



**EAST ASIA**  
MINERALS CORPORATION

May 31, 2019

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

	May 31, 2019	August 31, 2018
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 67,304	\$ 68,353
Receivables	25,797	33,299
Prepays and advances	27,268	12,872
	120,369	114,524
Non-current assets:		
Exploration and evaluation assets (note 4)	1,770,845	1,347,281
	\$ 1,891,214	\$ 1,461,805
<b>Liabilities and Shareholders' Equity (Deficiency)</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 2,369,908	\$ 2,201,545
Loans payable (note 5)	81,436	98,868
Due to related parties (note 6)	405,837	236,466
	2,857,181	2,536,879
Shareholders' equity (deficiency):		
Share capital (note 7)	71,647,768	70,528,804
Share subscribed (note 7)	25,200	30,000
Reserves (note 8)	19,325,152	19,301,689
Deficit	(91,964,087)	(90,935,567)
	(965,967)	(1,075,074)
	\$ 1,891,214	\$ 1,461,805

Nature of operations and going concern (note 1)  
Subsequent events (note 14)

See accompanying notes to the condensed consolidated interim financial statements.

Approved on behalf of the Board:

"Terry Filbert" Director

"R. Scott Chaykin" Director

## EAST ASIA MINERALS CORPORATION

Condensed Consolidated Interim Statements of Loss and Comprehensive Loss

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

	Three months ended May 31, 2019	Three months ended May 31, 2018	Nine months ended May 31, 2019	Nine months ended May 31, 2018
General and administrative expenses:				
Consulting fees	\$ 33,183	\$ 113,167	\$ 265,173	\$ 638,750
Directors' fees (note 6)	20,654	23,180	67,500	68,228
Foreign exchange loss	10,939	8,598	13,777	21,061
Interest expense (recovery)	(4,093)	11,320	1,715	43,006
Investor relations	15,000	15,000	45,000	115,167
Management fees (note 6)	85,458	76,719	243,486	227,297
Office and administration	56,728	52,183	193,472	322,216
Professional fees (note 6)	44,099	69,817	120,079	335,754
Rent	5,918	14,397	25,679	41,467
Share-based compensation (note 6 and 8)	-	8,839	-	69,992
Transfer agent and regulatory fees	7,638	2,719	25,663	26,946
Travel and accommodation	2,415	46,753	26,976	111,328
<b>Total general and administrative expenses</b>	<b>(277,939)</b>	<b>(442,692)</b>	<b>(1,028,520)</b>	<b>(2,021,212)</b>
<b>Loss and comprehensive loss for the period</b>	<b>\$ (277,939)</b>	<b>\$ (442,692)</b>	<b>\$ (1,028,520)</b>	<b>\$ (2,021,212)</b>
<b>Basic and diluted loss per common share (note 9)</b>	<b>\$ (0.00)</b>	<b>\$ (0.01)</b>	<b>\$ (0.01)</b>	<b>\$ (0.04)</b>
Weighted average number of common shares outstanding	76,660,784	53,982,110	72,186,617	53,887,806

See accompanying notes to the condensed consolidated interim financial statements.

## EAST ASIA MINERALS CORPORATION

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

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

	Number of Shares	Share Capital	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	12,129	-	(6,354)	-	5,775
Private placements	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)
<b>Balance, May 31, 2018</b>	<b>56,055,736</b>	<b>\$ 70,525,530</b>	<b>\$ -</b>	<b>\$ 19,158,509</b>	<b>\$(90,178,345)</b>	<b>\$ (494,306)</b>
Balance, August 31, 2018	56,055,736	\$ 70,528,804	\$ 30,000	\$ 19,301,689	\$(90,935,567)	\$ (1,075,074)
Private placements	19,431,400	986,570	(30,000)	-	-	956,570
Share issuance costs	-	(22,630)	-	-	-	(22,630)
Finders' warrants	-	(23,463)	-	23,463	-	-
Shares subscribed	-	-	25,200	-	-	25,200
Debt settlements	3,569,731	178,487	-	-	-	178,487
Loss for the period	-	-	-	-	(1,028,520)	(1,028,520)
<b>Balance, May 31, 2019</b>	<b>79,056,867</b>	<b>\$ 71,647,768</b>	<b>\$ 25,200</b>	<b>\$ 19,325,152</b>	<b>\$(91,964,087)</b>	<b>\$ (965,967)</b>

See accompanying notes to the condensed consolidated interim financial statements.

