



**EAST ASIA**  
MINERALS CORPORATION

May 31, 2020

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, 2020	August 31, 2019
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 47,062	\$ 61,828
Receivables (note 4)	5,246	8,454
Prepays and advances	146,444	58,735
	198,752	129,017
Non-current assets:		
Exploration and evaluation assets (note 5)	2,200,397	1,992,551
	\$ 2,399,149	\$ 2,121,568
<b>Liabilities and Shareholder's deficiency</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 2,049,655	\$ 2,139,112
Loans payable (note 6 and 7)	198,881	90,482
Due to related parties (note 7)	402,790	496,371
	2,651,326	2,725,965
Shareholders' deficiency:		
Share capital (note 8)	73,318,673	72,022,973
Commitment to issue shares (note 8)	-	374,372
Reserves (note 9)	19,343,195	19,325,152
Deficit	(92,914,045)	(92,326,894)
	(252,177)	(604,397)
	\$ 2,399,149	\$ 2,121,568

Nature of operations and going concern (note 1)

Subsequent events (note 15)

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, 2020	Three months ended May 31, 2019	Nine months ended May 31, 2020	Nine months ended May 31, 2019
General and administrative expenses:				
Consulting fees	\$ 46,475	\$ 33,183	\$ 123,331	\$ 265,173
Directors' fees (note 7)	22,500	20,654	67,500	67,500
Foreign exchange loss	34,646	10,939	34,163	13,777
Interest expense (recovery)	5,790	(4,093)	33,778	1,715
Investor relations	16,900	15,000	46,900	45,000
Management fees (note 7)	87,018	85,458	248,166	243,486
Office and administration	57,386	56,728	185,459	193,472
Professional fees (note 7)	29,088	44,099	105,093	120,079
Rent	12,105	5,918	43,710	25,679
Share-based compensation	17,258	-	17,258	-
Transfer agent and regulatory fees	3,892	7,638	19,488	25,663
Travel and accommodation (recovery)	(2,178)	2,415	20,044	26,976
<b>Total general and administrative expenses</b>	<b>(330,880)</b>	<b>(277,939)</b>	<b>(944,890)</b>	<b>(1,028,520)</b>
Loss on extinguishment of debt (note 8)	(135,849)	-	(148,805)	-
Gain on write-off of accounts payable	506,544	-	506,544	-
Income (loss) and comprehensive income (loss) for the period	\$ 39,815	\$ (277,939)	\$ (587,151)	\$ (1,028,520)
Basic and diluted loss per common share (note 10)	\$ 0.00	\$ (0.00)	\$ (0.01)	\$ (0.01)
Weighted average number of common shares outstanding	99,400,962	76,660,784	93,903,910	72,186,617

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	Commitment to Issue Shares	Shares Subscribed	Reserves	Deficit	Shareholders' Equity (Deficiency)
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)
Balance, May 31, 2019	79,056,867	\$ 71,647,768	\$ -	\$ 25,200	\$ 19,325,152	\$(91,964,087)	\$ (965,967)
Balance, August 31, 2019	84,318,200	\$ 72,022,973	\$ 374,372	\$ -	\$ 19,325,152	\$(92,326,894)	\$ (604,397)
Private placements	8,580,942	300,333	-	-	-	-	300,333
Share issuance costs	-	(6,942)	-	-	785	-	(6,157)
Debt settlements	18,848,516	1,002,309	(374,372)	-	-	-	627,937
Share based compensation	-	-	-	-	17,258	-	17,258
Loss for the period	-	-	-	-	-	(587,151)	(587,151)
Balance, May 31, 2020	111,747,658	\$ 73,318,673	\$ -	\$ -	\$ 19,343,195	\$(92,914,045)	\$ (252,177)

