



EAST ASIA
MINERALS CORPORATION

May 31, 2018

Condensed Interim Consolidated Financial Statements
(Unaudited – Prepared by Management)
(Expressed in Canadian dollars)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements have been prepared by and are the responsibility of the management.

The Company's independent auditor has not performed a review of these interim financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

EAST ASIA MINERALS CORPORATION

Condensed Interim Consolidated Statements of Financial Position

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

	May 31, 2018	August 31, 2017
Assets		
Current assets:		
Cash and cash equivalents	\$ 113,153	\$ 1,542,545
Receivables (note 4)	171,410	159,858
Prepays and advances	43,762	39,790
	328,325	1,742,193
Non-current assets:		
Exploration and evaluation assets (note 5)	1,309,505	548,106
	\$ 1,637,830	\$ 2,290,299
Liabilities and Shareholders' Equity (Deficiency)		
Current liabilities:		
Accounts payable and accrued liabilities (note 6)	\$ 1,985,466	\$ 938,418
Loan payable (note 7)	20,000	-
Due to related parties (note 8)	126,670	4,200
	2,132,136	942,618
Shareholders' equity (deficiency):		
Share capital (note 9)	70,525,530	70,413,300
Reserves (note 10)	19,158,509	19,091,514
Deficit	(90,178,345)	(88,157,133)
	(494,306)	1,347,681
	\$ 1,637,830	\$ 2,290,299

Nature of operations and going concern (note 1)

Subsequent events (note 16)

See accompanying notes to the condensed interim consolidated financial statements.

Approved on behalf of the Board:

"Terry Filbert" Director

"R. Scott Chaykin" Director

EAST ASIA MINERALS CORPORATION

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

	Three months ended May 31, 2018	Three months ended May 31, 2017	Nine months ended May 31, 2018	Nine months ended May 31, 2017
General and administrative expenses:				
Consulting fees (recovery)	\$ 113,167	\$ (36,000)	\$ 638,750	\$ -
Directors' fees (note 8)	23,180	93,938	68,228	93,938
Foreign exchange loss (gain)	8,598	(4,742)	21,061	1,443
Interest expense	11,320	-	43,006	-
Investor relations	15,000	37,500	115,167	37,500
Management fees (note 8)	76,719	80,610	227,297	163,110
Office and administration	52,183	29,649	322,216	72,362
Professional fees (note 8)	69,817	41,370	335,754	49,527
Rent (note 8)	14,397	1,328	41,467	9,908
Share-based compensation (note 8 and 10)	8,839	110,810	69,992	110,810
Transfer agent and regulatory fees	2,719	24,801	26,946	38,700
Travel and accommodation	46,753	41,253	111,328	41,253
Total general and administrative expenses	(442,692)	(420,517)	(2,021,212)	(618,551)
Restructuring expenses	-	(400,000)	-	(400,000)
Gain (loss) on settlement of debt	-	(47,009)	-	180,985
	-	(447,009)	-	(219,015)
Loss and comprehensive loss for the period	\$ (442,692)	\$ (867,526)	\$ (2,021,212)	\$ (837,566)
Basic and diluted loss per common share (note 11)	\$ (0.01)	\$ (0.03)	\$ (0.04)	\$ (0.04)
Weighted average number of common shares outstanding	53,982,110	32,500,388	53,887,806	22,097,916

See accompanying notes to the condensed interim consolidated financial statements.

EAST ASIA MINERALS CORPORATION

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity (Deficiency)

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

	Number of Shares	Share Capital	Reserves	Deficit	Shareholders' Equity (Deficiency)
Balance, August 31, 2016	16,867,944	\$66,771,463	\$ 18,553,917	\$(86,648,242)	\$ (1,322,862)
Private placements	36,919,668	4,242,360	-	-	4,242,360
Share issuance costs	-	(230,197)	-	-	(230,197)
Finders' warrants	-	(344,449)	344,449	-	-
Share-based compensation	-	-	110,810	-	110,810
Loss for the period	-	-	-	(837,566)	(837,566)
Balance, May 31, 2017	53,787,612	\$70,439,177	\$ 19,009,176	\$(87,485,808)	\$ 1,962,545
Balance, August 31, 2017	53,787,612	\$70,413,300	\$ 19,091,514	\$(88,157,133)	\$ 1,347,681
Exercise of warrants	48,124	12,129	(6,354)	-	5,775
Private placement	2,220,000	111,000	-	-	111,000
Share issuance costs	-	(7,542)	-	-	(7,542)
Finders' warrants	-	(3,357)	3,357	-	-
Share-based compensation	-	-	69,992	-	69,992
Loss for the period	-	-	-	(2,021,212)	(2,021,212)
Balance, May 31, 2018	56,055,736	\$70,525,530	\$ 19,158,509	\$(90,178,345)	\$ (494,306)

