



EAST ASIA
MINERALS CORPORATION

August 31, 2019

Consolidated Financial Statements
(Expressed in Canadian dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
East Asia Minerals Corporation

Opinion

We have audited the accompanying consolidated financial statements of East Asia Minerals Corporation (the "Company"), which comprise the consolidated statements of financial position as at August 31, 2019 and 2018 and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity (deficiency), and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at August 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the consolidated financial statements, which indicates that the Company incurred a net loss of \$1,391,327 during the year ended August 31, 2019 and, as of that date, the Company had an accumulated deficit of \$92,326,894. As stated in Note 1, these events and conditions indicate that these material uncertainties may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.



We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Grant P. Block.

“DAVIDSON & COMPANY LLP”

Vancouver, Canada

Chartered Professional Accountants

December 30, 2019

EAST ASIA MINERALS CORPORATION

Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

	August 31, 2019	August 31, 2018
Assets		
Current assets:		
Cash and cash equivalents	\$ 61,828	\$ 68,353
Receivables (note 4)	8,454	33,299
Prepays and advances	58,735	12,872
	129,017	114,524
Non-current assets:		
Exploration and evaluation assets (note 5)	1,992,551	1,347,281
	\$ 2,121,568	\$ 1,461,805
Liabilities and Shareholder's deficiency		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 2,139,112	\$ 2,201,545
Loans payable (note 6)	90,482	98,868
Due to related parties (note 7)	496,371	236,466
	2,725,965	2,536,879
Shareholders' deficiency:		
Share capital (note 8)	72,022,973	70,528,804
Commitment to issue shares (note 8)	374,372	-
Share subscribed (note 8)	-	30,000
Reserves (note 9)	19,325,152	19,301,689
Deficit	(92,326,894)	(90,935,567)
	(604,397)	(1,075,074)
	\$ 2,121,568	\$ 1,461,805

Nature of operations and going concern (note 1)
Subsequent events (note 16)

See accompanying notes to the consolidated financial statements.

Approved on behalf of the Board:

"Terry Filbert" Director

"R. Scott Chaykin" Director

EAST ASIA MINERALS CORPORATION

Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian dollars)

	Year ended August 31, 2019	Year ended August 31, 2018
General and administrative expenses:		
Consulting fees	\$ 300,603	\$ 727,379
Directors' fees (note 7)	90,000	91,502
Foreign exchange loss	98,785	7,538
Interest expense (recovery)	6,358	55,253
Investor relations	60,000	130,167
Management fees (note 7)	319,080	305,696
Office and administration	265,481	376,207
Professional fees (note 7)	193,360	452,356
Rent	29,100	55,941
Share-based compensation (note 7 and 9)	-	216,446
Transfer agent and regulatory fees	33,867	49,000
Travel and accommodation	81,558	152,911
Total general and administrative expenses	(1,478,192)	(2,620,396)
Gain on extinguishment of debt (note 8)	86,865	-
Write-off of receivables (note 4)	-	(158,038)
Loss and comprehensive loss for the year	\$ (1,391,327)	\$ (2,778,434)
Basic and diluted loss per common share (note 10)	\$ (0.02)	\$ (0.05)
Weighted average number of common shares outstanding	74,999,392	54,428,272

See accompanying notes to the consolidated financial statements.

EAST ASIA MINERALS CORPORATION

Consolidated Statements of Changes in Shareholders' Equity (Deficiency)
(Expressed in Canadian dollars)

