

**82- SUBMISSIONS FACING SHEET**

**Follow-Up  
Materials**

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REGISTRANT'S NAME

Castmain Resources Inc.

\*CURRENT ADDRESS

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\_\_\_\_\_  
\_\_\_\_\_

\*\*FORMER NAME

\_\_\_\_\_

\*\*NEW ADDRESS

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**EASTMAIN RESOURCES INC.  
FINANCIAL STATEMENTS  
JULY 31, 2001 AND JULY 31, 2000**

**EASTMAIN RESOURCES INC.  
FINANCIAL STATEMENTS  
JULY 31, 2001 AND JULY 31, 2000**

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**EASTMAIN RESOURCES INC.  
BALANCE SHEETS**

	<u>July 31 2001</u>	<u>July 31 2000</u>
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash and cash equivalents	\$ 588,379	\$ 242,974
Marketable securities (Note 2)	226,203	402,193
Prepaid and sundry receivables	<u>36,938</u>	<u>15,311</u>
	851,520	660,478
<b>CAPITAL ASSETS (Note 3)</b>	4,605	21,608
<b>MINING PROPERTIES (Note 4)</b>	807,396	769,389
<b>DEFERRED EXPLORATION EXPENDITURES (Note 5)</b>	<u>5,895,660</u>	<u>5,043,203</u>
	<u>\$ 7,559,181</u>	<u>\$ 6,494,678</u>
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable	<u>\$ 148,437</u>	<u>\$ 94,470</u>
<b>SHAREHOLDERS' EQUITY</b>		
<b>CAPITAL STOCK (Note 6)</b>	9,822,338	8,634,784
<b>DEFICIT</b>	<u>(2,411,594)</u>	<u>(2,234,576)</u>
	<u>7,410,744</u>	<u>6,400,208</u>
	<u>\$ 7,559,181</u>	<u>\$ 6,494,678</u>

**APPROVED ON BEHALF OF THE BOARD:**

\_\_\_\_\_ (signed Donald J. Robinson)  
Director

\_\_\_\_\_ (signed Hugh R. Snyder)  
Director

The attached notes form an integral part of these financial statements

## AUDITORS' REPORT

To the Shareholders of  
Eastmain Resources Inc.

We have audited the balance sheets of Eastmain Resources Inc. as at July 31, 2001 and July 31, 2000 and the statements of loss and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at July 31, 2001 and July 31, 2000 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Toronto, Ontario  
September 27, 2001

(signed STERN & LOVRICS)  
Chartered Accountants

**EASTMAIN RESOURCES INC.  
STATEMENTS OF LOSS AND DEFICIT**

	<b>12 Months July 31 2001</b>	<b>15 Months July 31 2000</b>
<b>REVENUE</b>		
Interest and dividends	\$ 57,053	\$ 70,830
Management	<u>22,745</u>	<u>35,884</u>
	<u>79,798</u>	<u>106,714</u>
<b>EXPENSES</b>		
General and office administration	173,206	237,626
Loss on sale of investments	46,860	18,427
Professional fees	14,900	16,607
Writedown in investments	-	95,981
Abandoned mineral property	-	6,184
Amortization	<u>21,850</u>	<u>8,049</u>
	<u>256,816</u>	<u>382,874</u>
<b>NET LOSS FOR YEAR</b>	177,018	276,160
<b>DEFICIT, beginning of year</b>	<u>2,234,576</u>	<u>1,958,416</u>
<b>DEFICIT, end of year</b>	<u>\$ 2,411,594</u>	<u>\$ 2,234,576</u>
<b>LOSS per common share (Note 6)</b>	<u>\$ (0.009)</u>	<u>\$ (0.016)</u>

