surplus	Accumulated Other Comprehensive Income	Deficit	Total Shareholders' Equity
As at October 31, 2005 (audited)	\$ 20,106,316	\$ 213,462	\$ 3,350,728		\$ (6,401,720)	\$ 24,492,533
Share capital issued	4,846,133		(6,500)			4,839,633
Flow-through tax effect	(365,607)					(365,607)
Warrants issued	(885,382)	885,382				
Warrants expired		(154,962)	154,962			
Stock-based compensation			425,550			425,550
Loss for the period					(206,524)	(206,524)
As at January 31, 2006	(6,401,720)	(6,401,720)	(6,401,720)		(6,401,720)	(6,401,720)
Share capital issued	3,474,238		(10,525)			3,463,713
Flow-through tax effect	(1,118)					(1,118)
Warrants issued	(189,000)	189,000				
Warrants expired		(58,500)	58,500			
Fair market value gain on available-for-sale financial assets				128,210		128,210
Stock-based compensation			35,950			35,950
Loss for the period					(309,913)	(309,913)
As at October 31, 2006 (audited)	26,985,580	1,074,382	3,350,728	128,210	(6,918,157)	24,620,743
Share capital issued	126,500					
Flow-through tax effect	(768,600)					
Warrants exercised	404,552	(64,463)				
Warrants expired		(62,931)	62,931			
Stock-based compensation			46,850			
Fair market value gain on available-for-sale financial assets				528,140		528,140
Net income for the period					626,639	626,639
As at January 31, 2007 (unaudited)	\$ 26,748,032	\$ 946,988	\$ 3,460,509	\$ 656,350	\$ (6,291,518)	\$ 25,520,361

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

**EASTMAIN RESOURCES INC.**  
**STATEMENTS OF CASH FLOWS**  
**(PREPARED BY MANAGEMENT – UNAUDITED)**

	Three Months Ended January 31,	
	2007	2006
Cash Provided by (used in)		
<b>OPERATING ACTIVITIES</b>		
Income (loss) for the period	\$ 626,639	\$ (206,524)
Adjustments not affecting cash:		
Amortization	6,695	7,861
Future income tax recovery	(768,600)	(365,607)
Loss on sale of investments	-	12,013
Stock option compensation (Note 7)	46,850	425,550
Change in non-cash working capital items	(557,622)	(1,259,616)
	<u>(646,038)</u>	<u>(1,386,323)</u>
<b>FINANCING ACTIVITIES</b>		
Issue of common shares, net of costs	466,589	4,839,633
	<u>466,589</u>	<u>4,839,633</u>
<b>INVESTING ACTIVITIES</b>		
Mining properties and deferred exploration expenditures	(804,293)	(301,938)
Purchase of equipment	-	(2,418)
Purchase of marketable securities	(1,556,894)	(253,704)
Net proceeds and redemptions from the sale of marketable securities	1,538,557	992,067
	<u>(822,630)</u>	<u>434,007</u>
Change in cash and cash equivalents	(1,002,079)	3,887,317
Cash and cash equivalents, beginning of period	4,003,148	443,517
Cash and cash equivalents, end of period	<u>\$ 3,001,069</u>	<u>\$ 4,330,834</u>

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

**EASTMAIN RESOURCES INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**(PREPARED BY MANAGEMENT – UNAUDITED)**  
**Three Months Ended January 31, 2007**

1. THE COMPANY

Eastmain Resources Inc. (the "Company") is a publicly held company, engaged in the mining, exploration and development of resource properties. The Company is incorporated under the Business Corporations Act (Ontario) and its common shares are listed on the Toronto Stock Exchange.

The Company's principal assets are the properties as listed in Note 4.

2. ACCOUNTING POLICY CHANGES

In January 2005, the Canadian Institute of Chartered Accountants "CICA" issued Section 3855, "Financial Instruments – Recognition and Measurement". This new standard increases harmonization with US GAAP and requires that available-for-sale financial assets be reported at fair market value. Gains and losses arising from changes in the fair market values of the available-for-sale financial assets are reported on the balance sheet as "Accumulated other comprehensive income (loss)". The standard is required for publicly traded companies with fiscal year-ends after October 31, 2006. The Company has adopted section 3855 on a prospective basis effective November 1, 2006 and has classified all of its investments in marketable securities as available-for-sale.

3. FINANCIAL INSTRUMENTS

	Assets (liabilities)	
	Carried at cost	Carried at fair market value
	Carrying value	Carrying value
Cash and cash equivalents	\$ 2,994,640	\$ 6,429
Marketable securities		5,433,648
Prepaid expenses and sundry receivables	361,178	
Accounts payable and accrued liabilities	797,064	

Cash and cash equivalents consist of bank cash balances denominated in both Canadian and United States dollars and Canadian dollar denominated money market mutual funds. Marketable securities consist of Tbills, fixed term government and corporate bonds and shares in publicly traded companies.