See accompanying notes to the condensed interim consolidated financial statements.

EAST ASIA MINERALS CORPORATION

Condensed Interim Consolidated Statements of Cash Flows

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

	Nine months ended May 31, 2018	Nine months ended May 31, 2017
Cash provided by (used in):		
Operating activities:		
Loss for the period	\$ (2,021,212)	\$ (837,566)
Items not involving cash:		
Share-based compensation	69,992	110,810
Interest expense	43,006	-
Gain on settlement of debt	-	(398,847)
Changes in non-cash operating working capital items:		
Receivables	(11,552)	(7,812)
Prepays and advances	(3,972)	(18,580)
Accounts payable and accrued liabilities	991,457	(124,980)
Due to related parties	122,470	(26,674)
	(809,811)	(1,303,649)
Investing activities:		
Exploration and evaluation assets	(748,814)	(296,316)
	(748,814)	(296,316)
Financing activities:		
Private placements	111,000	4,242,360
Share issuance costs	(7,542)	(230,197)
Exercise of warrants	5,775	-
Loan proceeds	20,000	-
	129,233	4,012,163
Change in cash and cash equivalents	(1,429,392)	2,412,198
Cash and cash equivalents, beginning of the period	1,542,545	52,500
Cash and cash equivalents, end of the period	\$ 113,153	\$ 2,464,698
Cash and cash equivalents are comprised of:		
Cash	\$ 78,653	\$ 2,427,621
Cash equivalents	34,500	37,077
	\$ 113,153	\$ 2,464,698

Supplemental disclosure with respect to cash flows (note 14)

See accompanying notes to the condensed interim consolidated financial statements.

EAST ASIA MINERALS CORPORATION

Notes to Condensed Interim Consolidated Financial Statements
(Unaudited – Prepared by Management)
(Expressed in Canadian dollars)

Nine months ended May 31, 2018

1. Nature of operations and going concern

East Asia Minerals Corporation (“the Company”) was incorporated under the laws of British Columbia and was in the process of exploring and developing its exploration and evaluation assets in Indonesia. The address of the Company’s corporate office and principal place of business is Suite 210 - 905 West Pender St, Vancouver, British Columbia, Canada.

During the year ended August 31, 2017, the Company consolidated the shares of the Company on a ten to one basis. These statements reflect the share consolidation retroactively.

The Company’s exploration and evaluation assets are located in Indonesia. The Company also has not yet determined whether its exploration and evaluation assets contain ore reserves that are economically recoverable. The recoverability of the amounts shown for exploration and evaluation assets are dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing, permits to explore, develop and achieve future profitable production activity from its exploration and evaluation assets or, alternatively, upon the Company’s ability to dispose of its interest on an advantageous basis. During the period ended May 31, 2018, the Company had a net loss and comprehensive loss of \$2,021,212 and had an accumulated deficit of \$90,178,345 as of May 31, 2018. These material uncertainties may cast significant doubt upon the entity’s ability to continue as a going concern.

These condensed interim consolidated financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the ordinary course of operations. These condensed interim consolidated financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and thus be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in these condensed interim consolidated financial statements.

The condensed interim consolidated financial statements were authorized for issue on July 30, 2018 by the Board of Directors of the Company.

2. Significant accounting policies

Basis of presentation

These condensed interim consolidated financial statements have been prepared in accordance with IAS 34, “Interim Financial Reporting” (“IAS 34”) as issued by the International Financial Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”). Accordingly, certain information and footnote disclosure normally included in annual financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the IASB, have been omitted or condensed.