# EAST ASIA MINERALS CORPORATION

Condensed Consolidated Interim Statements of Cash Flows

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

	Nine months ended May 31, 2019	Nine months ended May 31, 2018
Cash provided by (used in):		
<b>Operating activities:</b>		
Loss for the period	\$ (1,028,520)	\$ (2,021,212)
Items not involving cash:		
Share-based compensation	-	69,992
Interest expense	1,715	43,006
Changes in non-cash operating working capital items:		
Receivables	7,502	(11,552)
Prepays and advances	(14,396)	(3,972)
Accounts payable and accrued liabilities	262,681	991,457
Due to related parties	169,371	122,470
	(601,647)	(809,811)
<b>Investing activities:</b>		
Exploration and evaluation assets	(442,383)	(748,814)
	(442,383)	(748,814)
<b>Financing activities:</b>		
Private placements	956,570	111,000
Shares subscribed	25,200	-
Share issuance costs	(22,630)	(7,542)
Exercise of warrants	-	5,775
Loan proceeds	91,841	20,000
Loan repayments	(8,000)	-
	1,042,981	129,233
Change in cash and cash equivalents	(1,049)	(1,429,392)
Cash and cash equivalents, beginning of the period	68,353	1,542,545
Cash and cash equivalents, end of the period	\$ 67,304	\$ 113,153
Cash and cash equivalents are comprised of:		
Cash	\$ 32,804	\$ 78,653
Cash equivalents	34,500	34,500
	\$ 67,304	\$ 113,153

Supplemental disclosure with respect to cash flows (note 12)

See accompanying notes to the condensed consolidated interim financial statements.

# EAST ASIA MINERALS CORPORATION

Notes to Condensed Consolidated Interim Financial Statements

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

For the nine months ended May 31, 2019

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## 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 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.

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, 2019, the Company had a net loss and comprehensive loss of \$1,028,520 and had an accumulated deficit of \$91,964,087 as of May 31, 2019. These material uncertainties may cast significant doubt upon the entity’s ability to continue as a going concern.

These condensed consolidated interim 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 consolidated interim 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 consolidated interim financial statements.

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

## 2. Basis of presentation

### *Statement of compliance*

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standards (“IAS”) 34, Interim Financial Reporting using the principles of International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”), Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”) as disclosed in our consolidated financial statements for the year ended August 31, 2018.

These condensed consolidated interim financial statements do not include all of the information required for full annual financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”) and, accordingly, should be read in conjunction with the Company’s annual consolidated financial statements for the year ended August 31, 2018.

### *Basis of measurement*

These condensed consolidated interim financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value. In addition, these condensed consolidated interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

# **EAST ASIA MINERALS CORPORATION**

Notes to Condensed Consolidated Interim Financial Statements

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

For the nine months ended May 31, 2019

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## **2. Basis of presentation (cont'd)**

### ***Functional and reporting currency***

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.

### ***Principles of consolidation***

These condensed consolidated interim 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 consolidated interim 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 consolidated interim financial statements in conformity with IFRS requires management to make estimates, judgments and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, significant judgments made by management in applying the Company’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended August 31, 2018.

## **3. Significant accounting policies**

The accounting policies applied by the Company in these condensed consolidated interim financial statements are the same as those applied by the Company as at and for the year ended August 31, 2018.

### ***New standards, interpretations and amendments not yet effective***

A number of new standards, amendments to standards and interpretations are not yet effective as of May 31, 2019 and have not been applied in preparing these condensed consolidated interim financial statements. None of these are expected to have a material effect on the financial statements of the Company.

# EAST ASIA MINERALS CORPORATION

Notes to Condensed Consolidated Interim Financial Statements

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

For the nine months ended May 31, 2019

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### 3. Significant accounting policies (cont'd)

#### *New standard IFRS 16 “Leases”*

In January 2016, the IASB issued IFRS 16, Leases which replaces IAS 17, Leases and its associated interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting remains similar to current accounting practice. The standard is effective for annual periods beginning on or after January 1, 2019, with early application permitted for entities that apply IFRS 15. The Company has not early adopted this standard and is currently assessing the impact that this standard will have on its financial statements.