The attached notes form an integral part of these financial statements

**EASTMAIN RESOURCES INC.  
STATEMENTS OF CASH FLOWS**

	<b>12 Months July 31 <u>2001</u></b>	<b>15 Months July 31 <u>2000</u></b>
<b>CASH PROVIDED BY (USED FOR) OPERATIONS</b>		
Net loss for year	\$ (177,018)	\$ (276,160)
Non-cash items:		
- loss on sale of investments	46,860	18,427
- writedown in investments	-	95,981
- abandoned mineral property	-	6,184
- amortization	<u>21,850</u>	<u>8,049</u>
	(108,308)	(147,519)
Changes in non-cash working capital (Note 7)	<u>32,340</u>	<u>(119,391)</u>
	<u>(75,968)</u>	<u>(266,910)</u>
<b>FINANCING ACTIVITIES</b>		
Capital stock issued	1,207,400	520,000
Issue expense	<u>(19,845)</u>	<u>(9,794)</u>
	<u>1,187,555</u>	<u>510,206</u>
<b>INVESTING ACTIVITIES</b>		
Acquisition of capital assets	(4,847)	(2,826)
Acquisition of mining claims	(38,007)	(99,367)
Deferred exploration expenditures	(1,075,957)	(1,155,469)
Funding by joint venture partner	160,000	494,000
Government grants	63,500	100,160
Proceeds from sale of marketable securities	129,129	717,786
Purchase of marketable securities	<u>-</u>	<u>(682,969)</u>
	<u>(766,182)</u>	<u>(628,685)</u>
<b>INCREASE (DECREASE) IN CASH</b>	<b>345,405</b>	<b>(385,389)</b>
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<u><b>242,974</b></u>	<u><b>628,363</b></u>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<u><b>\$ 588,379</b></u>	<u><b>\$ 242,974</b></u>
Supplementary information (Note 8)		

The attached notes form an integral part of these financial statements

**EASTMAIN RESOURCES INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JULY 31, 2001 AND JULY 31, 2000**

**1. SIGNIFICANT ACCOUNTING POLICIES**

a) **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.

b) **Amortization**

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

c) **Future Operations**

The recoverability of the amounts comprising mineral properties and deferred exploration costs are dependent upon the confirmation of economically recoverable reserves, the ability of the Company to obtain necessary financing to successfully complete its exploration and development and upon future profitable production.

d) **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.

e) **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.



**EASTMAIN RESOURCES INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JULY 31, 2001 AND JULY 31, 2000**

**1. SIGNIFICANT ACCOUNTING POLICIES (contd.)**

f) 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.

g) 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.

h) Year End Changes

In the prior year the Company changed its year end from April 30 to July 31. Accordingly, the comparative figures for the financial statements are represented by the fifteen months of operations for July 31, 2000.

i) Loss Per Share

Loss per share is calculated and presented in accordance with the new recommendations of the Canadian Institute of Chartered Accountants whereby the treasury stock method is used to calculate diluted loss per share. The new standard has been applied on a retroactive basis.

Fully diluted earnings per share consider the dilutive impact of the conversion of outstanding stock option warrants as if the events had occurred at the beginning of the year. For the years presented, this calculation proved to be anti-dilutive.

**2. MARKETABLE SECURITIES**

The marketable securities are recorded at the lower of cost and market value.

**EASTMAIN RESOURCES INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JULY 31, 2001 AND JULY 31, 2000**

**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 2001 Net Book Value</u>	<u>July 31 2000 Net Book Value</u>
Computer equipment	\$ 4,847	\$ 242	\$ 4,605	\$ 14,818
Office and field equipment	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,790</u>
	<u>\$ 4,847</u>	<u>\$ 242</u>	<u>\$ 4,605</u>	<u>\$ 21,608</u>

**4. MINING PROPERTIES**

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

	<u>July 31 2001</u>	<u>July 31 2000</u>
Clearwater	\$ 230,823	\$ 230,823
Abitibi Extension	58,904	54,654
Railroad	23,122	23,066
Other	<u>494,547</u>	<u>460,846</u>
	<u>\$ 807,396</u>	<u>\$ 769,389</u>

