

# **SOUTHEAST ASIA MINING CORP.**

## **Interim Condensed Consolidated Financial Statements** *(unaudited)*

**For the three and nine month period ended  
September 30, 2011**

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### **NOTICE TO READER**

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 interim condensed consolidated financial statements of the Company enclosed within this interim report have been prepared by and are the responsibility of the Company's management.

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

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## MANAGEMENT'S RESPONSIBILITY FOR INTERIM FINANCIAL REPORTING

The accompanying interim condensed consolidated financial statements of Southeast Asia Mining Corp. [the "Company"] are the responsibility of the management and Board of Directors of the Company.

The interim condensed financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies disclosed in the notes to the interim condensed consolidated financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the balance sheet date. In the opinion of management, the interim financial statements have been prepared within acceptable limits of materiality and are in accordance with International Accounting Standard 34 Interim Financial Reporting and IFRS 1 - First-Time Adoption of International Financial Reporting Standards using accounting policies consistent with International Financial Reporting Standards appropriate in the circumstances.

Management has established systems of internal control over the financial reporting process, which are designed to provide reasonable assurance that relevant and reliable financial information is produced.

The Board of Directors is responsible for reviewing and approving the interim condensed consolidated financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the interim condensed consolidated financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the interim condensed consolidated financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

*"Kerry D. Smith"*

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Kerry D. Smith  
Chief Executive Officer

*"Colin A. Grant"*

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Colin Grant  
Chief Financial Officer

**Southeast Asia Mining Corp.**  
**Interim Condensed Consolidated Statements of Financial Position**  
(Expressed in Canadian Dollars)  
(Unaudited)

|  | September 30,<br>2011 | December 31,<br>2010 | January 1,<br>2010 |
|--|-----------------------|----------------------|--------------------|
|  | \$                    | \$                   | \$                 |
| <b>Assets</b>  |                       | (Note 3)             | (Note 3)           |
| <b>Current Assets</b>  |                       |                      |                    |
| Cash and cash equivalents <i>(Note 7)</i>                            | 1,947,346             | 721,236              | 1,706              |
| Trade and other receivables <i>(Note 8)</i>                          | 102,402               | 42,425               | 4,000              |
| Prepaid expenses <i>(Note 9)</i>                                     | 9,948                 | 8,899                | -                  |
|  | <b>2,059,696</b>      | 772,560              | 5,706              |
| <b>Advances to related parties</b>                                   | -                     | -                    | 2                  |
| <b>Exploration and evaluation properties <i>(Note 10)</i></b>        | <b>3,759,791</b>      | 3,171,281            | -                  |
|  | <b>5,819,487</b>      | 3,943,841            | 5,708              |
| <b>Liabilities</b>   |                       |                      |                    |
| <b>Current Liabilities</b>   |                       |                      |                    |
| Trade and other payables <i>(Note 12)</i>                            | 1,561,618             | 1,143,069            | 706,263            |
| <b>Shareholders' Equity</b>  |                       |                      |                    |
| <b>Capital stock <i>(Note 13)</i></b>                                | <b>14,946,981</b>     | 14,946,981           | 13,889,064         |
| <b>Capital stock subscribed but not issued, net <i>(Note 13)</i></b> | <b>2,286,433</b>      | -                    | -                  |
| <b>Reserve for share based payments <i>(Note 14)</i></b>             | <b>324,204</b>        | 648,407              | 648,407            |
| <b>Reserve for foreign currency translation</b>                      | <b>130,270</b>        | -                    | -                  |
| <b>Accumulated deficit</b>   | <b>(13,430,019)</b>   | (12,794,516)         | (15,238,026)       |
|  | <b>4,257,869</b>      | 2,800,872            | (700,555)          |
|  | <b>5,819,487</b>      | 3,943,841            | 5,708              |

Nature of Operations and Going Concern (Note 1)  
Subsequent Events (Note 17)

*The accompanying notes are an integral part of these interim condensed consolidated financial statements.*

**Southeast Asia Mining Corp.**  
**Interim Condensed Consolidated Statements of Loss and Comprehensive Loss**  
**(Expressed in Canadian Dollars)**  
**(Unaudited)**

|  | Three Months Ended<br>September 30, |                | Nine Months Ended<br>September 30, |                  |
|--|-------------------------------------|----------------|------------------------------------|------------------|
|  | 2011                                | 2010           | 2011                               | 2010             |
|  | \$                                  | \$             | \$                                 | \$               |
|  |                                     | (Note 3)       |                                    | (Note 3)         |
| <b>Administrative Expenses</b>                                 |                                     |                |                                    |                  |
| Management and consulting fees                                 | 13,416                              | 130,029        | 399,034                            | 287,688          |
| Professional fees  | 82,959                              | 211,560        | 180,211                            | 470,365          |
| Office and general   | 82,935                              | 19,615         | 178,664                            | 147,388          |
| Salaries   | 34,315                              | -              | 75,570                             | -                |
| Travel   | 43,412                              | 19,189         | 112,327                            | 110,624          |
| Shareholder information and regulatory costs                   | 7,928                               | 1,024          | 14,062                             | 9,691            |
| Foreign exchange loss (gain)                                   | 16                                  | 6,194          | (162)                              | (3,630)          |
| <b>Net loss</b>  | <b>264,981</b>                      | <b>387,611</b> | <b>959,706</b>                     | <b>1,022,126</b> |
| <b>Other comprehensive loss:</b>                               |                                     |                |                                    |                  |
| Net loss   | 264,981                             | 387,611        | 959,706                            | 1,022,126        |
| Exchange differences on translating foreign operations         | 52,294                              | -              | (130,270)                          | -                |
| Total other comprehensive loss                                 | 317,275                             | 387,611        | 829,436                            | 1,022,126        |
| <b>Loss per share - basic and diluted</b>                      | <b>(0.003)</b>                      | <b>(0.005)</b> | <b>(0.011)</b>                     | <b>(0.014)</b>   |
| <b>Weighted average number of shares outstanding - basic</b>   | <b>75,884,262</b>                   | 74,884,262     | <b>75,884,262</b>                  | 67,938,119       |
| <b>Weighted average number of shares outstanding - diluted</b> | <b>75,884,262</b>                   | 74,884,262     | <b>75,884,262</b>                  | 67,938,119       |

*The accompanying notes are an integral part of these interim condensed consolidated financial statements.*

