EAST AFRICA METALS INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE MONTHS ENDED

SEPTEMBER 30, 2013

This Management's Discussion and Analysis ("MD&A") of East Africa Metals (collectively, with its subsidiaries, "East Africa Metals" or the "Company") is dated November 28, 2013 and provides a review of the performance of the operations of East Africa Metals Inc. for the quarter ended September 30, 2013 (Q1 2014). The following information should be read in conjunction with the unaudited condensed interim consolidated financial statements for the three months ended September 30, 2013, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). Readers are encouraged to read this MD&A in conjunction with the Company's audited consolidated financial statements for the year-ended June 30, 2013, (Fiscal 2013) and the corresponding notes to the financial statements which are available on SEDAR at www.sedar.com. All dollar amounts are expressed in Canadian dollars except where indicated otherwise.

Cautionary Statement Regarding Forward-Looking Information

This MD&A may contain certain forward-looking statements concerning anticipated development in the Company's operations in future periods, "forward-looking information," within the meaning of applicable Canadian securities legislation. The forward-looking statements are set forth principally under the heading "Outlook" in this MD&A and may include statements regarding exploration results and budgets, mineral resource estimates, work programs, capital expenditures, timelines, strategic plans, market price of commodities or other statements that are not statement of fact. Generally, forward-looking information can be identified by the use of forward-looking terminology such as "anticipate", "believe", "plan", "expect", "intend", "estimate", "forecast", "project", "budget", "schedule", "may", "will", "could", "might", "should" or variations of such words or similar words or expressions. Forward-looking information is based on reasonable assumptions that have been made by the Company as at the date of such information and is subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking information, including but not limited to: risks associated with mineral exploration and development; metal and mineral prices; availability of capital; accuracy of the Company's projections and estimates; realization of mineral resource estimates, interest and exchange rates; competition; stock price fluctuations; availability of drilling equipment and access; actual results of current exploration activities; government regulation; political or economic developments; environmental risks; insurance risks; capital expenditures; operating or technical difficulties in connection with development activities; personnel relations; the speculative nature of strategic metal exploration and development including the risks of contests over title to properties; and changes in project parameters as plans continue to be refined. The estimate of mineral resources may be materially affected by environmental, permitting, legal, title, taxation, sociopolitical, marketing, or other relevant issues. The quantity and grade of reported inferred mineral resources as the estimation is uncertain in nature and there has been insufficient exploration to define these inferred mineral resources as an indicated or measured mineral resource and it is uncertain if further exploration will result in upgrading inferred mineral resources to an indicated or measured mineral resource category. Forward-looking statements are based on assumptions management believes to be reasonable, including but not limited to the price of gold; the demand for gold; the ability to carry on exploration and development activities; the timely receipt of any required approvals; the ability to obtain qualified personnel, equipment and services in a timely and cost-efficient manner; the ability to operate in a safe, efficient and effective manner; and the regulatory framework regarding environmental matters, and such other assumptions and factors as set out herein. Although the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. The Company does not update or revise forward looking information even if new information becomes available unless legislation requires the Company do so. Accordingly, readers should not place undue reliance on forward-looking information contained herein, except in accordance with applicable securities laws.

Table of Contents

Introduction 2
Corporate Transactions and Outlook 2
Handeni Project – Tanzania....................3
Magambazi 3
Magambazi Initial Mineral Resource 4
Selected Condensed Interim Consolidated Financial Information 5
Results of Operations....................6

Summary of Quarterly Results – Unaudited 8
Liquidity 8
Capital Resources 9
Financial instruments 10
Transactions with Related Parties 11
Critical Accounting Policies And Estimates 11
Internal Control Over Financial Reporting and Disclosure Controls and Procedures 13
Risk Factors 14

INTRODUCTION

East Africa Metals was incorporated on December 7, 2012, under the Canada Business Corporations Act. The address of the Company's corporate office and principal place of business is Suite 3114, 1055 Dunsmuir Street, Vancouver, British Columbia, Canada. On July 11, 2013, the Company commenced trading on the TSX Venture Exchange (the "Exchange") as a Tier 2 mining issuer under the trading symbol "EAM".