#### **New accounting standards adopted during the period**

#### *New standard IFRS 9 “Financial Instruments”*

This new standard is a partial replacement of IAS 39 “Financial Instruments: Recognition and Measurement”. IFRS 9 introduces new requirements for the classification and measurement of financial assets, additional changes relating to financial liabilities, a new general hedge accounting standard which will align hedge accounting more closely with risk management. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company adopted IFRS 9 on September 1, 2018 retrospectively and no differences of any significance have been noted in relation to the adoption of the standard.

#### *New standard 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 amended standard was adopted on September 1, 2018 and did not have an impact on the condensed consolidated interim financial statements

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company’s financial statements.

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## 4. 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.

The Company's exploration and evaluation assets consist of:

	<b>Sangihe property (Indonesia)</b>
Balance, August 31, 2017	\$ 548,106
Drilling	19,482
Geology	239,299
Office and supplies	217
Professional fees	4,314
Travel	22,014
Technical reports	231,645
Tenement costs	307,742
Total additions	824,713
Currency translation adjustment	(25,538)
Balance, August 31, 2018	\$ 1,347,281
Geology	197,424
Office and supplies	373
Professional fees	48,689
Travel	4,988
Technical reports	4,728
Tenement costs	204,389
Total additions	460,591
Currency translation adjustment	(37,027)
Balance, May 31, 2019	\$ 1,770,845

### (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.

# EAST ASIA MINERALS CORPORATION

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(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

For the nine months ended May 31, 2019

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## 5. Loans payable

During the period ended May 31, 2019, the Company received loan proceeds of \$91,841 (year ended August 31, 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 period ended May 31, 2019, the Company repaid \$8,000 and settled \$101,273 by the issuance of 2,025,460 shares.

## 6. Related party transactions

Compensation and payments to key management personnel was as follows:

	Nine months ended	
	May 31, 2019	May 31, 2018
Fees and short-term benefits - management	\$ 243,486	\$ 227,297
Fees and short-term benefits - directors	67,500	68,228
Fees and short-term benefits - professional	36,000	36,000
Share-based compensation	-	9,449
	<u>\$ 346,986</u>	<u>\$ 340,974</u>

As at May 31, 2019, \$405,837 (August 31, 2018 - \$236,466) is due to directors and officers of the Company. The amounts were non-interest bearing, unsecured, with no stated terms of repayment.

## 7. Share capital

### (a) Common shares

#### *Authorized*

Unlimited common shares, without par value.

#### *Issued share capital*

On May 31, 2019, there were 79,056,867 (August 31, 2018 – 56,055,736) issued and outstanding common shares.

During the period ended May 31, 2019, the Company:

- Issued 3,569,731 shares to arm's-length service providers and non-arm's-length lenders to settle outstanding debt for \$178,487.
- Completed first tranche of a financing for 1,500,000 units for proceeds of \$90,000. Share issue costs of \$630 were paid in relation to the financing.
- 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 \$21,250 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.

# EAST ASIA MINERALS CORPORATION

Notes to Condensed Consolidated Interim Financial Statements

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

For the nine months ended May 31, 2019

## 7. Share capital (cont'd)

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.

### (b) Warrants

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

	May 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	19,836,400	0.10	2,307,441	0.10
Expired/cancelled	(1,707,044)	0.12	(48,124)	0.12
Warrants, end of the period/year	46,181,687	\$ 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 May 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 14, 2020
390,000	0.10	September 14, 2020*
7,361,400	0.10	October 12, 2020
15,000	0.10	October 12, 2020*
4,890,000	0.10	November 14, 2020
1,500,000	0.12	May 9, 2021
4,700,000	0.15	March 8, 2022
13,759,834	0.15	May 8, 2022
46,181,687		