**5. DEFERRED EXPLORATION EXPENDITURES**

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

	<u>Balance July 31, 2000</u>	<u>(Net) Expenditures</u>	<u>Government Grants</u>	<u>Abandoned Mineral Property</u>	<u>Balance July 31, 2001</u>
a) Clearwater	\$ 1,464,053	\$ 505,547	\$ (37,500)	\$ -	\$ 1,932,100
Abitibi extension	83,158	27,806	-	-	110,964
Railroad	309,182	267,632	(26,000)	-	550,814
Other	<u>3,186,810</u>	<u>114,972</u>	<u>-</u>	<u>-</u>	<u>3,301,782</u>
	<u>\$ 5,043,203</u>	<u>\$ 915,957</u>	<u>\$ (63,500)</u>	<u>\$ -</u>	<u>\$ 5,895,660</u>

**EASTMAIN RESOURCES INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JULY 31, 2001 AND JULY 31, 2000**

5. **DEFERRED EXPLORATION EXPENDITURES (contd.)**

	<u>Balance</u> <u>April 30,</u> <u>1999</u>	<u>Expenditures</u>	<u>Government</u> <u>Grants</u>	<u>Abandoned</u> <u>Mineral</u> <u>Property</u>	<u>Balance</u> <u>July 31,</u> <u>2000</u>
b) Clearwater	\$ 1,142,253	\$ 366,691	\$ (44,891)	\$ -	\$ 1,464,053
Abitibi extension	46,369	36,789	-	-	83,158
Railroad	185,832	163,350	(40,000)	-	309,182
Other	<u>3,111,794</u>	<u>94,639</u>	<u>(15,269)</u>	<u>(4,354)</u>	<u>3,186,810</u>
	<u>\$ 4,486,248</u>	<u>\$ 661,469</u>	<u>\$ (100,160)</u>	<u>\$ (4,354)</u>	<u>\$ 5,043,203</u>

c) Projects subject to option and royalty agreements as at July 31, 2001:

**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.

**EASTMAIN RESOURCES INC.  
NOTES TO FINANCIAL STATEMENTS  
JULY 31, 2001 AND JULY 31, 2000**

**5. DEFERRED EXPLORATION EXPENDITURES (contd.)**

**Clearwater Project**

Eastmain holds a 50% interest in the 14,480 hectare Clearwater Project, located in Quebec. Over the years, 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's 100% interest in lands formerly under BHP Minerals Canada Ltd.'s control or ownership in Quebec, Ontario and New Brunswick is subject to a 3% Net Smelter Return Royalty. 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 million.

**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%.

**EASTMAIN RESOURCES INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JULY 31, 2001 AND JULY 31, 2000**

**5. DEFERRED EXPLORATION EXPENDITURES (contd.)**

**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. Quaterra has contributed in excess of \$650,000 towards its earn in and is currently in year two of the four year agreement. 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 Company 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.

**Railroad**

Billiton Metals Canada Inc. acquired an option to earn a 50% interest in this property by funding \$1,500,000 in exploration expenditures prior to November, 2003. Eastmain shall be the project operator and entitled to a 10% management fee.

**EASTMAIN RESOURCES INC.  
NOTES TO FINANCIAL STATEMENTS  
JULY 31, 2001 AND JULY 31, 2000**

**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, 1999	16,326,184	\$ 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 issued for mining properties	<u>50,000</u>	<u>26,000</u>
Issued and outstanding - July 31, 2000	17,884,754	8,634,784
Issued during year		
- private placement (cash) (b) (net of \$14,046 issue expenses)	1,000,000	685,954
- private placements (cash) (c) (net of \$5,800 issue expenses)	<u>1,449,715</u>	<u>501,600</u>
Issued and outstanding - July 31, 2001	<u>20,334,469</u>	<u>\$ 9,822,338</u>

- b) Private Placement

In November 2000, the Company completed a private placement of 1,000,000 common share units at \$0.70 per unit for an aggregate subscription price of \$700,000. Each unit comprises one common share and one half of one share purchase warrant. Each warrant is exercisable into common shares at a price of \$0.80 per share, expiring November 2002.

- c) Private Placement

In December 2000, the Company completed a private placement of 750,000 common share units at \$0.35 per unit for an aggregate subscription price of \$262,500. Each unit comprises one common share and one half of one common share purchase warrant. Each warrant is exercisable into common shares at a price of \$0.45 per share, expiring June 2002.