**Southeast Asia Mining Corp.**  
**Interim Condensed Consolidated Statements of Changes in Equity**  
(Expressed in Canadian Dollars)  
(Unaudited)

|   | Capital Stock     |                     | Reserves             |  |                              |                        | Total               |
|---|-------------------|---------------------|----------------------|--|------------------------------|------------------------|---------------------|
|   | Number of Shares  | Amount              | Share based payments | Common stock subscribed but not issued | Foreign currency translation | Accumulated deficit    |                     |
| Balance at January 1, 2010                  | 53,484,262        | \$ 13,889,064       | \$ 648,407           | \$ -                                   | \$ -                         | \$ (15,238,026)        | \$ (700,555)        |
| Private Placement                           | 22,400,000        | 1,120,000           | -                    | -                                      | -                            | -                      | 1,120,000           |
| Share issue cost – cash                     | -                 | (62,083)            | -                    | -                                      | -                            | -                      | (62,083)            |
| Net income for the year                     | -                 | -                   | -                    | -                                      | -                            | 2,443,510              | 2,443,510           |
| Balance at December 31, 2010                | 75,884,262        | 14,946,981          | 648,407              | -                                      | -                            | (12,794,516)           | 2,800,872           |
| Common stock subscribed but not issued, net | -                 | -                   | -                    | 2,286,433                              | -                            | -                      | 2,286,433           |
| Options expired                             | -                 | -                   | (324,203)            | -                                      | -                            | 324,203                | -                   |
| Currency translation adjustment             | -                 | -                   | -                    | -                                      | 130,270                      | -                      | 130,270             |
| Net loss for the period                     | -                 | -                   | -                    | -                                      | -                            | (959,706)              | (959,706)           |
| <b>Balance at September 30, 2011</b>        | <b>75,884,262</b> | <b>\$14,946,981</b> | <b>\$ 324,204</b>    | <b>\$ 2,286,433</b>                    | <b>\$ 130,270</b>            | <b>\$ (13,430,019)</b> | <b>\$ 4,257,869</b> |

|                                      | Capital Stock     |                      | Reserves             |                        | Total               |
|--------------------------------------|-------------------|----------------------|----------------------|------------------------|---------------------|
|                                      | Number of Shares  | Amount               | Share based payments | Accumulated deficit    |                     |
| Balance at January 1, 2010           | 53,484,262        | \$ 13,889,064        | \$ 648,407           | \$ (15,238,026)        | \$ (700,555)        |
| Private Placement                    | 22,400,000        | 1,120,000            | -                    | -                      | 1,120,000           |
| Share issue cost – cash              | -                 | (62,083)             | -                    | -                      | (62,083)            |
| Net loss for the period              | -                 | -                    | -                    | (1,022,126)            | (1,022,126)         |
| <b>Balance at September 30, 2010</b> | <b>75,884,262</b> | <b>\$ 14,946,981</b> | <b>\$ 648,407</b>    | <b>\$ (16,260,152)</b> | <b>\$ (664,764)</b> |

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

**Southeast Asia Mining Corp.**  
**Interim Condensed Consolidated Statements of Cash Flows**  
**(Expressed in Canadian Dollars)**  
**(Unaudited)**

| <b>Nine month period ended September 30,</b>            | <b>2011</b>         | <b>2010</b>     |
|---|---------------------|-----------------|
| <b>Operating activities</b>                             | <b>\$</b>           | <b>\$</b>       |
|   |                     | (Note 3)        |
| Net Loss for the period                                 | <b>(959,706)</b>    | (1,022,126)     |
| Non-cash items:   |                     |                 |
| Unrealized foreign exchange loss                        | <b>(23,403)</b>     | -               |
| Net Change in non-working capital: items:               |                     |                 |
| Prepaid expenses  | <b>(9,948)</b>      | (22,371)        |
| Trade and other receivables                             | <b>(50,360)</b>     | (10,310)        |
| Trade and other payables                                | <b>393,879</b>      | 2,452           |
| Cash used in operating activities                       | <b>(649,538)</b>    | (1,052,355)     |
| <b>Financing activities</b>                             |                     |                 |
| Issuance of common shares, net                          | -                   | 1,057,917       |
| Common stock subscribed but not issued, net             | <b>2,286,433</b>    | 1,057,917       |
| Cash provided by financing activities                   | <b>2,286,433</b>    | 1,057,917       |
| <b>Investing activities</b>                             |                     |                 |
| Additions to exploration and evaluation properties      | <b>(425,496)</b>    | -               |
| Cash used in investing activities                       | <b>(425,496)</b>    | -               |
| <b>Increase (decrease) in cash and cash equivalents</b> | <b>1,211,399</b>    | 5,562           |
| Foreign exchange loss on cash held in foreign currency  | <b>14,711</b>       | -               |
| Cash and cash equivalents, beginning of period          | <b>721,236</b>      | 1,706           |
| <b>Cash and cash equivalents, end of period</b>         | <b>\$ 1,947,346</b> | <b>\$ 7,268</b> |

*The accompanying notes are an integral part of these interim condensed consolidated financial statements.*

## **Southeast Asia Mining Corp.**

### **Notes to the Unaudited Interim Condensed Consolidated Financial Statements Three and Nine Months Ended September 30, 2011 and 2010**

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#### **1. NATURE OF OPERATIONS AND GOING CONCERN**

Southeast Asia Mining Corp. ("Southeast Asia" or "the Company") was incorporated on August 18, 2006 under the Canada Business Corporations Act. Its principal business activity is that of mineral exploration in the South East Asia region.

The unaudited interim condensed consolidated financial statements were approved by the Board of Directors of the Company on November 23, 2011.

Southeast Asia is pursuing exploration opportunities in Thailand and in other countries in the region. The recovery of expenditures on mineral properties will be dependent upon the existence of economically recoverable mineralization, the ability of Southeast Asia to obtain financing necessary to complete the exploration and the development of the mineral properties, and upon future profitable production or alternatively, on the sufficiency of proceeds from disposition.

The Company is in the process of exploring and evaluating its mineral properties. On the basis of information to date, it has not yet determined whether these properties contain economically recoverable mineral deposits. The amounts shown as mineral properties and deferred expenditures represent costs incurred to date, less amounts amortized and/or written off, and do not necessarily represent present or future values. The underlying value of the mineral properties is entirely dependent on the existence of economically recoverable reserves, securing and maintaining title and beneficial interest, the ability of the Company to obtain the necessary financing to complete development, and future profitable production.

At September 30, 2011 the Company had working capital of \$498,078 (December 31, 2010 – deficit of \$370,509), had not yet achieved profitable operations, has accumulated losses of \$13,430,018 (December 31, 2010 – \$12,794,516) and expects to incur further losses in the development of its business, all of which casts substantial doubt upon the Company's ability to continue as a going concern. Subsequent to September 30, 2011 Southeast Asia has improved its working capital by \$992,400 through conversion of a portion of accounts payable to equity, however it will require additional financing in order to develop its exploration activities, meet its ongoing levels of corporate overhead and discharge its liabilities as they come due.

These financial statements have been prepared on a going-concern basis which assumes that the Company will be able to realize assets and discharge liabilities in the normal course of business. While the Company has been successful in securing financings in the past, there is no assurance that it will be able to do so in the future. Accordingly, these financial statements do not give effect to adjustments, if any, that would be necessary should the Company be unable to continue as a going concern.

In the opinion of management, all adjustments considered necessary for fair presentation have been included in these financial statements. Operating results for the nine months ended September 30, 2011 may not indicative of the results that may be expected for the full year ending December 31, 2011.