\*Finders' warrants

# EAST ASIA MINERALS CORPORATION

Notes to Condensed Consolidated Interim Financial Statements

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

For the nine months ended May 31, 2019

## 7. Share capital (cont'd)

### (b) Warrants (cont'd)

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

	Period ended May 31, <u>2019</u>	Year ended August 31, <u>2018</u>
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

## 8. 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:

	<u>May 31, 2019</u>		<u>August 31, 2018</u>	
	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/cancelled/forfeited	(25,000)	0.50	(170,000)	0.77
Outstanding, end of the period/year	4,263,572	\$ 0.10	4,288,572	\$ 0.10

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(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

For the nine months ended May 31, 2019

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## 8. Share-based payments (cont'd)

### (a) Stock options (cont'd)

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

<b>Number of options outstanding</b>	<b>Number of options exercisable</b>	<b>Exercise price (\$)</b>	<b>Expiry date</b>
600,000	600,000	0.20	April 2, 2022
365,000	365,000	0.40	June 20, 2022
3,298,572	3,298,572	0.05	July 30, 2023
4,263,572	4,263,572		

### (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 period ended May 31, 2019, the Company granted nil (year ended August 31, 2018 - 3,298,572) stock options to officers, directors, employees and consultants. Share-based compensation expense of \$nil (year ended August 31, 2018 – \$216,446) was recognized on options that vested during the period ended May 31, 2019 (year ended August 31, 2018 - \$193,148). 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:

	Period ended May 31, <u>2019</u>	Year ended August 31, <u>2018</u>
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

## 9. Basic and diluted loss per share

The calculation of basic and diluted loss per share for the period ended May 31, 2019 was based on the loss attributable to common shareholders of \$1,028,520 (2018 – \$2,021,212) and the weighted average number of common shares outstanding of 72,186,617 (2018 – 53,887,806).

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.

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For the nine months ended May 31, 2019

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## 10. 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, 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 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 Condensed Consolidated Interim Financial Statements

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

For the nine months ended May 31, 2019

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## 10. Financial instruments (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 May 31, 2019, the Company had cash and cash equivalents of \$67,304 (August 31, 2018 - \$68,353) to settle current liabilities of \$2,857,181 (August 31, 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 May 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:

May 31, 2019	USD	IDR	Total
Cash and cash equivalents	\$ 1,192	\$ 3,086	\$ 4,278
Other receivables	-	93	93
	\$ 1,192	\$ 3,179	\$ 4,371

  

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 Condensed Consolidated Interim Financial Statements

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

For the nine months ended May 31, 2019

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## 10. Financial instruments (cont'd)

### *Financial liabilities*

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

May 31, 2019	USD	IDR	Total
Accounts payable and accrued liabilities	\$ 1,448,631	\$ 910,732	\$ 2,359,363

  

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 May 31, 2019, net financial liabilities totaling \$1,448,631 (August 31, 2018 – \$1,265,772) were held in USD and net financial liabilities totalling \$910,732 (August 31, 2018 – \$572,894) were held in IDR.

Based on the above net exposure as at May 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 \$14,000 (2018 - \$3,300) 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 \$9,000 (2018 - \$8,000) in the Company's loss and comprehensive loss.

## 11. 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, 2019. The Company is not subject to externally imposed capital requirements.

# **EAST ASIA MINERALS CORPORATION**

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## **12. Supplemental disclosure with respect to cash flows**

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

- (a) Included in exploration and evaluation assets is \$539,697 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 debt of \$178,487.

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.

## **13. Segmented information**

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

## **14. Subsequent events**

Subsequent to May 31, 2019:

- a) The Company completed the final tranche of a private placement and issued 5,261,333 units for proceeds of \$315,680 (of which \$25,200 was received as at May 31, 2019). Each unit contains one share and one share purchase warrant exercisable at \$0.12 for a period of two years from the closing of the offering. The Company paid finders' fees of \$21,248.
- b) The Company's board of directors approved the settlement of up to \$782,723 of debt through the issuance of common shares of the Company. Pursuant to the debt settlement, the Company would issue up to 13,045,380 common shares of the Company at a deemed price of \$0.06 per share to certain creditors of the Company, including certain directors and officers. The issuance of the shares to the creditors is subject to the approval of the TSX Venture Exchange.