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, 2020	Nine months ended May 31, 2019
Cash provided by (used in):		
<b>Operating activities:</b>		
Loss for the period	\$ (587,151)	\$ (1,028,520)
Items not involving cash:		
Interest expense	4,071	1,715
Loss on settlement of debt	148,805	-
Foreign exchange	(12,433)	-
Share-based compensation	17,258	-
Write-off of accounts payable	(506,544)	-
Changes in non-cash operating working capital items:		
Receivables	3,208	7,502
Prepays and advances	(87,709)	(14,396)
Accounts payable and accrued liabilities	847,615	262,681
Due to related parties	(93,581)	169,371
	(266,461)	(601,647)
<b>Investing activities:</b>		
Exploration and evaluation assets	(227,764)	(442,383)
	(227,764)	(442,383)
<b>Financing activities:</b>		
Private placements	300,333	956,570
Shares subscribed	-	25,200
Share issuance costs	(6,157)	(22,630)
Loan proceeds	194,483	91,841
Loan repayments	(9,200)	(8,000)
	479,459	1,042,981
Change in cash and cash equivalents	(14,766)	(1,049)
Cash and cash equivalents, beginning of the period	61,828	68,353
Cash and cash equivalents, end of the period	\$ 47,062	\$ 67,304
Cash and cash equivalents are comprised of:		
Cash	\$ 12,562	\$ 32,804
Cash equivalents	34,500	34,500
	\$ 47,062	\$ 67,304

Supplemental disclosure with respect to cash flows (note 13)

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, 2020

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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 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, 2020, the Company had a net loss and comprehensive loss of \$587,151 and had an accumulated deficit of \$92,914,045 as of May 31, 2020. 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.

In March 2020 the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, have adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company’s business or results of operations at this time.

The condensed consolidated interim financial statements were authorized for issue on July 30, 2020 by the Board of Directors of the Company.

## 2. Significant accounting policies

### *Basis of presentation*

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”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”) effective as of May 31, 2020.

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, 2019.

# 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, 2020

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

The condensed consolidated interim financial statements have been prepared on a historical cost basis, except for financial instruments 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.

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 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. 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, 2019.

# 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, 2020

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### 3. New standards, amendments and interpretations

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

Accounting Standards Adopted During the Period:

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 assessed the impact of IFRS 16 and concluded that it has no affect on the condensed consolidated interim financial statements.

### 4. Receivables

		<b>May 31, 2020</b>		<b>August 31, 2019</b>
Sales tax receivables	\$	4,893	\$	8,280
Other receivables		353		174
	\$	5,246	\$	8,454

### 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 Condensed Consolidated Interim Financial Statements

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

For the nine months ended May 31, 2020

## 5. Exploration and evaluation assets (cont'd)

The Company's exploration and evaluation assets consist of:

	<b>Sangihe property (Indonesia)</b>
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
Geology	13,849
Office and supplies	-
Professional fees	93,029
Travel	-
Technical reports	864
Tenement costs	100,104
Total additions	207,846
Balance, May 31, 2020	\$ 2,200,397

### (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

Notes to Condensed Consolidated Interim Financial Statements

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

For the nine months ended May 31, 2020

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## 6. Payables

### Loans payable

During the period ended May 31, 2020, the Company received loan proceeds of \$194,483 (August 31, 2019 - \$137,999) from a related party 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, 2020, the Company repaid \$9,200 of loans (August 31, 2019 - \$8,000), settled \$5,522 of loans through the issuance of 92,042 shares at deemed price of \$0.06 per share and \$78,625 of loans through issuance of 1,572,500 shares at a deemed price of \$0.05 (August 31, 2019 – \$92,849 through the issuance of 2,025,460 shares and \$45,536 of loans through commitment to issue 758,941 shares).

### Accounts payable

During the period ended May 31, 2020, the Company recorded \$2,049,655 (August 31, 2019 - \$2,139,112) in accounts payable. The Company settled \$22,500 of accounts payable by the issuance of 375,000 shares at a deemed price of \$0.06 per share and \$372,484 through issuance of 7,449,665 shares at a deemed price of \$0.05 per share (August 31, 2019 - \$82,543 of accounts payable by the issuance of 1,544,271 shares and \$516,022 through commitment to issue 8,600,368 shares).