## **Southeast Asia Mining Corp.**

### **Notes to the Unaudited Interim Condensed Consolidated Financial Statements Three and Nine Months Ended September 30, 2011 and 2010**

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#### **2. BASIS OF PREPARATION**

##### **2.1 Statement of compliance**

These interim condensed consolidated financial statements are unaudited and have been prepared in accordance with IAS 34 '*Interim Financial Reporting*' ("IAS 34") using accounting policies consistent with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). Previously, the Company prepared its annual and interim financial statements in accordance with Canadian Generally Accepted Accounting Principles ("GAAP").

These financial statements are in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"), consistently applied, except as disclosed.

These are the Company's third set of interim condensed consolidated financial statements in accordance with IFRS and the Company's disclosures exceed the minimum requirements under IAS 34. As in the interim condensed consolidated financial statements for the period ended March 31, 2011, the Company has elected to exceed the minimum requirements in order to present the Company's accounting policies in accordance with IFRS and the additional disclosures required under IFRS, which also highlight the changes from the Company's 2010 annual financial statements prepared in accordance with Canadian GAAP. In 2011 and beyond, the Company may not provide the same amount of disclosure in the Company's interim financial statements under IFRS as the reader will be able rely on the annual financial statements which will be prepared in accordance with IFRS.

##### **2.2 Basis of presentation**

The financial statements have been prepared on the historical cost basis except for certain non-current assets and financial instruments, which are measured at fair value, as explained in the accounting policies set out in Note 4. The comparative figures presented in these interim financial statements are in accordance with IFRS and have not been audited.

##### **2.3 Basis of consolidation**

The interim condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Southeast Asia Exploration and Mining Co., Ltd. ("SEAM") (formerly Geotai Exploration and Mining Ltd.). All intercompany transactions and balances have been eliminated.

## Southeast Asia Mining Corp.

### Notes to the Unaudited Interim Condensed Consolidated Financial Statements Three and Nine Months Ended September 30, 2011 and 2010

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#### 2. BASIS OF PREPARATION (continued)

##### 2.4 Adoption of new and revised standards and interpretations

The IASB issued a number of new and revised International Accounting Standards, International Financial Reporting Standards, amendments and related interpretations which are effective for the Company's financial year beginning on January 1, 2011. For the purpose of preparing and presenting the Financial Information for the relevant periods, the Company has consistently adopted all these new standards for the relevant reporting periods.

At the date of authorization of these Financial Statements, the IASB and IFRIC has issued the following new and revised Standards and Interpretations which are not yet effective for the relevant reporting periods.

- IFRS 9 '*Financial Instruments: Classification and Measurement*' – effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, introduces new requirements for the classification and measurement of financial instruments.
- IFRS 10 '*Consolidated Financial Statements*' – effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.
- IFRS 11 '*Joint Arrangements*' - effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form.
- IFRS 12 '*Disclosure of Interests in Other Entities*' - effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, requires the disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.
- IFRS 13 '*Fair Value Measurement*' - effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, provides the guidance on the measurement of fair value and related disclosures through a fair value hierarchy.

Management anticipates that the above standards will be adopted in the Company's financial statements for the period beginning January 1, 2013, and has not yet considered the impact of the adoption of these standards.

#### 3. FIRST TIME ADOPTION OF IFRS

The Company has adopted IFRS on January 1, 2011 with a transition date of January 1, 2010. Under IFRS 1 '*First time Adoption of International Financial Reporting Standards*', the IFRS are applied retrospectively at the transition date with all adjustments to assets and liabilities as stated under GAAP taken to retained earnings unless certain exemptions are applied.

The Company elected to take the following IFRS 1 optional exemptions:

- to apply the requirements of IFRS 3, *Business Combinations*, prospectively from the Transition Date;
- to apply the requirements of IFRS 2, *Share-based payments*, only to equity instruments granted after November 7, 2002 which had not vested as of the Transition Date; and

**Southeast Asia Mining Corp.**

**Notes to the Unaudited Interim Condensed Consolidated Financial Statements  
Three and Nine Months Ended September 30, 2011 and 2010**

**3. FIRST TIME ADOPTION OF IFRS (continued)**

Below is the Company's Statement of Financial Position as at the transition date of January 1, 2010 under IFRS.

|  | As at January 1, 2010 |                                    |              |
|--|-----------------------|------------------------------------|--------------|
|  | GAAP                  | Effect of<br>transition<br>to IFRS | IFRS         |
| <b>Assets</b>                          |                       |                                    |              |
| <b>Current Assets</b>                  |                       |                                    |              |
| Cash and cash equivalents              | \$ 1,706              | -                                  | \$ 1,706     |
| Trade and other receivables            | 1,336                 | -                                  | 1,336        |
| Prepaid expenses                       | 2,664                 | -                                  | 2,664        |
|  | 5,706                 | -                                  | 5,706        |
| <b>Advances to Geotai</b>              | 2                     | -                                  | 2            |
|  | \$ 5,708              | -                                  | \$ 5,708     |
| <b>Liabilities</b>                     |                       |                                    |              |
| <b>Current Liabilities</b>             |                       |                                    |              |
| Trade and other payables               | \$ 706,263            |                                    | \$ 706,263   |
| <b>Shareholders' Equity</b>            |                       |                                    |              |
| <b>Capital Stock</b>                   | 13,889,064            | -                                  | 13,889,064   |
| <b>Contributed surplus</b>             | 648,407               | (648,407)                          | -            |
| <b>Reserve for share based payment</b> | -                     | 648,407                            | 648,407      |
| <b>Accumulated deficit</b>             | (15,238,026)          | -                                  | (15,238,026) |
|  | (700,555)             | -                                  | (700,555)    |
|  | \$ 5,708              | -                                  | \$ 5,708     |

IFRS employs a conceptual framework that is similar to Canadian GAAP. The adoption has resulted in changes to the reported financial position, results of operations, and cash flows of the Company. Presented below are reconciliations prepared by the Company to reconcile to IFRS the assets, liabilities, equity, net loss and cash flows of the Company from those reported under Canadian GAAP:

**Southeast Asia Mining Corp.**

**Notes to the Unaudited Interim Condensed Consolidated Financial Statements  
Three and Nine Months Ended September 30, 2011 and 2010**

**3. FIRST TIME ADOPTION OF IFRS (continued)**

**Reconciliation of assets, liabilities and equity**

|   | As at September 30, 2010 |                                    |              |       |
|---|--------------------------|------------------------------------|--------------|-------|
|   | GAAP                     | Effect of<br>transition to<br>IFRS | IFRS         | Notes |
| <b>Assets</b>                           |                          |                                    |              |       |
| <b>Current Assets</b>                   |                          |                                    |              |       |
| Cash and cash equivalents               | \$ 7,268                 | -                                  | \$ 7,268     |       |
| Trade and other receivables             | 11,646                   | -                                  | 11,646       |       |
| Prepaid expenses                        | 25,035                   | -                                  | 25,035       |       |
|   | 43,949                   | -                                  | 43,949       |       |
| <b>Advances to Geotai</b>               | 2                        | -                                  | 2            |       |
|   | \$ 43,951                | -                                  | \$ 43,951    |       |
| <b>Liabilities</b>                      |                          |                                    |              |       |
| <b>Current Liabilities</b>              |                          |                                    |              |       |
| Trade and other payables                | \$ 708,715               | -                                  | \$ 708,715   |       |
| <b>Shareholders' Equity</b>             |                          |                                    |              |       |
| <b>Capital stock</b>                    | 14,946,981               | -                                  | 14,946,981   |       |
| <b>Contributed surplus</b>              | 648,407                  | (648,407)                          | -            | (a)   |
| <b>Reserve for share based payments</b> | -                        | 648,407                            | 648,407      | (a)   |
| <b>Accumulated deficit</b>              | (16,260,152)             | -                                  | (16,260,152) |       |
|   | (664,764)                | -                                  | (664,764)    |       |
|   | \$ 43,951                | -                                  | \$ 43,951    |       |