The Company completed an additional private placement of 699,715 common shares at \$0.35 per common share for an aggregate subscription price of \$244,900.

**EASTMAIN RESOURCES INC.  
NOTES TO FINANCIAL STATEMENTS  
JULY 31, 2001 AND JULY 31, 2000**

**6. CAPITAL STOCK (contd.)**

- d) 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.

At July 31, 2001 the following stock options were outstanding:

<u>Number Of Options</u>	<u>Price Per Share</u>	<u>Expiry Date</u>
395,000	.65	August, 2002
100,000	.25	March, 2003
50,000	.30	May, 2003
825,000	.36	February, 2005
<u>100,000</u>	.34	May, 2006
<u>1,470,000</u>		

- e) As at July 31, 2001, incentive stock options and share purchase warrants outstanding are as follows:

<u>Warrants</u>	<u>Price Per share</u>	<u>Expiry Date</u>
500,000	\$ 0.80	November, 2002
375,000	\$ 0.45	June, 2002

- f) Loss per share is computed using the weighted average number of Common Shares outstanding, amounting to 19,197,898 (2000 - 17,002,688).

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

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

	<u>July 31 2001</u>	<u>July 31 2000</u>
Prepaid and sundry receivables	\$ (21,627)	\$ (8,316)
Advances from joint venture partner	-	(135,845)
Accounts payable	<u>53,967</u>	<u>24,770</u>
	<u>\$ 32,340</u>	<u>\$ (119,391)</u>

**EASTMAIN RESOURCES INC.  
NOTES TO FINANCIAL STATEMENTS  
JULY 31, 2001 AND JULY 31, 2000**

**8. SUPPLEMENTARY INFORMATION**

Cash and cash equivalents are comprised as follows:

	<u>2001</u>	<u>2000</u>
Cash	\$ 114,654	\$ 42,976
Short term investments	<u>473,725</u>	<u>199,998</u>
	<u>\$ 588,379</u>	<u>\$ 242,974</u>
	<u>2001</u>	<u>2000</u>
Cash paid during the year for interest	\$ -	\$ -
Cash paid during the year for income taxes	\$ -	\$ -

**9. RELATED PARTY TRANSACTIONS**

Transactions with related parties not disclosed elsewhere in these financial statements are as follows:

	<u>2001</u>	<u>2000</u>
Management wages to a director	\$ 96,000	\$ 128,000
Premises rent to a director	9,600	12,000
Geological and administrative fees to a private company controlled by the spouse of a director	100,592	136,899

**10. INCOME TAXES**

The Company estimates that \$2,818,083 (\$2,937,297 in 2000) 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 \$1,200,060 carried forward for income tax purposes. These may be used until the year 2008 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:

2002	69,886
2003	90,786
2004	252,794
2005	196,369
2006	136,400
2007	149,518
2008	209,972



**EASTMAIN RESOURCES INC.  
NOTES TO FINANCIAL STATEMENTS  
JULY 31, 2001 AND JULY 31, 2000**

**11. COMPARATIVE FIGURES**

Certain July 31, 2000 comparative figures have been reclassified to conform with the financial statement presentation adopted for July 31, 2001.

**12. SUBSEQUENT EVENT**

In an agreement with Boliden Westmin (Canada) Limited dated October 31, 2001, The Company purchased the outstanding Net Smelter Royalty for the Reservoir and Clearwater Projects for a total consideration of \$45,000.

**EASTMAIN RESOURCES INC.  
FINANCIAL STATEMENTS  
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Director (signed Donald J. Robinson)

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Eastmain Resources Inc.