	Number of Shares	Share Capital	Commitment to Issue Shares	Shares Subscribed	Reserves	Deficit	Shareholders' Equity (Deficiency)
Balance, August 31, 2017	53,787,612	\$ 70,413,300	\$ -	\$ -	\$ 19,091,514	\$(88,157,133)	\$ 1,347,681
Exercise of warrants	48,124	15,403	-	-	(9,628)	-	5,775
Private placements	2,220,000	111,000	-	-	-	-	111,000
Share issuance costs	-	(7,542)	-	-	-	-	(7,542)
Shares subscribed	-	-	-	30,000	-	-	30,000
Finders' warrants	-	(3,357)	-	-	3,357	-	-
Share-based compensation	-	-	-	-	216,446	-	216,446
Loss for the year	-	-	-	-	-	(2,778,434)	(2,778,434)
Balance, August 31, 2018	56,055,736	70,528,804	-	30,000	19,301,689	(90,935,567)	(1,075,074)
Private placements	24,692,733	1,302,250	-	(30,000)	-	-	1,272,250
Share issuance costs	-	(63,426)	-	-	-	-	(63,426)
Finders' warrants	-	(23,463)	-	-	23,463	-	-
Debt settlements	3,569,731	278,808	374,372	-	-	-	653,180
Loss for the year	-	-	-	-	-	(1,391,327)	(1,391,327)
Balance, August 31, 2019	84,318,200	\$ 72,022,973	\$ 374,372	\$ -	\$ 19,325,152	\$(92,326,894)	\$ (604,397)

See accompanying notes to the consolidated financial statements.

EAST ASIA MINERALS CORPORATION

Consolidated Statements of Cash Flows
(Unaudited – Prepared by Management)
(Expressed in Canadian dollars)

	Year ended August 31, 2019	Year ended August 31, 2018
Cash provided by (used in):		
Operating activities:		
Loss for the year	\$ (1,391,327)	\$ (2,778,434)
Items not involving cash:		
Share-based compensation	-	216,446
Interest expense	6,358	55,253
Gain on settlement of debt	(86,864)	-
Foreign exchange	3,094	-
Write-off of receivables	-	158,038
Changes in non-cash operating working capital items:		
Receivables	24,845	(31,479)
Prepays and advances	(45,863)	26,918
Accounts payable and accrued liabilities	255,642	736,020
Due to related parties	259,905	232,266
	(974,210)	(1,384,972)
Investing activities:		
Exploration and evaluation assets	(170,568)	(327,321)
	(170,568)	(327,321)
Financing activities:		
Private placements	1,071,680	111,000
Shares subscribed	-	30,000
Share issuance costs	(63,426)	(7,542)
Exercise of warrants	-	5,775
Loan proceeds	137,999	98,868
Loan repayments	(8,000)	-
	1,138,253	238,101
Change in cash and cash equivalents	(6,525)	(1,474,192)
Cash and cash equivalents, beginning of the year	68,353	1,542,545
Cash and cash equivalents, end of the year	\$ 61,828	\$ 68,353
Cash and cash equivalents are comprised of:		
Cash	\$ 27,328	\$ 33,853
Cash equivalents	34,500	34,500
	\$ 61,828	\$ 68,353

Supplemental disclosure with respect to cash flows (note 13)

See accompanying notes to the consolidated financial statements.

EAST ASIA MINERALS CORPORATION

Notes to Consolidated Financial Statements

(Expressed in Canadian dollars)

For the year ended August 31, 2019

1. Nature of operations and going concern

East Asia Minerals Corporation (“the Company”) was incorporated under the laws of British Columbia and is in the process of exploring 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.

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 year ended August 31, 2019, the Company had a net loss and comprehensive loss of \$1,391,327 and had an accumulated deficit of \$92,326,894 as of August 31, 2019. These material uncertainties may cast significant doubt upon the entity’s ability to continue as a going concern.

These 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 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 consolidated financial statements.

The consolidated financial statements were authorized for issue on December 30, 2019 by the Board of Directors of the Company.

2. Significant accounting policies

Basis of presentation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”) effective as of August 31, 2019.

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

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.

EAST ASIA MINERALS CORPORATION

Notes to Consolidated Financial Statements

(Expressed in Canadian dollars)

For the year ended August 31, 2019

2. Significant accounting policies (cont'd)

Principles of consolidation

These 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 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 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 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).

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.

EAST ASIA MINERALS CORPORATION

Notes to Consolidated Financial Statements

(Expressed in Canadian dollars)

For the year ended August 31, 2019

2. Significant accounting policies (cont'd)

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

- 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.