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

4. EQUIPMENT

Equipment is recorded at cost and is comprised as follows:

	Cost	Accumulated Amortization	Net Book Value January 31, 2007	Net Book Value January 31, 2006
Computer equipment	\$ 29,146	\$ 16,909	\$ 12,237	\$ 17,361
Field equipment	203,125	108,044	95,081	78,199
	\$ 232,271	\$ 124,953	\$ 107,318	\$ 95,560

**EASTMAIN RESOURCES INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**(PREPARED BY MANAGEMENT – UNAUDITED)**  
**Three Months Ended January 31, 2007**

5. MINING PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES

a) The mining properties and deferred exploration expenditures are recorded at cost and are comprised as follows:

Project	Balance October 31, 2006	Net Expenditures	Government Grants	Write Down & Recoveries	Balance January 31, 2007
Clearwater	\$ 6,165,932	\$ 51,168	\$ -	\$ -	\$ 6,217,100
Xstrata JV	3,400,457	30,852	-	-	3,431,309
Azimut Block C	704,249	(1,824)	-	-	702,425
Azimut Block D	871,775	9,024	-	-	880,779
Eléonore South	1,496,713	570,302	-	-	2,067,015
Ruby Hill	573,156	10,332	-	-	583,488
Other - Québec	2,496,756	132,676	-	-	2,629,432
- New Brunswick	876,994	1,763	-	-	878,757
- Ontario	23,888	-	-	-	23,888
	\$ 16,609,920	\$ 804,293	\$ -	\$ -	\$ 17,414,213

5. MINING PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES (continued)

The following is a breakdown of mining properties and deferred expenditures by expenditure type for the Company's significant projects for the three months ended January 31, 2007.

Project	Balance Oct. 31, 2006	Drilling & Assays	Technical Surveys	Project Acquisition	Grants & Write Downs	Total	Balance Jan. 31, 2007
Clearwater	\$ 6,165,932	\$ 26,660	\$ 23,870	\$ 638	\$ -	\$ 51,168	\$ 6,217,100
Xstrata JV	3,400,457	809	20,450	9,593	-	30,852	3,431,309
Azimut C	704,249	-	(2,286)	462	-	(1,824)	702,425
Azimut D	871,775	214	9,705	(895)	-	9,024	880,799
Eléonore South	1,496,713	143,812	426,490	-	-	570,302	2,067,015
Ruby Hill	573,156	-	4,503	5,829	-	10,332	583,488
Other - Québec	2,496,756	14,456	53,240	64,980	-	132,676	2,629,432
- NB	876,994	-	650	1,113	-	1,763	878,757
- Ontario	23,888	-	-	-	-	-	23,888
<b>Total</b>	<b>\$ 16,609,920</b>	<b>\$ 185,951</b>	<b>\$ 536,622</b>	<b>\$ 81,720</b>	<b>\$ -</b>	<b>\$ 804,293</b>	<b>\$ 17,414,213</b>

b) As at January 31, 2007 the Company has outstanding refundable mining duties and tax credits from Resources Quebec and Revenue Quebec in respect to claims up to October 31, 2006 amounting to approximately \$1,225,000 (\$1,900,000 as at January 31, 2006). As the Company has not received confirmation of these refunds, these amounts have not been reflected in these financial statements.

**EASTMAIN RESOURCES INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**(PREPARED BY MANAGEMENT – UNAUDITED)**  
**Three Months Ended January 31, 2007**

6. CAPITAL STOCK

	Shares	Amount
Issued and outstanding, October 31, 2006 (audited)	65,441,204	\$ 26,985,580
Private placement (i)	135,000	135,000
Cost of issue – cash (i)		(8,500)
Exercise of warrants (ii)	523,214	340,089
Exercise of warrants - Black-Scholes valuation (ii)		64,463
Flow-through tax effect (iii)		(768,600)
Issued and outstanding, January 31, 2007 (unaudited)	66,099,418	\$ 26,748,032

- i) In December 2006, the Company issued in a private placement to directors, officers, employees and other service providers 135,000 flow-through shares at \$1.00 per share for gross proceeds of \$135,000. Legal costs in connection with the private placement were \$8,500.
- ii) 523,214 share purchase warrants were exercised at \$0.65 in December 2006. The Black-Scholes value associated with the issue of these warrants was \$64,463.
- iii) The Company 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 Company is then allowed to offset the future income tax liability against unrecognized future income tax assets if certain criteria are met. As a result, the Company recorded a \$768,600 future income tax recovery for the period (\$365,607 during the three months ended January 31, 2006).

7. STOCK OPTIONS

The Company has a stock option plan available to directors, officers, employees and other service providers of the Company. A maximum of 5,000,000 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.