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Toronto, Ontario  
September 27, 2001

(signed STERN & LOVRICS)  
Chartered Accountants

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Interest and dividends	\$ 57,053	\$ 70,830
Management	<u>22,745</u>	<u>35,884</u>
	<u>79,798</u>	<u>106,714</u>
<b>EXPENSES</b>		
General and office administration	173,206	237,626
Loss on sale of investments	46,860	18,427
Professional fees	14,900	16,607
Writedown in investments	-	95,981
Abandoned mineral property	-	6,184
Amortization	<u>21,850</u>	<u>8,049</u>
	<u>256,816</u>	<u>382,874</u>
<b>NET LOSS FOR YEAR</b>	177,018	276,160
<b>DEFICIT, beginning of year</b>	<u>2,234,576</u>	<u>1,958,416</u>
<b>DEFICIT, end of year</b>	<u>\$ 2,411,594</u>	<u>\$ 2,234,576</u>
<b>LOSS per common share (Note 6)</b>	<u>\$ (0.009)</u>	<u>\$ (0.016)</u>

The attached notes form an integral part of these financial statements

**EASTMAIN RESOURCES INC.  
STATEMENTS OF CASH FLOWS**

	<b>12 Months July 31 <u>2001</u></b>	<b>15 Months July 31 <u>2000</u></b>
<b>CASH PROVIDED BY (USED FOR) OPERATIONS</b>		
Net loss for year	\$ (177,018)	\$ (276,160)
Non-cash items:		
- loss on sale of investments	46,860	18,427
- writedown in investments	-	95,981
- abandoned mineral property	-	6,184
- amortization	<u>21,850</u>	<u>8,049</u>
	(108,308)	(147,519)
Changes in non-cash working capital (Note 7)	<u>32,340</u>	<u>(119,391)</u>
	<u>(75,968)</u>	<u>(266,910)</u>
<b>FINANCING ACTIVITIES</b>		
Capital stock issued	1,207,400	520,000
Issue expense	<u>(19,845)</u>	<u>(9,794)</u>
	<u>1,187,555</u>	<u>510,206</u>
<b>INVESTING ACTIVITIES</b>		
Acquisition of capital assets	(4,847)	(2,826)
Acquisition of mining claims	(38,007)	(99,367)
Deferred exploration expenditures	(1,075,957)	(1,155,469)
Funding by joint venture partner	160,000	494,000
Government grants	63,500	100,160
Proceeds from sale of marketable securities	129,129	717,786
Purchase of marketable securities	<u>-</u>	<u>(682,969)</u>
	<u>(766,182)</u>	<u>(628,685)</u>
<b>INCREASE (DECREASE) IN CASH</b>	<b>345,405</b>	<b>(385,389)</b>
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<u><b>242,974</b></u>	<u><b>628,363</b></u>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<u><b>\$ 588,379</b></u>	<u><b>\$ 242,974</b></u>

Supplementary information (Note 8)

The attached notes form an integral part of these financial statements

**EASTMAIN RESOURCES INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JULY 31, 2001 AND JULY 31, 2000**

**1. SIGNIFICANT ACCOUNTING POLICIES**

a) 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.

b) Amortization

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

c) Future Operations

The recoverability of the amounts comprising mineral properties and deferred exploration costs are dependent upon the confirmation of economically recoverable reserves, the ability of the Company to obtain necessary financing to successfully complete its exploration and development and upon future profitable production.

d) 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.

e) 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.



**EASTMAIN RESOURCES INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JULY 31, 2001 AND JULY 31, 2000**

**1. SIGNIFICANT ACCOUNTING POLICIES (contd.)**

f) 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.

g) 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.

h) Year End Changes

In the prior year the Company changed its year end from April 30 to July 31. Accordingly, the comparative figures for the financial statements are represented by the fifteen months of operations for July 31, 2000.

i) Loss Per Share

Loss per share is calculated and presented in accordance with the new recommendations of the Canadian Institute of Chartered Accountants whereby the treasury stock method is used to calculate diluted loss per share. The new standard has been applied on a retroactive basis.

Fully diluted earnings per share consider the dilutive impact of the conversion of outstanding stock option warrants as if the events had occurred at the beginning of the year. For the years presented, this calculation proved to be anti-dilutive.

**2. MARKETABLE SECURITIES**

The marketable securities are recorded at the lower of cost and market value.