## 7. Related party transactions

Compensation and payments to key management personnel was as follows:

	Nine months ended May 31,	
	2020	2019
Fees and short-term benefits - management	\$ 248,166	\$ 243,486
Fees and short-term benefits - directors	67,500	67,500
Fees and short-term benefits - professional	36,000	36,000
	\$ 351,666	\$ 346,986

During the period ended May 31, 2020, the Company settled \$571,795 of debt to non-arm's length parties by issuing 11,033,606 shares (August 31, 2019 - \$79,862 of debt to non-arm's length parties by issuing 1,597,220 shares).

As at May 31, 2020, \$402,790 (August 31, 2019 - \$496,371) 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 May 31, 2020, \$23,469 (August 31, 2019 - \$58,332) is due to a director of the Company as loans payable. The amounts were non-interest bearing, unsecured, with no stated terms of repayment.

# 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, 2020

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## 8. Share capital

### (a) Common shares

#### *Authorized*

Unlimited common shares, without par value.

#### *Issued share capital*

On May 31, 2020, there were 111,747,658 (August 31, 2019 – 84,318,200) issued and outstanding common shares.

During the period ended May 31, 2020 the Company:

- Issued 18,848,516 shares to arm's-length service providers and non-arm's-length lenders to settle outstanding debt and recorded a loss of \$148,805 on the settlement.
- Completed two tranches related to the financing announced in March 2020 of 8,580,942 units for proceeds of \$300,333. Each unit is comprised of one common share and one share purchase warrant exercisable for a term of two years for the purchase of an additional common share at the price of \$0.06 per common share. Finders' fees of \$735 was paid in cash and 21,000 finders' warrants were issued at fair value of \$785 under the same terms.

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.

# 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, 2020

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## 8. Share capital (cont'd)

### (a) Common shares (cont'd)

- 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.

### (b) Warrants

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

	May 31, 2020		August 31, 2019	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Warrants, beginning of the period	51,443,020	\$ 0.13	28,052,331	\$ 0.14
Granted	8,601,942	0.06	25,097,733	0.11
Expired/cancelled	(7,885,453)	0.14	(1,707,044)	0.12
Warrants, end of the period	52,159,509	\$ 0.11	51,443,020	\$ 0.13

# 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, 2020

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## 8. Share capital (cont'd)

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

The following warrants were outstanding at May 31, 2020:

<b>Number of warrants</b>	<b>Exercise price (\$)</b>	<b>Expiry date</b>
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
3,801,714	0.06	April 17, 2022
21,000	0.06	April 17, 2022*
13,759,834	0.15	May 8, 2022
4,779,228	0.06	March 12, 2022
<b>52,159,509</b>		

\*Finders' warrants

During the period ended May 31, 2020, the Company granted 21,000 (year ended August 31, 2019 – 405,000) finders' warrants with an initial fair market value of \$785 (year ended August 31, 2019 - \$23,463) or \$0.04 (year ended August 31, 2019 - \$0.06) 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:

	<b>Nine months ended May 31, 2020</b>	<b>Year ended August 31, 2019</b>
Risk-free interest rate	0.28%	2.14%
Expected life of warrant	2.00 years	2.00 years
Expected dividend yield	0%	0%
Expected stock price volatility	169.34%	235.06%
Fair value per warrant	\$0.06	\$0.06

# 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, 2020

## 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:

	May 31, 2020		August 31, 2019	
	Number of Options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding, beginning of the period	3,098,572	\$ 0.05	4,288,572	\$ 0.10
Granted	1,500,000	0.05	-	-
Cancelled/forfeited	-	-	(1,190,000)	0.23
Outstanding, end of the period	4,598,572	\$ 0.05	3,098,572	\$ 0.05

The following stock options were outstanding and exercisable at May 31, 2020:

Number of options outstanding	Number of options exercisable	Exercise price (\$)	Expiry date
1,500,000	375,000	0.05	March 26, 2022
3,098,572	3,098,572	0.05	July 30, 2023
4,598,572	3,473,572	0.05	