Cash and cash equivalents

Cash is comprised of cash on hand and demand deposits and funds held in trust by lawyers. Cash equivalents include short-term highly liquid investments with original maturities or restrictions of three months or less at the date of purchase that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

Foreign currency translation

The functional currency is the currency of the primary economic environment in which the entity operates and is determined for each entity within the Company. The functional currency for the entities within the Company is the Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, The Effects of Changes in Foreign Exchange Rates.

Transactions in foreign currencies are translated at the exchange rate in effect at the date of the transaction. Foreign denominated monetary assets and liabilities are translated to their Canadian dollar equivalents using foreign exchange rates prevailing at the financial position reporting date. Exchange gains or losses arising on foreign currency translation are reflected in profit or loss for the year.

Non-monetary assets and liabilities that are measured at historical cost are translated into Canadian dollars using the exchange rate in effect at the date of the initial transaction and are not subsequently restated. Non-monetary assets and liabilities that are measured at fair value or a revalued amount are translated into Canadian dollars by using the exchange rate in effect at the date the value is determined and the related translation differences are recognized in net income or other comprehensive loss consistent with where the gain or loss on the underlying non-monetary asset or liability has been recognized.

Exploration and evaluation assets

Exploration and evaluation expenditures incurred before the Company has obtained legal rights to explore an area of interest are expensed as incurred. All costs related to the acquisition, exploration and evaluation of mineral properties incurred subsequent to the acquisition of legal rights to explore are capitalized by property. Mineral properties acquired from entities under common control are recorded at the same carrying value which the common control entity carried the mineral properties at. If economically recoverable ore reserves are determined to exist, capitalized costs of the related property are reclassified as mining assets and amortized using the unit of production method. When a property is abandoned, all related costs are written off to operations. If, after management review, it is determined that the carrying amount of an exploration and evaluation asset is impaired, that asset is written down to its estimated net realizable value. An exploration and evaluation asset is reviewed for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable.

EAST ASIA MINERALS CORPORATION

Notes to Consolidated Financial Statements

(Expressed in Canadian dollars)

For the year ended August 31, 2019

2. Significant accounting policies (cont'd)

Exploration and evaluation assets (cont'd)

The amounts shown for exploration and evaluation assets do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable mineral reserves, the ability of the Company to obtain the necessary financing and permitting to explore and complete the development of the properties, and future profitable production from the disposition of the metals produced from the properties or by sale.

Once technical feasibility and commercial viability of a mineral property has been established, the property is considered to be a development property and is classified as mine development assets in property, plant and equipment. The carrying value of the mineral property is tested for impairment before the expenditures are transferred.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation. Provisions for environmental restoration, legal claims, onerous leases and other onerous commitments are recognized at the best estimate of the expenditure required to settle the Company's liability.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a discount rate that reflects current market assessments of the time value of money and the risk specific to the obligation. An amount equivalent to the discounted provision is capitalized within tangible fixed assets and is depreciated over the useful lives of the related assets. The increase in the provision due to passage of time is recognized as interest expense.

Impairment of long-lived assets

At the end of each reporting period the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate and its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Assets that have an indefinite useful life are not subject to amortization and are tested at each reporting period for impairment.

EAST ASIA MINERALS CORPORATION

Notes to Consolidated Financial Statements

(Expressed in Canadian dollars)

For the year ended August 31, 2019

2. Significant accounting policies (cont'd)

Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects.

Share-based payments

The Company makes periodic grants of share-based awards to selected directors, officers, employees and others providing a similar service.

The fair value of the equity-settled awards is determined at the date of the grant using the Black-Scholes option pricing model. At each reporting date prior to vesting, the cumulative expense representing the extent to which the vesting period has expired and management's best estimate of the awards that are ultimately expected to vest is computed. The movement in cumulative expense is recognized in the statement of loss and comprehensive loss with a corresponding entry within equity, against the reserve for equity settled share based transactions. No expense is recognized for awards that do not ultimately vest.