**EASTMAIN RESOURCES INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JULY 31, 2001 AND JULY 31, 2000**

**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 2001 Net Book Value</u>	<u>July 31 2000 Net Book Value</u>
Computer equipment	\$ 4,847	\$ 242	\$ 4,605	\$ 14,818
Office and field equipment	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,790</u>
	<u>\$ 4,847</u>	<u>\$ 242</u>	<u>\$ 4,605</u>	<u>\$ 21,608</u>

**4. MINING PROPERTIES**

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

	<u>July 31 2001</u>	<u>July 31 2000</u>
Clearwater	\$ 230,823	\$ 230,823
Abitibi Extension	58,904	54,654
Railroad	23,122	23,066
Other	<u>494,547</u>	<u>460,846</u>
	<u>\$ 807,396</u>	<u>\$ 769,389</u>

**5. DEFERRED EXPLORATION EXPENDITURES**

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

	<u>Balance July 31, 2000</u>	<u>(Net) Expenditures</u>	<u>Government Grants</u>	<u>Abandoned Mineral Property</u>	<u>Balance July 31, 2001</u>
a) Clearwater	\$ 1,464,053	\$ 505,547	\$ (37,500)	\$ -	\$ 1,932,100
Abitibi extension	83,158	27,806	-	-	110,964
Railroad	309,182	267,632	(26,000)	-	550,814
Other	<u>3,186,810</u>	<u>114,972</u>	<u>-</u>	<u>-</u>	<u>3,301,782</u>
	<u>\$ 5,043,203</u>	<u>\$ 915,957</u>	<u>\$ (63,500)</u>	<u>\$ -</u>	<u>\$ 5,895,660</u>

**EASTMAIN RESOURCES INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JULY 31, 2001 AND JULY 31, 2000**

**5. DEFERRED EXPLORATION EXPENDITURES (contd.)**

	<b>Balance April 30, 1999</b>	<b>Expenditures</b>	<b>Government Grants</b>	<b>Abandoned Mineral Property</b>	<b>Balance July 31, 2000</b>
b) Clearwater	\$ 1,142,253	\$ 366,691	\$ (44,891)	\$ -	\$ 1,464,053
Abitibi extension	46,369	36,789	-	-	83,158
Railroad	185,832	163,350	(40,000)	-	309,182
Other	<u>3,111,794</u>	<u>94,639</u>	<u>(15,269)</u>	<u>(4,354)</u>	<u>3,186,810</u>
	<u>\$ 4,486,248</u>	<u>\$ 661,469</u>	<u>\$ (100,160)</u>	<u>\$ (4,354)</u>	<u>\$ 5,043,203</u>

c) Projects subject to option and royalty agreements as at July 31, 2001:

**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.

**EASTMAIN RESOURCES INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JULY 31, 2001 AND JULY 31, 2000**

**5. DEFERRED EXPLORATION EXPENDITURES (contd.)**

**Clearwater Project**

Eastmain holds a 50% interest in the 14,480 hectare Clearwater Project, located in Quebec. Over the years, 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's 100% interest in lands formerly under BHP Minerals Canada Ltd.'s control or ownership in Quebec, Ontario and New Brunswick is subject to a 3% Net Smelter Return Royalty. 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 million.

**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%.

**EASTMAIN RESOURCES INC.  
NOTES TO FINANCIAL STATEMENTS  
JULY 31, 2001 AND JULY 31, 2000**

**5. DEFERRED EXPLORATION EXPENDITURES (contd.)**

**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. Quaterra has contributed in excess of \$650,000 towards its earn in and is currently in year two of the four year agreement. 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 Company 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.

**Railroad**

Billiton Metals Canada Inc. acquired an option to earn a 50% interest in this property by funding \$1,500,000 in exploration expenditures prior to November, 2003. Eastmain shall be the project operator and entitled to a 10% management fee.