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, using the following assumptions:

Dividend yield	0
Expected volatility	65%
Risk free interest rate	3.90 - 3.94
Expected option term - years	2-5

	Number of Options	Weighted Average Exercise Price
Outstanding, October 31, 2006 (audited)	3,525,000	\$ 0.58
Granted	150,000	\$ 0.68
Cancelled or expired	-	\$ -
Exercised	-	\$ -
Outstanding, January 31, 2007 (unaudited)	3,675,000	\$ 0.59

**EASTMAIN RESOURCES INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**(PREPARED BY MANAGEMENT – UNAUDITED)**  
**Three Months Ended January 31, 2007**

7. STOCK OPTIONS (continued)

Stock options outstanding as at January 31, 2007

Expiry date	Black-Scholes Value (\$)	Number of Options	Exercise Price (\$)
February, 2007	-	200,000	0.26
November, 2007	28,700	100,000	0.52
July, 2008	26,000	100,000	0.70
October, 2008	136,825	325,000	0.55
October, 2009	28,700	100,000	0.65
January, 2009	67,300	100,000	0.88
November, 2009	340,500	750,000	0.64
February, 2010	30,500	100,000	0.48
April, 2010	198,250	650,000	0.43
June, 2010	44,700	150,000	0.42
November, 2010	28,700	100,000	0.52
January, 2011	378,100	950,000	0.72
December, 2011	18,150	50,000	0.75
	1,326,425	3,675,000	

8. WARRANTS

	Number of Warrants	Weighted Average Exercise Price
Outstanding, October 31, 2006 (audited)	7,741,995	\$ 0.75
Granted	-	\$ -
Cancelled or expired	(510,781)	\$ 0.65
Exercised	(523,214)	\$ 0.65
Outstanding, January 31, 2007 (unaudited)	6,708,000	\$ 0.76

Warrants outstanding as at January 31, 2007

Expiry Date	Black-Scholes Value (\$)	Number of Warrants	Exercise Price (\$)
June 2007	133,000	1,000,000	0.80
June 2007	56,000	1,000,000	1.25
December 2007	757,988	4,708,000	0.65
	946,988	6,708,000	

9. SUPPLEMENTARY INFORMATION

During the three months ended January 31, 2007, 510,781 warrants expired. The value originally attributed to these warrants has been transferred to contributed surplus.

**EASTMAIN RESOURCES INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**(PREPARED BY MANAGEMENT – UNAUDITED)**  
**Three Months Ended January 31, 2007**

9. SUPPLEMENTARY INFORMATION (continued)

As at January 31, 2007 contributed surplus is comprised of the following:

Balance, October 31, 2006 (audited)	\$ 3,350,728
Options granted	46,850
Options exercised	-
Warrants expired	62,931
<b>Balance, January 31, 2007 (unaudited)</b>	<b>\$ 3,460,509</b>

10. RELATED PARTY TRANSACTIONS

Management wages to a director	\$ 37,500
Geological and administrative fees and out of pocket expenditures to a private company controlled by the exploration manager of the Company	\$ 34,880

11. INCOME (LOSS) PER SHARE

The following table sets forth the computation of basic and diluted earnings per share:

	Three Months Ended January 31	
	2007	2006
Basic income (loss) per share	\$ 0.01	\$ (0.00)
Diluted income (loss) per share	\$ 0.01	\$ (0.00)
<u>Numerator:</u>		
Net income (loss) for the period	\$ 626,639	\$ (206,524)
<u>Denominator:</u>		
Weighted average of basic common shares	65,803,886	53,698,959
Weighted average of diluted common shares	75,945,881	53,698,959

For the three months ended January 31, 2007, 1,000,000 share purchase warrants and 100,000 options were excluded from the calculation of diluted earnings because the exercise prices exceed the fair market value of the common shares for the period. For the three months ended January 31, 2006, diluted loss per share was 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 period. For the period, this calculation proved to be anti-dilutive.

12. SUBSEQUENT EVENTS

In February 2007, the Company acquired the Eastmain Mine property from Campbell Resources Inc. through a wholly owned subsidiary, Eastmain Mines Inc. for \$2.5 million in cash, two million common shares of Eastmain Resources Inc. and one million Eastmain Resources Inc. common share purchase warrants enabling the holder to acquire one share for each warrant. One million shares and 500,000 warrants exercisable at \$1.00 for a period of one year were issued on closing. The remaining one million common shares and 500,000 share purchase warrants exercisable at \$1.50 for a period on one year will be issued May 18, 2007. Campbell Resources Inc. retains a 2% net smelter return royalty ("NSR") on the mine property. Eastmain Resources Inc. holds an option to purchase one-half of the NSR for \$1 million when production exceeds 250,000 ounces of gold.