The condensed interim consolidated financial statements have been prepared on a historical cost basis, except for financial instruments classified at fair value through profit and loss, which are stated at their fair value. In addition, these condensed interim consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

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Notes to Condensed Interim Consolidated Financial Statements
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Nine months ended May 31, 2018

2. Significant accounting policies (cont'd)

Basis of presentation (cont'd)

The functional currency of an entity is the currency of the primary economic environment in which the entity operates. The functional currency of the Company and its subsidiaries is the Canadian dollar, which is also the reporting currency of the Company. The functional currency determinations were conducted through an analysis of the consideration factors identified in International Accounting Standards (“IAS”) 21.

The condensed interim consolidated financial statements have been prepared using the same accounting policies and methods as those used in the audited financial statements for the year ended August 31, 2017, except for the impact of the adoption of the accounting standard described below. These condensed interim consolidated financial statements should be read in conjunction with the Company’s audited financial statements for the year ended August 31, 2017.

Principles of consolidation

These condensed interim consolidated financial statements include the accounts of the Company and its subsidiaries. Subsidiaries are all entities controlled by the Company. Control exists when the Company has the power to directly or indirectly govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account in the assessment of whether control exists. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date on which control ceases.

These condensed interim consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries located in Canada (Sangihe Gold Corporation), Indonesia (PT. Tambang Mas Sangihe and PT. East Asia Minerals Indonesia), Hong Kong, Netherlands and Mongolia (EAM Teshig LLC and EAM Exploration LLC). All Netherlands entities have been inactive since inception. All inter-company transactions and accounts have been eliminated upon consolidation.

Significant accounting judgments, estimates and assumptions

The preparation of the condensed interim consolidated financial statements in accordance with IFRS requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the condensed interim consolidated financial statements and the reported revenues and expenses during the period. Although management uses historical experience and its best knowledge of the amount, events or actions to form the basis for judgments and estimates, actual results may vary from these estimates.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to but are not limited to, the following:

- *Fair value of stock options and warrants*

Determining the fair value of warrants and stock options requires judgments related to the choice of a pricing model, the estimation of stock price volatility, the expected forfeiture rate and the expected term of the underlying instruments. Any changes in the estimates or inputs utilized to determine fair value could result in a significant impact on the Company’s future operating results or on other components of shareholders’ equity (deficiency).

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Notes to Condensed Interim Consolidated Financial Statements
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Nine months ended May 31, 2018

2. Significant accounting policies (cont'd)

Significant accounting judgments, estimates and assumptions (cont'd)

Critical accounting judgments are accounting policies that have been identified as being complex or involved subjective judgments or assessments and include:

- *Recoverability of exploration and evaluation assets*

Management has determined that exploration, evaluation and related costs incurred which were capitalized may have future economic benefits and may be economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including: geologic and other technical information, history of conversion of mineral deposits with similar characteristics to its own properties to proven and probable reserves, evaluation of permitting and environmental issues and local support for the project.

- *Income taxes*

In assessing the probability of realizing income tax assets, management makes estimates related to the expectation of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities.

3. New standards, amendments and interpretations not yet effective

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective.

Effective (proposed) for annual periods beginning on or after January 1, 2018:

IFRS 9 – Financial Instruments, Classification and Measurement. IFRS 9 is a new standard on financial instruments that will replace IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 addresses classification and measurement of financial assets and financial liabilities as well as de-recognition of financial instruments. IFRS 9 has two measurement categories for financial assets: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. Otherwise it is at fair value through profit or loss. The Company has determined that adopting IFRS 9 will not have a significant impact on the Company's condensed interim consolidated financial statements.

IFRS 15 – Revenue from Contracts with Customers. IFRS 15 is a new standard to establish principles for reporting the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contracts with customers. It provides a single model in order to depict the transfer of promised goods or services to customers. IFRS 15 supersedes IAS 11, Construction Contracts, IAS 18, Revenue, IFRIC 13, Customer Loyalty Programs, IFRIC 15, Agreements for the Construction of Real Estate, IFRIC 18, Transfers of Assets from Customers, and SIC-31, Revenue – Barter Transactions involving Advertising Service. The Company has determined that adopting IFRS 15 will not have a significant impact on the Company's condensed interim consolidated financial statements.