Stock options granted to non-employees are measured at the fair value of goods or services rendered or at the fair value of the instruments issued, if it is determined that the fair value of the goods or services received cannot be reliably measured. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest. Warrants issued to brokers are measured at their fair value on the vesting date and are recognized as a deduction from equity and credited to reserves. The fair value of stock options and warrants issued to brokers are estimated using the Black-Scholes option pricing model. Any consideration received on the exercise of stock options and/or warrants, together with the related portion of contributed surplus, is credited to share capital.

Loss per share

Loss per share is calculated by dividing net loss available to common shareholders by the weighted average number of common shares outstanding for the reporting period. For diluted earnings per share, dilutive effect is recognized from the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the period.

The basic loss per share figure has been calculated using the weighted average number of common shares outstanding during the respective period. Diluted loss per share is equal to basic loss per share as the effect of outstanding options and warrants is anti-dilutive.

Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties. Related party transactions are generally measured at fair value except for transactions between entities which are under common control, which are recorded at the carrying value of the related party transaction.

EAST ASIA MINERALS CORPORATION

Notes to Consolidated Financial Statements

(Expressed in Canadian dollars)

For the year ended August 31, 2019

2. Significant accounting policies (cont'd)

Income taxes

Current tax is the expected tax payable or receivable on the local taxable income or loss for the year, using local tax rates enacted or substantively enacted at the reporting date, and includes any adjustments to tax payable or receivable in respect of previous years.

Deferred income taxes are recorded using the liability method whereby deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax is not recognized for temporary differences which arise on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting, nor taxable profit or loss.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Warrants issued in equity financing transactions

The Company engages in equity financing transactions to obtain the funds necessary to continue operations and explore its exploration and evaluation assets. These equity financing transactions may involve the issuance of common shares or units. Each unit comprises a certain number of common shares and a certain number of share purchase warrants. Depending on the terms and conditions of each equity financing agreement, the Warrants are exercisable into additional common shares at a price prior to expiry as stipulated by the agreement. Warrants that are part of units are valued based on the residual value method. Warrants that are issued as payment for agency fees or other transactions costs are accounted for as share-based payments.

Financial instruments

IFRS 9 – Financial Instruments (“IFRS 9”)

The Company adopted all of the requirements of IFRS 9 Financial Instruments (“IFRS 9”) as of November 1, 2018. IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement (“IAS 39”). IFRS 9 utilizes a revised model for recognition and measurement of financial instruments and a single, forward-looking “expected credit loss” impairment model. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9, so the Company’s accounting policy with respect to financial liabilities is unchanged. As a result of the adoption of IFRS 9, management has changed its accounting policy for financial assets retrospectively, for assets that continued to be recognized at the date of initial application. The change did not impact the carrying value of any financial assets or financial liabilities on the transition date.

EAST ASIA MINERALS CORPORATION

Notes to Consolidated Financial Statements

(Expressed in Canadian dollars)

For the year ended August 31, 2019

2. Significant accounting policies (cont'd)

The following is the Company's new accounting policy for financial instruments under IFRS 9.

Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive (loss) income ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Company has opted to measure them at FVTPL.

The Company completed a detailed assessment of its financial assets and liabilities as at September 1, 2018. The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

Financial assets/ liabilities	Original classification IAS 39	New classification IFRS 9
Cash and cash equivalents	FVTPL	FVTPL
Receivables	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other liabilities	Amortized cost
Due to related parties	Other liabilities	Amortized cost
Loans payable	Other liabilities	Amortized cost

Measurement

Financial assets at FVTOCI

Elected investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses recognized in other comprehensive income (loss).

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of loss and comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of loss and comprehensive loss in the period in which they arise. Where management has opted to recognize a financial liability at FVTPL, any changes associated with the Company's own credit risk will be recognized in other comprehensive income (loss).

EAST ASIA MINERALS CORPORATION

Notes to Consolidated Financial Statements

(Expressed in Canadian dollars)

For the year ended August 31, 2019

2. Significant accounting policies (cont'd)

Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost.

At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the statements of loss and comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

Derecognition

Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the statements of loss and comprehensive loss. However, gains and losses on derecognition of financial assets classified as FVTOCI remain within accumulated other comprehensive income (loss).