**Southeast Asia Mining Corp.**

**Notes to the Unaudited Interim Condensed Consolidated Financial Statements  
Three and Nine Months Ended September 30, 2011 and 2010**

**3. FIRST TIME ADOPTION OF IFRS (continued)**

**Reconciliation of assets, liabilities and equity**

|  | As at December 31, 2010 |                                    |              | Notes |
|--|-------------------------|------------------------------------|--------------|-------|
|  | GAAP                    | Effect of<br>transition to<br>IFRS | IFRS         |       |
| <b>Assets</b>                                |                         |                                    |              |       |
| <b>Current Assets</b>                        |                         |                                    |              |       |
| Cash and cash equivalents                    | \$ 721,236              | -                                  | \$ 721,236   |       |
| Trade and other receivables                  | 42,425                  | -                                  | 42,425       |       |
| Prepaid expenses                             | 8,899                   | -                                  | 8,899        |       |
|  | 772,560                 | -                                  | 772,560      |       |
| <b>Exploration and evaluation properties</b> | 3,171,281               | -                                  | 3,171,281    |       |
|  | \$ 3,943,841            | -                                  | \$ 3,943,841 |       |
| <b>Liabilities</b>                           |                         |                                    |              |       |
| <b>Current Liabilities</b>                   |                         |                                    |              |       |
| Trade and other payables                     | \$ 1,143,069            | -                                  | \$ 1,143,069 |       |
| <b>Shareholders' Equity</b>                  |                         |                                    |              |       |
| <b>Share capital</b>                         | 14,946,981              | -                                  | 14,946,981   |       |
| <b>Contributed surplus</b>                   | 648,407                 | (648,407)                          | -            | (a)   |
| <b>Reserve for share based payments</b>      | -                       | 648,407                            | 648,507      | (a)   |
| <b>Accumulated deficit</b>                   | (12,794,516)            | -                                  | (12,794,516) |       |
|  | 2,800,872               | -                                  | 2,800,872    |       |
|  | \$ 3,943,941            | -                                  | \$ 3,943,941 |       |

**Southeast Asia Mining Corp.**

**Notes to the Unaudited Interim Condensed Consolidated Financial Statements  
Three and Nine Months Ended September 30, 2011 and 2010**

**3. FIRST TIME ADOPTION OF IFRS (continued)**

**Reconciliation of statement of loss and comprehensive loss**

|  | <b>Nine months ended September 30, 2010</b> |   |                     |
|--|---|---|---------------------|
|  | <b>GAAP</b>                                 | <b>Effect of<br/>transition<br/>to IFRS</b> | <b>IFRS</b>         |
| <b>Administrative Expenses</b>         |   |   |                     |
| Professional fees                      | \$ 470,365                                  | -   | \$ 470,365          |
| Management and consulting fees         | 287,688                                     | -   | 287,688             |
| Travel                                 | 110,624                                     | -   | 110,624             |
| Office and general                     | 147,388                                     | -   | 147,388             |
| Shareholders information               | 9,691                                       | -   | 9,691               |
| Foreign exchange gain                  | (3,630)                                     | -   | (3,630)             |
| <b>Net loss and comprehensive loss</b> | <b>\$ 1,022,126</b>                         | <b>-</b>                                    | <b>\$ 1,022,126</b> |

|  | <b>Three months ended September 30, 2010</b> |   |                   |
|--|--|---|-------------------|
|  | <b>GAAP</b>                                  | <b>Effect of<br/>transition<br/>to IFRS</b> | <b>IFRS</b>       |
| <b>Administrative Expenses</b>         |  |   |                   |
| Professional fees                      | \$ 211,560                                   | -   | \$ 211,560        |
| Management and consulting fees         | 130,029                                      | -   | 130,029           |
| Travel                                 | 19,189                                       | -   | 19,189            |
| Office and general                     | 19,615                                       | -   | 19,615            |
| Shareholders information               | 1,024  | -   | 1,024             |
| Foreign exchange gain                  | 6,164  | -   | 6,164             |
| <b>Net loss and comprehensive loss</b> | <b>\$ 387,611</b>                            | <b>-</b>                                    | <b>\$ 387,611</b> |

**Southeast Asia Mining Corp.**

**Notes to the Unaudited Interim Condensed Consolidated Financial Statements  
Three and Nine Months Ended September 30, 2011 and 2010**

**3. FIRST TIME ADOPTION OF IFRS (continued)**

**Reconciliation of statement of loss and comprehensive loss**

|   | Year ended December 31, 2010 |                                    |                     | Notes |
|---|------------------------------|------------------------------------|---------------------|-------|
|   | GAAP                         | Effect of<br>transition<br>to IFRS | IFRS                |       |
| <b>Administrative Expenses</b>                |                              |                                    |                     |       |
| Professional fees                             | \$ 646,555                   | -                                  | \$ 646,555          |       |
| Management and consulting fees                | 415,688                      | -                                  | 415,688             |       |
| Salaries                                      | 213,661                      | -                                  | 213,661             |       |
| Travel  | 100,517                      | -                                  | 100,517             |       |
| Office and general                            | 173,029                      | -                                  | 173,029             |       |
| Shareholders information and regulatory costs | 36,057                       | -                                  | 36,057              |       |
| Foreign exchange gain                         | (3,514)                      | -                                  | (3,514)             |       |
|   | 1,581,993                    | -                                  | 1,581,993           |       |
| <b>Gain on re-acquisition of control</b>      | <b>(4,132,738)</b>           | <b>-</b>                           | <b>(4,132,738)</b>  |       |
| <b>Net income and comprehensive income</b>    | <b>\$ 2,443,510</b>          | <b>-</b>                           | <b>\$ 2,443,510</b> |       |

**Southeast Asia Mining Corp.**

**Notes to the Unaudited Interim Condensed Consolidated Financial Statements  
Three and Nine Months Ended September 30, 2011 and 2010**