IFRS 16 – Leases. According to IFRS 16, all leases will be on the balance sheet of lessees, except those that meet the limited exception criteria. The standard is effective for annual periods beginning on or after January 1, 2019. The Company has not early adopted IFRS 16 and is currently evaluating the impact, if any, that this standard might have on its condensed interim consolidated financial statements.

EAST ASIA MINERALS CORPORATION

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

Nine months ended May 31, 2018

4. Receivables

		May 31, 2018	August 31, 2017
Sales tax receivables	\$	26,198	\$ 13,780
Other receivables		145,212	146,078
	\$	171,410	\$ 159,858

5. Exploration and evaluation assets

The Company's exploration and evaluation assets consist of:

	Sangihe property (Indonesia)	Total Mineral Properties
Balance, August 31, 2016	\$ -	\$ -
Assay costs	2,765	2,765
Geology	116,436	116,436
Office and supplies	4,282	4,282
Professional fees	102,125	102,125
Travel	7,429	7,429
Technical reports	117,428	117,428
Tenement costs	197,641	197,641
Total additions	548,106	548,106
Balance, August 31, 2017	\$ 548,106	\$ 548,106
Drilling	18,853	18,853
Geology	172,691	172,691
Office and supplies	(516)	(516)
Professional fees	(7,360)	(7,360)
Travel	21,274	21,274
Technical reports	261,253	261,253
Tenement costs	295,204	295,204
Total additions	761,399	761,399
Balance, May 31, 2018	\$ 1,309,505	\$ 1,309,505

(a) Sangihe - Contract of Work

Certain foreign companies and foreign Indonesian joint venture companies exploring natural resources in Indonesia normally conduct their activities under Indonesian incorporated foreign investment joint venture companies, which are regulated by terms and conditions contained in a contract commonly referred to as the Contract of Work ("CoW agreement"). A CoW agreement is a legally binding contract between the Government of the Republic of Indonesia and a foreign-investment joint venture company, which is specifically incorporated to hold the title of the CoW area ("CoW company"). In the CoW agreement, the Indonesian government grants the CoW company the exclusive right to explore and mine mineral deposits that may exist in the contract area. The agreement covers comprehensive terms of engagement such as the various stages of exploration from general geological survey and exploration and bankable feasibility study to mining, royalty and taxes, employment, corporate social responsibilities, and environmental protection.

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(Expressed in Canadian dollars)

Nine months ended May 31, 2018

6. Accounts payable and accrued liabilities

	May 31, 2018	August 31, 2017
Accounts payable	\$ 1,728,232	\$ 908,105
Accrued liabilities	257,234	30,313
	\$ 1,985,466	\$ 938,418

7. Loan payable

During the period ended May 31, 2018, the Company received loan proceeds of \$20,000 (August 31, 2017 - \$nil) from a third party. The loan proceeds are non-interest bearing, unsecured, with no stated terms of repayment.

8. Related party transactions

Compensation and payments to key management personnel was as follows:

	Nine months ended May 31, 2018	Nine months ended May 31, 2017
Fees and short-term benefits - management	\$ 227,297	\$ 163,110
Fees and short-term benefits - directors	68,228	45,945
Fees and short-term benefits - professional	36,000	55,993
Share-based compensation	9,449	36,937
Rent	-	7,800
	\$ 340,974	\$ 309,785

During the year ended August 31, 2017, the Company settled debt with certain management and directors and accordingly recorded a gain on settlement of debt of \$11,943. As at May 31, 2018, \$126,670 (August 31, 2017 - \$4,200) is due to directors and officers of the Company. The amounts were non-interest bearing, unsecured, with no stated terms of repayment.

EAST ASIA MINERALS CORPORATION

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

Nine months ended May 31, 2018

9. Share capital

(a) Common shares

Authorized

Unlimited common shares, without par value.

Share consolidation

During the year ended August 31, 2017, the Company consolidated the shares of the Company on a ten to one basis. These statements reflect the share consolidation retroactively.

Issued share capital

On May 31, 2018, there were 56,055,736 (August 31, 2017 – 53,787,612) issued and outstanding common shares.