Financial liabilities

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the statements of loss and comprehensive loss.

3. New standards, amendments and interpretations

The Company has reviewed new and revised accounting pronouncements that have been issued.

Accounting Standards Issued but not yet Effective:

IFRS 16 – Leases. IFRS 16 specifies how an IFRS reporter will recognize, measure, present and disclose leases. The IASB issued IFRS 16, Leases, in January 2016, which replaces the current guidance in IAS 17. Under IAS 17, lessees were required to make a distinction between a finance lease and an operating lease. IFRS 16 requires lessees to recognize a lease liability reflecting future lease payments and a “right-of-use asset” for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. Earlier adoption is permitted, but only in conjunction with IFRS 15. The Company is in the process of completing its review and analysis of IFRS 16 and will apply IFRS 16 using the cumulative catch-up approach where the additional right-of-use assets and lease liabilities will be recorded from that date forward and will not require restatement of prior years’ comparative information. The Company will provide the quantitative impact of adopting IFRS 16 in its first quarter 2020 unaudited condensed consolidated interim financial statements.

EAST ASIA MINERALS CORPORATION

Notes to Consolidated Financial Statements

(Expressed in Canadian dollars)

For the year ended August 31, 2019

3. New standards, amendments and interpretations (cont'd)

Accounting Standards Adopted During the Year:

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 did not have a significant impact on the Company's 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 did not have a significant impact on the Company's consolidated financial statements.

4. Receivables

	August 31, 2019	August 31, 2018
Sales tax receivables	\$ 8,280	\$ 32,109
Other receivables	174	1,190
	\$ 8,454	\$ 33,299

During the year ended August 31, 2019, the Company wrote-off \$Nil (2018 - \$158,038) of other receivables as the collectability is uncertain.

5. Exploration and evaluation assets

Title to exploration and evaluation assets involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mining properties. The Company has investigated title to its exploration and evaluation assets and, to the best of its knowledge, title to its property is in good standing.

The exploration and evaluation assets in which the Company has an interest are located in Indonesia and the Company is therefore relying on title opinions by legal counsel who are basing such opinions on the laws of Indonesia.

EAST ASIA MINERALS CORPORATION

Notes to Consolidated Financial Statements

(Expressed in Canadian dollars)

For the year ended August 31, 2019

5. Exploration and evaluation assets (cont'd)

The Company's exploration and evaluation assets consist of:

	Sangihe property (Indonesia)
Balance, August 31, 2017	\$ 548,106
Drilling	18,879
Geology	231,889
Office and supplies	210
Professional fees	4,181
Travel	21,332
Technical reports	224,472
Tenement costs	298,212
Total additions	799,175
Balance, August 31, 2018	1,347,281
Geology	262,648
Office and supplies	375
Professional fees	79,510
Travel	4,988
Technical reports	7,856
Tenement costs	289,893
Total additions	645,270
Balance, August 31, 2019	\$ 1,992,551

(a) Sangihe

The Sangihe Gold-Copper Project is located on the island of Sangihe, Indonesia. 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.

6. Payables

Loans payable

During the year ended August 31, 2019, the Company received loan proceeds of \$137,999 (2018 - \$98,868) from two related parties and an arm's length party. The loan proceeds are non-interest bearing, unsecured, with no stated terms of repayment. During the year ended August 31, 2019, the Company repaid \$8,000 of loans, settled \$92,849 through the issuance of 2,025,460 shares and \$45,536 of loans through commitment to issue shares.

EAST ASIA MINERALS CORPORATION

Notes to Consolidated Financial Statements

(Expressed in Canadian dollars)

For the year ended August 31, 2019

6. Payables (cont'd)

Accounts payable

During the year ended August 31, 2019, the Company recorded \$2,139,112 (2018 - \$2,201,545) in accounts payables. The Company settled \$82,543 of accounts payables by the issuance of 1,544,271 shares and \$516,022 through commitment to issue shares.