**3. FIRST TIME ADOPTION OF IFRS (continued)**

**Reconciliation of Cash Flows**

|   | Nine months ended September 30,<br>2010 |                                    |               |
|---|---|------------------------------------|---------------|
|   | GAAP                                    | Effect of<br>transition<br>to IFRS | IFRS          |
| <b>Operations</b>                                       |   |                                    |               |
| Net loss  | \$(1,022,126)                           | -                                  | \$(1,022,126) |
| Net change in non-cash operating working capital items: |   |                                    |               |
| Prepaid expenses and other                              | (22,371)                                | -                                  | (22,371)      |
| Trade and other receivables                             | (10,310)                                | -                                  | (10,310)      |
| Trade and other payables                                | 2,452                                   | -                                  | 2,452         |
|   | (1,052,355)                             | -                                  | (1,052,355)   |
| <b>Operations</b>                                       |   |                                    |               |
| Issuance of common shares, net                          | 1,057,917                               | -                                  | 1,057,917     |
|   | 1,057,917                               | -                                  | 1,057,917     |
| <b>Net decrease in cash and cash equivalents</b>        | 5,562                                   | -                                  | 5,562         |
| Cash and cash equivalents, beginning of period          | 1,706                                   | -                                  | 1,706         |
| Cash and cash equivalents, end of period                | \$ 7,268                                | -                                  | \$ 7,268      |

**Southeast Asia Mining Corp.**

**Notes to the Unaudited Interim Condensed Consolidated Financial Statements  
Three and Nine Months Ended September 30, 2011 and 2010**

**3. FIRST TIME ADOPTION OF IFRS (continued)**

**Reconciliation of Cash Flows**

|  | Year ended December 31, 2010 |                                    |              | Notes |
|--|------------------------------|------------------------------------|--------------|-------|
|  | GAAP                         | Effect of<br>transition<br>to IFRS | IFRS         |       |
| <b>Operations</b>  |                              |                                    |              |       |
| Net income   | \$ 2,443,510                 | -                                  | \$ 2,443,510 |       |
| Adjustments to reconcile net loss to cash flow<br>from operating activities: |                              |                                    |              |       |
| Gain on re-acquisition of control  | (4,132,738)                  | -                                  | (4,132,738)  |       |
| Translation gain   | 155,734                      | -                                  | 155,734      |       |
| Net change in non-cash operating working capital<br>items:                   |                              |                                    |              |       |
| Trade and other receivables  | (9,985)                      | -                                  | (9,985)      |       |
| Trade and other payables   | 121,387                      | -                                  | 121,387      |       |
|  | (1,442,092)                  | -                                  | (1,442,092)  |       |
| <b>Financing</b>   |                              |                                    |              |       |
| Issuance of common shares  | 1,057,917                    | -                                  | 1,057,917    |       |
|  | 1,057,917                    | -                                  | 1,057,917    |       |
| <b>Investing</b>   |                              |                                    |              |       |
| Cash from re-acquisition of control  | 1,094,512                    | -                                  | 1,094,512    |       |
|  | 1,094,512                    | -                                  | 1,094,512    |       |
| <b>Net increase in cash and cash equivalents</b>                             | 730,337                      | -                                  | 730,337      |       |
| Exchange loss on holding foreign currencies                                  | (10,807)                     | -                                  | (10,807)     |       |
| Cash and cash equivalents, beginning of year                                 | 1,706                        | -                                  | 1,706        |       |
| Cash and cash equivalents, end of year                                       | \$ 721,236                   | -                                  | \$ 721,236   |       |

## Southeast Asia Mining Corp.

### Notes to the Unaudited Interim Condensed Consolidated Financial Statements Three and Nine Months Ended September 30, 2011 and 2010

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#### 3. FIRST TIME ADOPTION OF IFRS (continued)

##### Notes to Reconciliations

##### a) Reserves

*Under Canadian GAAP* – Prior to 2011, the Company recorded the value of share based payments and warrants issued to contributed surplus.

*Under IFRS* – IFRS requires an entity to present for each component of equity, a reconciliation between the carrying amount at the beginning and end of the period, separately disclosing each change. IFRS requires a separate disclosure of the value that relates to "Reserves for warrants", "Reserves for share based payments" and any other component of equity.

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### 4.1 Exploration and evaluation properties

The Company defers the costs of exploration and evaluation on existing projects and carries them as assets until production commences. The amounts at which exploration and evaluation properties are recorded do not necessarily reflect present or future values. If a project is successful, the exploration and evaluation properties are amortized over the estimated economic life of the project. If a project is unsuccessful, or if exploration has ceased because of continuation is not economically feasible, the exploration and evaluation properties are written off.

##### 4.2 Share based payments

##### *Share based payment transactions*

Employees (including directors and senior executives) of the Company receive a portion of their remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

In situations where equity instruments are issued and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payment.

##### *Equity settled transactions*

The costs of equity-settled transactions with employees are measured by reference to the fair value at the date on which they are granted.

The costs of equity-settled transactions are recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("the vesting date"). The cumulative expense is recognized for equity-settled transactions at each reporting date until the vesting date reflects the Company's best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and the corresponding amount is represented in share option reserve.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied provided that all other performance and/or service conditions are satisfied.

## Southeast Asia Mining Corp.

### Notes to the Unaudited Interim Condensed Consolidated Financial Statements Three and Nine Months Ended September 30, 2011 and 2010

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#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Where the terms of an equity-settled award are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

The dilutive effect of outstanding options is reflected as additional dilution in the computation of earnings per share.

#### 4.3 Taxation

Income tax expense represents the sum of tax currently payable and deferred tax.

##### ***Current income tax***

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the date of the statement of financial position.

##### ***Deferred income tax***

Deferred income tax is provided using the liability method on temporary differences at the date of the statement of financial position between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each date of the statement of financial position and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each date of the statement of financial position and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

## Southeast Asia Mining Corp.

### Notes to the Unaudited Interim Condensed Consolidated Financial Statements Three and Nine Months Ended September 30, 2011 and 2010

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#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the date of the statement of financial position.

Deferred income tax relating to items recognized directly in equity is recognized in equity and not in the statement of comprehensive income.

Deferred income tax assets and deferred income tax liabilities are offset if, and only if, a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend to either settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered

#### 4.4 Loss per share

The basic loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the period. The diluted loss per share reflects the potential dilution of common share equivalents, such as outstanding stock options and share purchase warrants, in the weighted average number of common shares outstanding during the year, if dilutive. The "treasury stock method" is used for the assumed proceeds upon the exercise of the options and warrants that are used to purchase common shares at the average market price during the year. During the nine months ended September 30, 2011 and 2010 all the outstanding stock options were anti-dilutive.

#### 4.5 Financial assets

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held-to-maturity, available-for-sale, loans-and-receivables or at fair value through profit or loss ("FVTPL").

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through earnings. The Company's cash and cash equivalents are classified as FVTPL.

Financial assets classified as loans-and-receivables and held-to-maturity are measured at amortized cost. The Company's trade and other receivables are classified as loans-and-receivables.

Financial assets classified as available-for-sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) except for losses in value that are considered other than temporary. The Company's other financial assets and instalments receivable are classified financial assets as available-for-sale.

Transactions costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

## Southeast Asia Mining Corp.

### Notes to the Unaudited Interim Condensed Consolidated Financial Statements Three and Nine Months Ended September 30, 2011 and 2010

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#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### **4.6 Financial liabilities**

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other-financial-liabilities.