During the period ended May 31, 2018:

The Company announced a private placement raising \$2,000,000 through an offering of 40,000,000 units at \$0.05 per unit (the "Offering") where each unit consists of one common share and one share purchase warrant. Each whole share purchase warrant shall entitle the holder to purchase one additional common share at the price of \$0.10 per common share for a period of two years from the closing of the Offering. As at May 31, 2018, the Company has closed the first tranche of \$110,000 related to the Offering from the issuance of 2,220,000 units. The Company incurred cash share issuance costs of \$7,542 and issued 71,400 finders' warrants with an exercise price of \$0.10 valued at \$3,357 expiring in two years related to the Offering.

The Company received \$5,775 from exercise of 48,124 warrants.

During the year ended August 31, 2017:

The Company completed a non-brokered private placement for gross proceeds of \$940,000 from issuance of 9,400,000 units at \$0.10 per unit, where each unit comprises a common share and one-half of one share purchase warrant. One whole share purchase warrant can be exercised for the purchase of one common share at the price of \$0.50 per common share for a period of five years. The Company incurred cash share issuance costs of \$14,411 related to the private placement.

The Company completed a non-brokered private placement for gross proceeds of \$3,302,360 from the issuance of 27,519,668 units at \$0.12 per unit, where each unit comprises a common share and one-half of one share purchase warrant. One whole share purchase warrant can be exercised for the purchase of one common share at the price of \$0.50 per common share for a period of five years. The Company incurred cash share issuance costs of \$241,663 and issued 1,739,127 finders' warrants with an exercise price of \$0.12 valued at \$344,449 expiring in two years related to the private placement.

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Notes to Condensed Interim Consolidated Financial Statements

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

Nine months ended May 31, 2018

9. Share capital (cont'd)

(b) Warrants

Warrant transactions and the number of warrants outstanding are summarized as follows:

	May 31, 2018		August 31, 2017	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Warrants, beginning of the year	25,793,014	\$ 0.59	8,539,053	\$ 3.50
Granted	2,307,441	0.10	20,198,961	0.47
Exercised	(48,124)	0.12	-	-
Expired	-	-	(2,945,000)	8.26
Warrants, end of the year/period	28,052,331	\$ 0.14*	25,793,014	\$ 0.59

* During the period ended May 31, 2018, the exercise price of 24,053,887 warrants was amended to \$0.15.

The following warrants were outstanding at May 31, 2018:

Number of warrants	Exercise price	Expiry date
976,493	\$ 0.15	December 11, 2019
4,617,560	0.15	March 10, 2020
4,700,000	0.15	March 8, 2022
13,759,834	0.15	May 8, 2022
1,707,044	0.12	May 8, 2019*
2,220,000	0.10	May 25, 2020
71,400	0.10	May 25, 2020*
28,052,331		

* Finders' warrants

EAST ASIA MINERALS CORPORATION

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

Nine months ended May 31, 2018

9. Share capital (cont'd)

(b) Warrants (cont'd)

During the period ended May 31, 2018, the Company granted 71,400 (year ended August 31, 2017 – 1,739,127) finders' warrants with an initial fair market value of \$3,357 (year ended August 31, 2017 - \$344,449) or \$0.05 (year ended August 31, 2017 - \$0.20) per warrant which was recorded as share issue costs. The following weighted average assumptions were used for the Black-Scholes valuation of the finders' warrants:

	Nine months ended May 31, 2018	Year ended August 31, 2017
Risk-free interest rate	1.96%	0.70%
Expected life of warrant	2.00 years	2.00 years
Expected dividend yield	0%	0%
Expected stock price volatility	285.69%	134.49%
Fair value per warrant	\$0.05	\$0.20

10. Share-based payments

(a) Stock options

The Company has an incentive stock option plan (the "Plan") in place under which it is authorized to grant options to executive officers, directors, employees, and consultants to acquire up to 5% of the outstanding issued common shares. The Plan allows for the option price at the time each option is granted to be not less than the discounted market price as calculated and defined in accordance with the policies of the TSX Venture Exchange ("TSX-V"). Options granted under the Plan will have a term not to exceed ten years. Vesting is determined at the discretion of the Board of Directors and in accordance with the policies of the TSX-V. Stock option transactions and the number of stock options outstanding are summarized as follows:

	May 31, 2018		August 31, 2017	
	Number of Options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding, beginning of the year	1,160,000	\$ 0.35	373,200	\$ 2.57
Granted	-	-	1,040,000	0.28
Expired/cancelled/forfeited	(170,000)	1.11	(253,200)	3.33
Outstanding, end of the year/period	990,000	\$ 0.30	1,160,000	\$ 0.35

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Notes to Condensed Interim Consolidated Financial Statements

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(Expressed in Canadian dollars)

Nine months ended May 31, 2018

10. Share-based payments (cont'd)

(a) Stock options (cont'd)

The following stock options were outstanding and exercisable at May 31, 2018:

Number of options outstanding	Number of options exercisable	Exercise price (\$)	Expiry date
25,000	25,000	0.50	November 19, 2018
600,000	600,000	0.20	April 2, 2022
365,000	273,750	0.40	June 20, 2022
990,000	898,750		

(b) Reserves

Reserves relates to stock options, agent's unit options, and compensatory warrants that have been issued by the Company. The Company uses the Black-Scholes valuation option pricing model to value stock options.

During the period ended May 31, 2018, the Company granted nil (year ended August 31, 2017 - 1,040,000) stock options to officers, directors, employees and consultants. Share-based compensation expense of \$69,992 was recognized on options that vested during the period ended May 31, 2018 (2017 - \$110,810). The fair value of all compensatory options granted is estimated on the grant date using the Black-Scholes option pricing model. The weighted average assumptions used in calculating the fair values are as follows:

	<u>Nine months ended</u> <u>May 31, 2018</u>	<u>Year ended</u> <u>August 31, 2017</u>
Risk-free interest rate	-	1.10%
Expected life of option	-	5.00 years
Expected dividend yield	-	0%
Expected stock price volatility	-	152.30%
Fair value per option	-	\$0.26

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Notes to Condensed Interim Consolidated Financial Statements

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

Nine months ended May 31, 2018

11. Basic and diluted loss per share

The calculation of basic and diluted loss per share for the period ended May 31, 2018 was based on the loss attributable to common shareholders of \$2,021,212 (2017 – \$837,566) and the weighted average number of common shares outstanding of 53,887,806 (2017 – 22,097,916).

Diluted loss per share did not include the effect of the outstanding stock options and the outstanding warrants as the effect would be anti-dilutive.

12. Financial instruments

IFRS 7, *Financial Instruments: Disclosures*, establishes a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Cash and cash equivalents are classified as Level 1 in the fair value hierarchy.

As at May 31, 2018, the carrying values of other receivables, accounts payable and accrued liabilities, loan payable, and due to related parties approximate their fair values due to their short term to maturity.

Financial risks

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

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(Expressed in Canadian dollars)

Nine months ended May 31, 2018

12. Financial instruments (cont'd)

Credit risk

Credit risk is the risk of potential loss to the Company if the counter party to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its cash and cash equivalents and receivables. The Company limits exposure to credit risk by maintaining its cash and cash equivalents with high-credit quality financial institutions. Substantially all of the Company's cash and cash equivalents are held with a major Canadian financial institution. A portion of receivables is due from the Government of Canada for sales tax refunds. Management believes that the credit risk concentration with respect to cash and cash equivalents and receivables is minimal.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash.

As at May 31, 2018, the Company had cash and cash equivalents of \$113,153 (August 31, 2017 - \$1,542,545) to settle current liabilities of \$2,132,136 (August 31, 2017 - \$942,618).

Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is uncertain. There can be no assurance of continued access to significant equity funding.

Interest and foreign exchange risk

The Company is subject to normal risks including fluctuations in foreign exchange rates and interest rates. While the Company manages its operations in order to minimize exposure to these risks, it has not entered into any derivatives or contracts to hedge or otherwise mitigate this exposure. At May 31, 2018, the Company was not exposed to significant interest rate risk.

Certain of the Company's operating expenditures are denominated in United States dollars ("USD") and Indonesian Rupiah ("IDR"). The Company's exposure to exchange rate fluctuations arises mainly on foreign currencies against the Canadian dollar functional currency of the relevant business entities. The Company is principally engaged in the exploration and development of mineral properties in Indonesia.