7. Related party transactions

Compensation and payments to key management personnel was as follows:

	2019	2018
Fees and short-term benefits - management	\$ 319,080	\$ 305,696
Fees and short-term benefits - directors	90,000	91,502
Fees and short-term benefits - professional	48,000	96,000
Share-based compensation	-	125,258
	<u>\$ 457,080</u>	<u>\$ 618,456</u>

During the year ended August 31, 2019, the Company settled \$79,862 of debt to non-arm's length parties by issuing 1,597,220 shares.

As at August 31, 2019, \$496,371 (2018 - \$236,466) is due to directors and officers of the Company as accounts payable. The amounts were non-interest bearing, unsecured, with no stated terms of repayment.

As at August 31, 2019, \$58,332 (2018 - \$35,597) is due to a director of the Company as loans payable. The amounts were non-interest bearing, unsecured, with no stated terms of repayment.

8. Share capital

(a) *Common shares*

Authorized

Unlimited common shares, without par value.

Issued share capital

On August 31, 2019, there were 84,318,200 (2018 - 56,055,736) issued and outstanding common shares.

EAST ASIA MINERALS CORPORATION

Notes to Consolidated Financial Statements

(Expressed in Canadian dollars)

For the year ended August 31, 2019

8. Share capital (cont'd)

(a) Common shares (cont'd)

During the year ended August 31, 2019, the Company:

- Settled outstanding debt of \$561,558 to arm's-length service providers and non-arm's-length lenders and recorded a gain of \$187,186 on the settlement. As at August 31, 2019 9,359,309 shares to settle the debt had not been issued and the Company has recorded a commitment to issue shares with a value of \$374,372. Subsequent to the year end, the Company issued the shares.
- Issued 3,569,731 shares with a value of \$278,808 to arm's-length service providers and non-arm's-length lenders to settle outstanding debt for \$178,487 and recorded a loss of \$100,321 on the settlement.
- Completed two tranches related to the financing announced in April 2019 of 1,500,000 units for proceeds of \$90,000 and finders' fees of \$630; and 5,261,333 units for proceeds of \$315,680 and finders' fees of \$21,248. Each unit consists of one common share and one share purchase warrant. Each share purchase warrant entitles the holder to purchase one additional common share of the Company at a price of \$0.12 per share for a period of two years from the closing of the two tranches.
- Completed three tranches related to the financing announced in February 2018 of 5,680,000 units for proceeds of \$284,000 and finders' fees of \$22,750 and 390,000 broker's warrants at a fair value of \$22,415; 7,361,400 units for proceeds of \$368,070 and finders' fees of \$750 and 15,000 broker's warrants at a fair value of \$1,048; and 4,890,000 units for proceeds of \$244,500. Each unit consists of one common share and one share purchase warrant. Each share purchase warrant entitles 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 three tranches.

During the year ended August 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 August 31, 2018, the Company has closed a tranche of \$111,000 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.
- Received \$5,775 from exercise of 48,124 warrants and \$30,000 from share subscriptions.

EAST ASIA MINERALS CORPORATION

Notes to Consolidated Financial Statements

(Expressed in Canadian dollars)

For the year ended August 31, 2019

8. Share capital (cont'd)

(b) Warrants

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

	August 31, 2019		August 31, 2018	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Warrants, beginning of the year	28,052,331	\$ 0.14*	25,793,014	\$ 0.59
Granted	25,097,733	0.11	2,307,441	0.10
Expired/cancelled	(1,707,044)	0.12	(48,124)	0.12
Warrants, end of the year	51,443,020	\$ 0.13	28,052,331	\$ 0.14*

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

The following warrants were outstanding at August 31, 2019:

Number of warrants	Exercise price (\$)	Expiry date
976,493	0.15	December 11, 2019**
4,617,560	0.15	March 10, 2020
2,220,000	0.10	May 25, 2020
71,400	0.10	May 25, 2020*
5,680,000	0.10	September 13, 2020
390,000	0.10	September 13, 2020*
7,361,400	0.10	October 11, 2020
15,000	0.10	October 11, 2020*
4,890,000	0.10	November 13, 2020
1,500,000	0.12	May 8, 2021
5,261,333	0.12	June 17, 2021
4,700,000	0.15	March 8, 2022
13,759,834	0.15	May 8, 2022
51,443,020		