Financial liabilities classified as other-financial-liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other-financial-liabilities are subsequently measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The Company's trade and other payables are classified as other-financial-liabilities.

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized through the statement of comprehensive income. At September 30, 2011 the Company has not classified any financial liabilities as FVTPL.

##### **4.7 Impairment of financial assets**

The Company assesses at each date of the statement of financial position whether a financial asset is impaired.

##### ***Assets carried at amortized cost***

If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is then reduced by the amount of the impairment. The amount of the loss is recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent that the carrying value of the asset does not exceed what the amortized cost would have been had the impairment not been recognized. Any subsequent reversal of an impairment loss is recognized in profit or loss.

In relation to trade receivables, a provision for impairment is made and an impairment loss is recognized in profit and loss when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are written off against the allowance account when they are assessed as uncollectible.

##### ***Available-for-sale***

If an available-for-sale asset is impaired, an amount comprising the difference between its cost and its current fair value, less any impairment loss previously recognized in profit or loss, is transferred from equity to profit or loss. Reversals in respect of equity instruments classified as available-for-sale are not recognized in profit or loss.

## Southeast Asia Mining Corp.

### Notes to the Unaudited Interim Condensed Consolidated Financial Statements Three and Nine Months Ended September 30, 2011 and 2010

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#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### 4.8 Impairment of non-financial assets

At each date of the statement of financial position, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the assets belong.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax 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 (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of comprehensive income, unless the relevant asset is carried at a re-valued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount 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.

##### 4.9 Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand, and short term deposits with an original maturity of three months or less, which are readily convertible into a known amount of cash.

##### 4.10 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 are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

##### 4.11 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. Parties are also considered to be related if they are subject to common control or common significant influence, 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 that are in the normal course of business and have commercial substance are measured at the exchange amount.

## Southeast Asia Mining Corp.

### Notes to the Unaudited Interim Condensed Consolidated Financial Statements Three and Nine Months Ended September 30, 2011 and 2010

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#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### 4.12 Foreign currency transactions

###### *Functional and presentation currency*

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The functional currency of the Company is the Canadian Dollar ("CDN"), and the presentation of the subsidiary is the Thai Baht ("THB"). The interim condensed consolidated financial statements are presented in Canadian Dollars which is the Company's presentation currency.

###### *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

###### *Subsidiary*

The results and financial position of the subsidiary that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognized as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognized in the income statement as part of the gain or loss on sale.

##### 4.12 Significant accounting judgments and estimates

The preparation of these financial statements requires management to make judgements and estimates and form assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. On an ongoing basis, management evaluates its judgements and estimates in relation to assets, liabilities, revenue and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgements and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions. The most significant estimates relate to asset retirement obligations; property, plant and equipment, recoverability of trade and other receivables, valuation of deferred income tax amounts, impairment testing and the calculation of share-based payments. The most significant judgements relate to recognition of deferred tax assets and liabilities, determination of the commencement of commercial production and the determination of the economic viability of a project.

## **Southeast Asia Mining Corp.**

### **Notes to the Unaudited Interim Condensed Consolidated Financial Statements Three and Nine Months Ended September 30, 2011 and 2010**

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#### **5. CAPITAL MANAGEMENT**

The Company considers its capital to be equity, which is comprised of share capital, reserve accounts, and deficit, which as at September 30, 2011 totaled \$4,257,870 (December 31, 2010 - \$2,800,872). The Company's capital structure is adjusted based on the funds available to the Company such that it may continue exploration and development of its properties for the mining of minerals that are economically recoverable. The Board of Directors does not establish quantitative return on capital criteria, but rather relies on the expertise of management and other professionals to sustain future development of the business

The Company's properties are in the exploration and development stage and, as a result, the Company currently has no source of operating cash flow. The Company intends to raise such funds as and when required to complete its projects. There is no assurance that the Company will be able to raise additional funds on reasonable terms. The only sources of future funds presently available to the Company are through the exercise of outstanding stock options or warrants, the sale of equity capital of the Company or the sale by the Company of an interest in any of its properties in whole or in part. The ability of the Company to arrange such financing in the future will depend in part upon the prevailing capital market conditions as well as the business performance of the Company. There can be no assurance that the Company will be successful in its efforts to arrange additional financing, if needed, on terms satisfactory to the Company.

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 nine month period ended September 30, 2011. The Company is not subject to externally imposed capital restrictions.

#### **6. FINANCIAL INSTRUMENTS**

##### **Fair value**

The Company has designated its cash and cash equivalents as FVTPL, which are measured at fair value. The Company's other financial assets have been classified for accounting purposes as available-for-sale, which are measured at fair value. Trade and other receivables are classified for accounting purposes as loans and receivables, which are measured at amortized cost which equals fair value. Trade and other payables are classified for accounting purposes as other financial liabilities, which are measured at amortized cost, which also equals fair value. Fair values of trade and other receivables and trade and other payables are determined from transaction values which were derived from observable market inputs. Fair values of other financial assets are based on Level 1 measurements and the remaining financial instruments are based on Level 2 measurements.

As at September 30, 2011, the carrying and fair value amounts of the Company's financial instruments are approximately equivalent due to the relatively short periods to maturity of these investments.

Fair value estimates are made at a specific point in time, based on relevant market information and information about financial instruments. These estimates are subject to and involve uncertainties and matters of significant judgment, therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

## Southeast Asia Mining Corp.

### Notes to the Unaudited Interim Condensed Consolidated Financial Statements Three and Nine Months Ended September 30, 2011 and 2010

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#### 6. FINANCIAL INSTRUMENTS (continued)

A summary of the Company's risk exposures as it relates to financial instruments are reflected below:

##### **i) Credit risk**

Credit risk is the risk of loss associated with a counter-party's inability to fulfill its payment obligations. The credit risk is attributable to various financial instruments, as noted below. The credit risk is limited to the carrying value amount carried on the balance sheet.

- a. **Cash and cash equivalents** – Cash and cash equivalents are held with major Canadian and Thai banks and therefore the risk of loss is minimal.
- b. **Accounts receivables** – The Company is not exposed to significant credit risk as this amount is due from the Canadian and Thai governments.

##### **ii) Liquidity risk**

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities as they become due. As at September 30, 2011, the Company had working capital of \$498,078 (December 31, 2010 – deficit of \$370,509). Subsequent to September 30, 2011 Southeast Asia has improved its working capital by \$992,400 through conversion of a portion of accounts payable to equity, however the Company intends on securing further financing to ensure that business objectives are met and obligations are properly discharged. There can be no assurance that the Southeast Asia will be successful in its efforts to arrange additional financing on terms satisfactory to the Company. If additional financing is raised by the issuance of shares from the treasury of the Company, control of Southeast Asia may change and shareholders may suffer additional dilution. If adequate financing is not available, the Company may be required to delay, reduce the scope of, or eliminate one or more exploration activities or relinquish rights to certain of its interests. Failure to obtain additional financing on a timely basis could cause the Company to forfeit its some or all of its interests and reduce or terminate its operations therein.