**EASTMAIN RESOURCES INC.  
NOTES TO FINANCIAL STATEMENTS  
JULY 31, 2001 AND JULY 31, 2000**

**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, 1999	16,326,184	\$ 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 issued for mining properties	<u>50,000</u>	<u>26,000</u>
Issued and outstanding - July 31, 2000	17,884,754	8,634,784
Issued during year		
- private placement (cash) (b) (net of \$14,046 issue expenses)	1,000,000	685,954
- private placements (cash) (c) (net of \$5,800 issue expenses)	<u>1,449,715</u>	<u>501,600</u>
Issued and outstanding - July 31, 2001	<u>20,334,469</u>	<u>\$ 9,822,338</u>

b) Private Placement

In November 2000, the Company completed a private placement of 1,000,000 common share units at \$0.70 per unit for an aggregate subscription price of \$700,000. Each unit comprises one common share and one half of one share purchase warrant. Each warrant is exercisable into common shares at a price of \$0.80 per share, expiring November 2002.

c) Private Placement

In December 2000, the Company completed a private placement of 750,000 common share units at \$0.35 per unit for an aggregate subscription price of \$262,500. Each unit comprises one common share and one half of one common share purchase warrant. Each warrant is exercisable into common shares at a price of \$0.45 per share, expiring June 2002.

The Company completed an additional private placement of 699,715 common shares at \$0.35 per common share for an aggregate subscription price of \$244,900.

**EASTMAIN RESOURCES INC.  
NOTES TO FINANCIAL STATEMENTS  
JULY 31, 2001 AND JULY 31, 2000**

**6. CAPITAL STOCK (contd.)**

- d) 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.

At July 31, 2001 the following stock options were outstanding:

<u>Number Of Options</u>	<u>Price Per Share</u>	<u>Expiry Date</u>
395,000	.65	August, 2002
100,000	.25	March, 2003
50,000	.30	May, 2003
825,000	.36	February, 2005
<u>100,000</u>	.34	May, 2006
<u>1,470,000</u>		

- e) As at July 31, 2001, incentive stock options and share purchase warrants outstanding are as follows:

<u>Warrants</u>	<u>Price Per share</u>	<u>Expiry Date</u>
500,000	\$ 0.80	November, 2002
375,000	\$ 0.45	June, 2002

- f) Loss per share is computed using the weighted average number of Common Shares outstanding, amounting to 19,197,898 (2000 - 17,002,688).

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

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

	<u>July 31 2001</u>	<u>July 31 2000</u>
Prepaid and sundry receivables	\$ (21,627)	\$ (8,316)
Advances from joint venture partner	-	(135,845)
Accounts payable	<u>53,967</u>	<u>24,770</u>
	<u>\$ 32,340</u>	<u>\$ (119,391)</u>

**EASTMAIN RESOURCES INC.  
NOTES TO FINANCIAL STATEMENTS  
JULY 31, 2001 AND JULY 31, 2000**

**8. SUPPLEMENTARY INFORMATION**

Cash and cash equivalents are comprised as follows:

	<u>2001</u>	<u>2000</u>
Cash	\$ 114,654	\$ 42,976
Short term investments	<u>473,725</u>	<u>199,998</u>
	<u>\$ 588,379</u>	<u>\$ 242,974</u>
	<u>2001</u>	<u>2000</u>
Cash paid during the year for interest	\$ -	\$ -
Cash paid during the year for income taxes	\$ -	\$ -

**9. RELATED PARTY TRANSACTIONS**

Transactions with related parties not disclosed elsewhere in these financial statements are as follows:

	<u>2001</u>	<u>2000</u>
Management wages to a director	\$ 96,000	\$ 128,000
Premises rent to a director	9,600	12,000
Geological and administrative fees to a private company controlled by the spouse of a director	100,592	136,899

**10. INCOME TAXES**

The Company estimates that \$2,818,083 (\$2,937,297 in 2000) 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 \$1,200,060 carried forward for income tax purposes. These may be used until the year 2008 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:

2002	69,886
2003	90,786
2004	252,794
2005	196,369
2006	136,400
2007	149,518
2008	209,972



**EASTMAIN RESOURCES INC.  
NOTES TO FINANCIAL STATEMENTS  
JULY 31, 2001 AND JULY 31, 2000**

**11. COMPARATIVE FIGURES**

Certain July 31, 2000 comparative figures have been reclassified to conform with the financial statement presentation adopted for July 31, 2001.

**12. SUBSEQUENT EVENT**

In an agreement with Boliden Westmin (Canada) Limited dated October 31, 2001, The Company purchased the outstanding Net Smelter Royalty for the Reservoir and Clearwater Projects for a total consideration of \$45,000.