### (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.

# 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, 2020

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

### (b) Reserves (cont'd)

During the period ended May 31, 2020, the Company granted 1,500,000 (year ended August 31, 2019 - nil) stock options to officers, directors, employees and consultants. Share-based compensation expense of \$17,258 (year ended August 31, 2019 – \$nil) was recognized on options that vested during the period ended May 31, 2020 (year ended August 31, 2019 - \$nil). 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>2020</u>	Year ended August 31, <u>2019</u>
Risk-free interest rate	0.59%	-
Expected life of option	2 years	-
Expected dividend yield	0%	-
Expected stock price volatility	160.22%	-
Fair value per option	\$0.05	-

## 10. Basic and diluted loss per share

The calculation of basic and diluted loss per share for the period ended May 31, 2020 was based on the loss attributable to common shareholders of \$587,151 (2019 – \$1,028,520) and the weighted average number of common shares outstanding of 93,903,910 (2019 – 72,186,617).

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 May 31, 2020, 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.

# 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, 2020

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## 11. Financial instruments (cont'd)

### 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.

#### *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, 2020, the Company had cash and cash equivalents of \$47,062 (August 31, 2019 - \$61,828) to settle current liabilities of \$2,651,326 (August 31, 2019 - \$2,725,965).

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, 2020, the Company was not exposed to significant interest rate risk.

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

# EAST ASIA MINERALS CORPORATION

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(Unaudited – Prepared by Management)

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For the nine months ended May 31, 2020

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## 11. Financial instruments (cont'd)

### *Financial assets*

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

May 31, 2020	USD		IDR		Total
Cash and cash equivalents	\$	10,093	\$	1,743	\$ 11,836
Other receivables		-		99	99
	\$	10,093	\$	1,842	\$ 11,935

August 31, 2019	USD		IDR		Total
Cash and cash equivalents	\$	1,680	\$	16,095	\$ 17,775
Other receivables		-		99	99
	\$	1,680	\$	16,194	\$ 21,554

### *Financial liabilities*

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

May 31, 2020	USD		IDR		Total
Accounts payable and accrued liabilities	\$	425,820	\$	887,695	\$ 1,313,515

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

### *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, 2020, net financial liabilities totaling \$817,619 (August 31, 2019 – \$1,299,518) were held in USD and net financial liabilities totaling \$885,854 (August 31, 2019 – \$722,623) were held in IDR.

Based on the above net exposure as at May 31, 2020 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 \$8,000 (August 31, 2019 - \$12,995) 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 (2019 - \$8,000) in the Company's loss and comprehensive loss.

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## **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 period ended May 31, 2020. The Company is not subject to externally imposed capital requirements.

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

The Company's significant non-cash transactions during the period ended May 31, 2020 were as follows:

- (a) Included in exploration and evaluation assets is \$1,013,300 which relates to accounts payable and accrued liabilities;
- (b) Issued 16,618,824 common shares to settle accounts payable of \$878,146 and loans payable of \$51,059;
- (c) Issued 2,229,692 common shares to settle \$32,860 of accounts payable and \$78,625 of loans payable through commitment to issue shares.

There were no significant non-cash transactions during the period ended May 31, 2019.

## **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.

# **EAST ASIA MINERALS CORPORATION**

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## **15. Subsequent events**

Subsequent to the period ended May 31, 2020, the Company:

- a) Issued 700,000 shares from the exercise of warrants for proceeds of \$70,000.
  
- b) Approved the settlement of up to \$415,000 of debt through the issuance of common shares of the Company (the "Debt Settlement"). Pursuant to the Debt Settlement, the Company would issue up to 6,916,667 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 "Creditors"). The issuance of the shares to the Creditors is subject to the approval of the TSX Venture Exchange. All securities issued will be subject to a four month hold period which will expire on the date that is four months and one day from the date of issue.
  
- c) Granted 1,000,000 stock options to a consultant of the Company at an exercise price of \$0.10 for a five-year period.
  
- d) Announced a financing of 909,091 units at \$0.11 per unit price for proceeds of \$100,000. Each unit will be comprised of one common share and one share purchase warrant exercisable for a term of two years at \$0.15 per common share.