##### **iii) Interest rate risk**

The Company is not exposed to significant interest rate price risk due to the short-term nature of its monetary assets and liabilities. Cash not required in the short term, is invested in short-term guaranteed investment certificates, as appropriate.

##### **iv) Currency risk**

The Company is exposed to significant currency rate price risk as the majority of its assets are located in Thailand and the majority of its operating expenditures are incurred in Thai baht.

#### 7. CASH AND CASH EQUIVALENTS

The balance at September 30, 2011, consists of \$1,947,346 (December 31, 2010 - \$721,236) on deposit with major Canadian and Thai banks.

**Southeast Asia Mining Corp.**

**Notes to the Unaudited Interim Condensed Consolidated Financial Statements  
Three and Nine Months Ended September 30, 2011 and 2010**

**8. TRADE AND OTHER RECEIVABLES**

|  | <b>As at,</b>                 |                              |                            |
|--|-------------------------------|------------------------------|----------------------------|
|  | <b>September 30,<br/>2011</b> | <b>December 31,<br/>2010</b> | <b>January 1,<br/>2010</b> |
|  | \$                            | \$                           | \$                         |
| Taxes recoverable                        | 102,402                       | 51,324                       | 4,000                      |
| <b>Total Trade and Other Receivables</b> | <b>\$ 102,402</b>             | <b>\$ 51,324</b>             | <b>\$ 4,000</b>            |

**9. PREPAID EXPENSES**

|                               | <b>As at,</b>                 |                              |                            |
|-------------------------------|-------------------------------|------------------------------|----------------------------|
|                               | <b>September 30,<br/>2011</b> | <b>December 31,<br/>2010</b> | <b>January 1,<br/>2010</b> |
|                               | \$                            | \$                           | \$                         |
| Insurance                     | 9,948                         | -                            | -                          |
| <b>Total Prepaid expenses</b> | <b>\$ 9,948</b>               | <b>\$ -</b>                  | <b>\$ -</b>                |

**10. EXPLORATION AND EVALUATION PROPERTIES**

|  | <b>As at,</b>                 |                              |                            |
|--|-------------------------------|------------------------------|----------------------------|
|  | <b>September 30,<br/>2011</b> | <b>December 31,<br/>2010</b> | <b>January 1,<br/>2010</b> |
|  | \$                            | \$                           | \$                         |
| Advances to Kemco                                  | 3,605,033                     | 3,088,555                    | -                          |
| Special prospecting licenses                       | 154,758                       | 82,726                       | -                          |
| <b>Total Exploration and evaluation properties</b> | <b>\$ 3,759,791</b>           | <b>\$ 3,171,281</b>          | <b>\$ -</b>                |

***Kemco Agreement***

On November 27, 2006 SEAM, on behalf of Southeast Asia entered into an agreement with Kanchanaburi Exploration and Mining Co. (“Kemco”) and Boh Yai Mining Company Limited (“Boh Yai”), both companies incorporated and operating in Thailand, whereby SEAM obtained an exclusive right to acquire an 80 percent interest in Kemco and Boh Yai upon commencement of commercial production. Under the terms of the agreement, SEAM paid U.S. \$1,000,000 for its right, funded by Southeast Asia, and is committed to provide Kemco with the expertise and funds necessary to rehabilitate and commence Stockpile Production at the mine site.

Under the terms of the agreement, during each of the first five complete calendar years following the commencement of commercial production from the Kemco mine, SEAM is obligated to pay to the owners the greater of US\$2 million or 20 percent of the net profits of the operation and thereafter 20% of the net profits annually.

## Southeast Asia Mining Corp.

### Notes to the Unaudited Interim Condensed Consolidated Financial Statements Three and Nine Months Ended September 30, 2011 and 2010

#### 10. EXPLORATION AND EVALUATION PROPERTIES (continued)

Upon Southeast Asia reacquiring control of SEAM in December 2010, negotiations were entered into with Kemco and Boh Yai to reconfirm SEAM's interest in the Kemco project. On March 1, 2011 a new Agreement was entered into, which essentially confirmed all of the terms and conditions of the November 27, 2006 agreement except for the following additional provisions:

- a) SEAM agreed to compensate Kemco and Boh Yai a total of 6.4 million Thai Baht as compensation for 40 of their terminated employees as well as reimbursement for twenty of their salaried employees for the period April 2010 to December 2010. SEAM agreed to pay Kemco and Boh Yai 4.0 million Thai Baht upon execution of this agreement and 2.4 million Thai Baht on June 1, 2011;
- b) SEAM agreed to pay 200,000 Thai Baht on the first day of every month for 20 of Kemco's and Boh Yai's salaried employees commencing January 1, 2011. The 600,000 Thai Baht owing for January, February and March 2011 was paid upon execution of the Agreement;
- c) SEAM agreed to pay for a Environmental Impact Assessment and Health Impact Assessment studies that are required to be filed with the Thai government; and
- d) Southeast Asia agreed to raise a minimum US\$2.0 million by March 1, 2012. If Southeast Asia is unable to raise these funds then Kemco and Boh Yai reserve the right to raise the funds through other potential investors. If this were to occur then SEAM's interest in Kemco will be reduced to 50% when commercial production commences;

Included in Mining and Exploration Costs are exploration rights, referred to as Special Prospecting Licenses ("SPL"), which are held by SEAM in certain locations in Thailand. As of September 30, 2011, Geotai held five such SPLs.

As a result of the operational issues discussed elsewhere, with the status of the Kemco agreement and the exploration rights being uncertain, no value was attributed to them in the financial statements at December 31, 2008 and 2009. Following the regaining of control of SEAM in December 2010 management re-valued these assets at fair value, which at December 31, 2010 was determined to be \$3,171,871.

#### 11. RELATED PARTY TRANSACTIONS

Certain of the Company's officers and directors provide consulting services to the Company. The total of such expenses for the nine months ended September 30, 2011 were \$254,500 compared to \$141,500 in the nine month period ended September 30, 2010. These amounts, which are recorded at their exchange rate, have been paid for consulting services relative to each officer's position in the Company as follows:

| As at September 30,  | 2011              |                   | 2010              |                  |
|--|-------------------|-------------------|-------------------|------------------|
|  | Expense           | Payable           | Expense           | Payable          |
| Kerry Smith, for services as president and as executive chairman of the Board              | 90,000            | 241,780           | 90,000            | 124,820          |
| Colin Grant, for services as chief financial officer.                                      | 54,000            | 112,545           | 39,000            | 32,745           |
| Geoffrey McIntyre, Vice President  | 25,000            | 25,000            | -                 | -                |
| Steve McIntyre, Director   | 75,000            | 211,000           | -                 | -                |
| CMA Associates, a company controlled by Charlotte May, for services as corporate secretary | 10,500            | 17,500            | 12,500            | 2,260            |
| Total  | <b>\$ 254,500</b> | <b>\$ 607,825</b> | <b>\$ 141,500</b> | <b>\$ 99,825</b> |

None of these related parties have contractual agreements with the Company. The expenses indicated above are included with Management and Consulting Fees on the Statement of Loss and Comprehensive Loss.

As part of the share issue that was completed on October 13, 2011, \$476,000 of the amounts payable at September 30, 2011 was converted to equity.