*Finders' warrants

**Expired subsequent to August 31, 2019 unexercised

During the year ended August 31, 2019, the Company granted 405,000 (2018 – 71,400) finders' warrants with an initial fair market value of \$23,463 (2018 - \$3,357) or \$0.06 (2018 - \$0.05) 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:

	2019	2018
Risk-free interest rate	2.14%	1.96%
Expected life of warrant	2.00 years	2.00 years
Expected dividend yield	0%	0%
Expected stock price volatility	235.06%	285.69%
Fair value per warrant	\$0.06	\$0.05

EAST ASIA MINERALS CORPORATION

Notes to Consolidated Financial Statements

(Expressed in Canadian dollars)

For the year ended August 31, 2019

9. 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 10% 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:

	August 31, 2019		August 31, 2018	
	Number of Options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding, beginning of the year	4,288,572	\$ 0.10	1,160,000	\$ 0.35
Granted	-	-	3,298,572	0.05
Expired	(25,000)	0.50	(30,000)	2.30
Cancelled/forfeited	(1,190,000)	0.23	(140,000)	0.45
Outstanding, end of the year	3,098,572	\$ 0.05	4,288,572	\$ 0.10

The following stock options were outstanding and exercisable at August 31, 2019:

Number of options outstanding	Number of options exercisable	Exercise price (\$)	Expiry date
3,098,572	3,098,572	0.05	July 30, 2023
3,098,572	3,098,572		

(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 year ended August 31, 2019, the Company granted nil (2018 - 3,298,572) stock options to officers, directors, employees and consultants. Share-based compensation expense of \$nil (2018 – \$216,446) was recognized on options that vested during the year ended August 31, 2019 . 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:

	2019	2018
Risk-free interest rate	-	2.19%
Expected life of option	-	5.00 years
Expected dividend yield	-	0%
Expected stock price volatility	-	128.17%
Fair value per option	-	\$0.04

EAST ASIA MINERALS CORPORATION

Notes to Consolidated Financial Statements

(Expressed in Canadian dollars)

For the year ended August 31, 2019

10. Basic and diluted loss per share

The calculation of basic and diluted loss per share for the year ended August 31, 2019 was based on the loss attributable to common shareholders of \$1,391,327 (2018 – \$2,778,434) and the weighted average number of common shares outstanding of 74,999,392 (2018 – 54,428,272).

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.

11. 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 August 31, 2019, the carrying values of 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

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 significant 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.

EAST ASIA MINERALS CORPORATION

Notes to Consolidated Financial Statements

(Expressed in Canadian dollars)

For the year ended August 31, 2019

11. Financial instruments (cont'd)

Financial risks (cont'd)

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 August 31, 2019, the Company had cash and cash equivalents of \$61,828 (2018 - \$68,353) to settle current liabilities of \$2,725,965 (2018 - \$2,536,879).

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 August 31, 2019, 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.

Financial assets

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

August 31, 2019	USD		IDR		Total
Cash and cash equivalents	\$	1,680	\$	16,095	\$ 21,455
Other receivables		-		99	99
	\$	1,680	\$	16,194	\$ 21,554

August 31, 2018	USD		IDR		Total
Cash and cash equivalents	\$	1,685	\$	1,497	\$ 3,182
Other receivables		-		93	93
	\$	1,685	\$	1,590	\$ 3,275

EAST ASIA MINERALS CORPORATION

Notes to Consolidated Financial Statements

(Expressed in Canadian dollars)

For the year ended August 31, 2019

11. Financial instruments (cont'd)

Financial liabilities

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

August 31, 2019	USD		IDR		Total
Accounts payable and accrued liabilities	\$	1,016,685	\$	738,817	\$ 1,755,502

August 31, 2018	USD		IDR		Total
Accounts payable and accrued liabilities	\$	1,112,053	\$	574,484	\$ 1,686,537

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 August 31, 2019, net financial liabilities totaling \$1,299,518 (2018 – \$1,265,772) were held in USD and net financial liabilities totaling \$722,623 (2018 – \$572,894) were held in IDR.