EAST ASIA MINERALS CORPORATION

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

Nine months ended May 31, 2018

12. Financial instruments (cont'd)

Financial assets

The Canadian dollar equivalent of the amounts denominated in foreign currencies are as follows:

May 31, 2018	USD	IDR	Total
Cash and cash equivalents	\$ 3,346	\$ 1,336	\$ 4,682
Other receivables	-	144,184	144,184
	\$ 3,346	\$ 145,520	\$ 148,866

August 31, 2017	USD	IDR	Total
Cash and cash equivalents	\$ 770,577	\$ 12,809	\$ 783,386
Other receivables	915	144,184	145,099
	\$ 771,492	\$ 156,993	\$ 928,485

Financial liabilities

The exposure of the Company's financial liabilities to currency risk is as follows:

May 31, 2018	USD	IDR	Total
Accounts payable and accrued liabilities	\$ 332,051	\$ 949,310	\$ 1,281,361

August 31, 2017	USD	IDR	Total
Accounts payable and accrued liabilities	\$ 201,574	\$ 583,103	\$ 784,677

Sensitivity analysis

The Company is exposed to foreign currency risk on fluctuations related to cash and cash equivalents, receivables and accounts payable and accrued liabilities that are denominated in USD. As at May 31, 2018, net financial liabilities totalling \$328,705 (August 31, 2017 – net financial assets of \$569,918) were held in USD and net financial liabilities totalling \$803,791 (August 31, 2017 – \$428,110) were held in IDR.

Based on the above net exposure as at May 31, 2018 and assuming all other variables remain constant, a 1% depreciation or appreciation of the USD against the Canadian dollar would result in an increase or decrease of approximately \$3,300 (2017 - \$3,700) in the Company's loss and comprehensive loss. A 1% depreciation or appreciation of the IDR against the Canadian dollar would result in an increase or decrease of approximately \$8,000 (2017 - \$1,400) in the Company's loss and comprehensive loss.

EAST ASIA MINERALS CORPORATION

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(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

Nine months ended May 31, 2018

13. Capital management

The Company considers the items in shareholders' equity as capital. The Company manages and adjusts its capital structure based on available funds in order to support the acquisition, exploration, and development of its exploration and evaluation assets. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The properties in which the Company currently has an interest are in the exploration and evaluation stage; as such the Company is dependent on external financing to fund its activities. In order to carry out planned exploration and development, and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it believes there is sufficient geological or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the period ended May 31, 2018. The Company is not subject to externally imposed capital requirements.

14. Supplemental disclosure with respect to cash flows

The Company's significant non-cash transactions during the period ended May 31, 2018 were as follows:

- (a) Transferred \$6,354 to share capital from reserves on the exercise of 48,124 warrants.
- (b) Included in exploration and evaluation assets is \$99,247 which relates to accounts payable and accrued liabilities.
- (c) Issued 71,400 common share purchase warrants as finders' warrants valued at \$3,357 relating to a private placement.

The Company's significant non-cash transactions during the period ended May 31, 2017 were as follows:

- (a) Included in exploration and evaluation assets is \$34,996 which relates to accounts payable and accrued liabilities.
- (b) Issued 1,739,127 common share purchase warrants as finders' warrants valued at \$344,449 relating to a private placement.

15. Segmented information

The Company primarily operates in one reportable operating segment, being the acquisition and exploration of exploration and evaluation assets located in Indonesia.

EAST ASIA MINERALS CORPORATION

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

Nine months ended May 31, 2018

16. Subsequent events

Subsequent to the period ended May 31, 2018, the Company:

(a) Received loan proceeds of \$35,597 (US\$27,200) from a director and officer of the Company. The loan proceeds are non-interest bearing, unsecured, with no stated terms of repayment.

(b) Entered into an arrangement with Isatis Capital Group to secure a credit facility loan for up to \$17,500,000 (USD\$13,500,000). The contemplated credit facility arranged will have a maturity of 48 months with the Company being able to terminate the loan at 36 months with a 2% penalty on remaining funds owed and will be secured by a universal deed of hypothec over the Sangihe project in Indonesia. The loan will have an interest rate of 8% and will consist of interest only payments for the first 18 months of its tenure. The loan, at the discretion of the lender(s) is convertible to 99.9 gold bullion as a vehicle of re-payment with 12 months advanced notice and contained within a formal offtake agreement.