## Southeast Asia Mining Corp.

### Notes to the Unaudited Interim Condensed Consolidated Financial Statements Three and Nine Months Ended September 30, 2011 and 2010

#### 12. TRADE AND OTHER PAYABLES

Trade and other payables of the Company are principally comprised of amounts outstanding for trade purchases relating to exploration activities and amounts payable for operating and financing activities. The usual credit period taken for trade purchases is between 30 to 90 days.

The following is an aged analysis of the trade and other payables:

|                                       | As at,                |                      |                    |
|---------------------------------------|-----------------------|----------------------|--------------------|
|                                       | September 30,<br>2011 | December 31,<br>2010 | January 1,<br>2010 |
|                                       | \$                    | \$                   | \$                 |
| Less than one month                   | 30,057                | 38,206               | 80,136             |
| Over 3 months                         | 1,531,560             | 1,104,863            | 626,127            |
| <b>Total Trade and Other Payables</b> | <b>\$ 1,561,617</b>   | <b>\$ 1,143,069</b>  | <b>\$ 706,263</b>  |

On October 13, 2011, as part of a financing described in note 13 below, \$992,400 of the accounts payable at September 30, 2011 were converted into common shares of the Company.

#### 13. CAPITAL STOCK

##### *Share Capital*

The Company is authorized to issue an unlimited number of common shares without par value. The issued and outstanding common shares consist of the following:

|  | No. of Shares     | Amount               |
|--|-------------------|----------------------|
| <b>Balance at January 1, 2010</b>                          | <b>53,484,262</b> | <b>\$ 13,889,064</b> |
| Private Placement – April 16, 2010                         | 22,400,000        | 1,120,000            |
| Share issuance costs – cash                                |                   | (62,083)             |
| <b>Balance at September 30, 2011 and December 31, 2010</b> | <b>75,884,262</b> | <b>\$ 14,946,981</b> |

Subsequent to September 30, 2011, the Company closed a non-brokered private placement which generated gross proceeds of \$2,511,138 in cash in addition to the conversion of \$992,400 in outstanding accounts payable. The financing consisted of 137,344,697 units, of which 36,899,197 units were issued on conversion of outstanding accounts payable. Each unit was issued at \$0.025 and comprised one common share and one half of one common share purchase warrant with each full warrant exercisable at \$0.035 for a period of 36 months.

As at September 30, 2011, the Company received gross proceeds of \$2,453,638 and paid commission in the amount of \$167,205 pertaining to the private placement.

On November 3, 2011 the Company consolidated its shares on a 1 for 8 basis.

## Southeast Asia Mining Corp.

### Notes to the Unaudited Interim Condensed Consolidated Financial Statements Three and Nine Months Ended September 30, 2011 and 2010

#### 13. CAPITAL STOCK (continued)

##### *Share based payments*

The Company has an incentive stock option plan ("the Plan") whereby the Company can grant to directors, officers, employees and consultants options to purchase shares of the Company. The Plan provides for the issuance of stock options to acquire up to 9% of the Company's issued and outstanding capital. The Plan is a rolling plan as the number of shares reserved for issuance pursuant to the grant of stock options will increase as the Company's issued and outstanding share capital increases.

The Plan provides that it is solely within the discretion of the Board to determine who would receive stock options and in what amounts. In no case (calculated at the time of grant) shall the Plan result in:

- The aggregate number of options granted in a 12-month period to any one individual exceeding 5% of the outstanding shares of the Company;
- The maximum number of options which may be reserved for issuance to insiders of the Company shall not exceed 9% of the outstanding shares of the Company;
- The maximum number of options which may be issued to any insider of the Company, together with any previously established or proposed share compensation arrangements, within a 12-month period shall not exceed 5% of the outstanding shares of the Company.
- The maximum number of options, which may be issued to insiders of the Company, together with any previously established or proposed share compensation arrangements within a 12-month period shall not exceed 9% of the outstanding shares of the Company.

Summary of stock option activity:

|                                 | Number of<br>stock options | Weighted average<br>exercise price |
|---------------------------------|----------------------------|------------------------------------|
| As at January 1, 2011           | 3,200,000                  | \$ 0.70                            |
| Expired                         | (900,000)                  | \$ 0.70                            |
| <b>As at September 30, 2011</b> | <b>2,300,000</b>           | <b>\$ 0.70</b>                     |

On November 18, 2011, all of these options were cancelled and the reserve amount was reduced to \$0.

#### 14. RESERVE FOR SHARE BASED PAYMENTS

A summary of the changes in the Company's reserve for share based payments for the period ended September 30, 2011 and the year ended December 31, 2010 is set out below:

|  | September 30, 2011 | December 31, 2010 |
|--|--------------------|-------------------|
|  | Amount (\$)        | Amount (\$)       |
| Balance at end of period/year            | 648,407            | 648,407           |
| Expiry of options                        | (324,203)          | -                 |
| <b>Balance at the end of period/year</b> | <b>324,204</b>     | <b>648,407</b>    |

## Southeast Asia Mining Corp.

### Notes to the Unaudited Interim Condensed Consolidated Financial Statements Three and Nine Months Ended September 30, 2011 and 2010

#### 15. COMMITMENTS AND CONTINGENCIES

##### Environmental Contingencies

The Company's exploration activities are subject to certain international laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

#### 16. SEGREGATED INFORMATION

Southeast Asia is in the business of mineral exploration in the South East Asia region, currently Thailand. As such, management has organized the Company's reportable segments by geographic area. The Thai segment is responsible for that country's mineral exploration activities. The information which follows indicates Southeast Asia's reportable segments and for the period ended September 30, 2011 and 2010, includes income and expenditures of its Thai operations:

| <b><i>As at September 30,</i></b> | <b>2011</b>         | <b>2010</b>         |
|-----------------------------------|---------------------|---------------------|
| Consolidated net loss             |                     |                     |
| Canada                            | \$ 559,636          | \$ 1,022,126        |
| Thailand                          | 400,070             | -                   |
|                                   | <b>\$ 959,706</b>   | <b>\$ 1,022,126</b> |
| Identifiable assets               |                     |                     |
| Canada                            | \$ 1,667,505        | \$ 43,951           |
| Thailand                          | 4,151,982           | -                   |
|                                   | <b>\$ 5,819,487</b> | <b>\$ 43,951</b>    |

#### 17. SUBSEQUENT EVENTS

Subsequent to September 30, 2011, the Company closed a non-brokered private placement which generated gross proceeds of \$2,511,138 in cash in addition to the conversion of \$992,400 in outstanding accounts payable. The financing consisted of 137,344,697 units, of which 36,899,197 units were issued on conversion of outstanding accounts payable. Each unit was issued at \$0.025 and comprised one common share and one half of one common share purchase warrant with each full warrant exercisable at \$0.035 for a period of 36 months.

On November 3, 2011 the Company consolidated its shares on a 1 for 8 basis. The current common shares issued and outstanding as a result of this consolidation totaled 26,653,615.

On November 18, 2011, all outstanding stock options were cancelled.