Based on the above net exposure as at August 31, 2019 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 \$12,995 (2018 - \$12,658) 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 \$6,212 (2018 - \$5,729) in the Company's loss and comprehensive loss.

12. 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 and exploration 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 year ended August 31, 2019. The Company is not subject to externally imposed capital requirements.

EAST ASIA MINERALS CORPORATION

Notes to Consolidated Financial Statements

(Expressed in Canadian dollars)

For the year ended August 31, 2019

13. Supplemental disclosure with respect to cash flows

The Company's significant non-cash transactions during the year ended August 31, 2019 were as follows:

- (a) Included in exploration and evaluation assets is \$1,033,218 which relates to accounts payable and accrued liabilities;
- (b) Issued 405,000 common share purchase warrants as finders' warrants valued at \$23,463 relating to a private placement;
- (c) Issued 3,569,731 common shares to settle accounts payable of 82,543 and loans payable of 92,849.
- (d) Settled \$516,022 of accounts payable and \$45,536 of loans payable through commitment to issue shares.

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

- (a) Transferred \$9,628 to share capital from reserves on the exercise of 48,124 warrants;
- (b) Included in exploration and evaluation assets is \$558,516 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.

14. Segmented information

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

15. Income taxes

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	Year ended August 31, 2019	Year ended August 31, 2018
Loss for the year	\$ 1,391,327	\$ 2,778,434
Expected income tax (recovery)	(376,000)	(741,000)
Change in statutory, foreign tax, foreign exchange rates and other	(332,000)	246,000
Permanent difference	(43,000)	57,000
Impact of flow through shares	129,000	-
Share issue costs	(17,000)	(2,000)
Adjustment to prior years provision versus statutory tax returns and expiry of non-capital losses	449,000	-
Expiry of non-capital losses	-	1,531,000
Change in unrecognizable deductible temporary differences	190,000	(1,091,000)
Income tax expense (recovery)	\$ -	\$ -

EAST ASIA MINERALS CORPORATION

Notes to Consolidated Financial Statements

(Expressed in Canadian dollars)

For the year ended August 31, 2019

15. Income taxes (cont'd)

The significant components of the Company's deferred tax assets that have not been included on the consolidated statement of financial position are as follows:

	Year ended August 31, 2019	Year ended August 31, 2018
Deferred tax assets (liabilities)		
Exploration and evaluation assets	\$ 7,553,000	\$ 7,351,000
Property and equipment	82,000	97,000
Share issue costs	43,000	44,000
Canadian eligible capital (CEC)	-	141,000
Non-capital losses available for future period	4,185,000	4,040,000
	11,863,000	11,673,000
Unrecognized deferred tax assets	(11,863,000)	(11,673,000)
Net deferred tax assets	\$ -	\$ -

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

	August 31, 2019	Expiry	August 31, 2018	Expiry
Non-capital loss carry-forwards - Canada	\$ 14,309,000	2032-2039	\$ 14,274,000	2032-2038
Non-capital loss carry-forwards - Indonesia	850,000	2020-2034	1,116,000	2019-2023
Non-capital loss carry-forwards - Hong Kong	1,000	No expiry date	302,000	No expiry date
Non-capital loss carry-forwards - Mongolia	655,000	2023	-	-
Non-capital losses available for future periods	15,815,000	2020-2039	15,692,000	2019-2038
Exploration and evaluation assets	30,182,000	No expiry date	29,380,000	No expiry date
Property and equipment	328,000	No expiry date	385,000	No expiry date
Canadian eligible capital (CEC)	-	No expiry date	543,000	No expiry date
Share issue costs	158,000	2020-2023	171,000	2039-2042

Tax attributes are subject to review, and potential adjustments, by tax authorities.

16. Subsequent events

Subsequent to August 31, 2019, the Company settled \$28,023 of debt through the issuance of 467,042 common shares.