The Company was initially a wholly-owned subsidiary of Canaco Resources Inc. ("Canaco") and was formed for the purpose of a spinout of the assets of Canaco which included all the assets and liabilities of Canaco other than $60,000,000 in cash and certain liabilities pursuant to a spinout transaction. Since its inception and until April 4, 2013, the Company was economically dependent upon its parent, Canaco, which has provided administrative and other services to the Company without charge. On April 4, 2013, Canaco completed a share purchase agreement between Canaco, Shark Minerals Inc. ("Shark") and the shareholders of Shark dated December 14, 2012.

Refer to the "Corporate Transaction and Outlook" section below for additional information on East Africa Metals pursuant to a share purchase agreement and plan of arrangement (together the "Arrangement Agreement") voted on and approved by Canaco shareholders on March 28, 2013. Additional information on the Company's mineral property interests discussed in this MD&A can be found on the Company's website at www.eastafricametals.com.

CORPORATE TRANSACTIONS AND OUTLOOK

Corporate Transaction – Canaco and Shark

During the year-ended June 30, 2013, Canaco closed a share purchase agreement between Canaco, Shark and the shareholders of Shark dated December 14, 2012. Under the Arrangement Agreement the Company acquired all of the outstanding common shares of Shark in exchange for the issuance of 118,584,735 of its common shares. Subsequent to the Arrangement Agreement and effective on April 4, 2013, Canaco also completed a share consolidation on the basis of one (1) new share for three (3) existing shares (the "Consolidation") resulting in issued capital of 106,834,124 common shares and changed its name to Orca Gold Inc. ("Orca Gold"). As of closing of the Arrangement Agreement and Consolidation, Orca Gold is 63% owned by former Canaco shareholders and 37% owned by former Shark shareholders.

Immediately prior to the Arrangement Agreement and Consolidation, Canaco completed a spinout transaction (the "Spinout") by way of a plan of arrangement whereby Canaco (a) transferred all of its assets other than certain assets and $60,000,000 in cash, and certain liabilities as defined in the agreement, to East Africa Metals and (b) distributed all of the shares of East Africa Metals to the shareholders of Canaco immediately prior to giving effect to the Arrangement Agreement on the basis of one (1) East Africa Metals share for every three (3) pre-Consolidation Canaco shares held by shareholders as of the effective date of the Spinout. In addition to the cash noted above, $4,000,000 was set aside in an account jointly controlled by Orca Gold and East Africa Metals to cover any potential future costs that may be incurred after April 4, 2013, as a result of the British Columbia Securities Commission ("BCSC") hearing. Under the terms of the Arrangement Agreement and Spinout, once the BCSC hearing and outcome are concluded, the unexpended balance of these funds will be released to East Africa Metals. Until that date, East Africa Metals will reflect these funds as restricted cash on its balance sheet. During the period ended September 30, 2013, the Company was successful in defending the hearing before the BCSC regarding certain infill drill result disclosures made by a predecessor company, Canaco. As a result, the jointly controlled account was collapsed and the restricted cash was transferred into the Company's operating bank account.

The legal form of the Spinout provided that on April 4, 2013, Canaco transferred materially all of the assets and liabilities of Canaco to East Africa Metals, except for cash of $60,000,000 and sufficient funds to pay certain liabilities outstanding as at April 4, 2013. For accounting purposes, under a continuity of business basis of presentation, the continuing business of East Africa Metals, and its related comparatives are the historical results of Canaco. Accordingly in the year-ended June 30, 2013, an adjustment of $110,381,189 from share capital to contributed surplus reflects the share capital of the East Africa Metals as a result of the Spinout. In addition, the $60,000,000 cash retained by Orca Gold was treated as a reduction of East Africa Metals share capital.

The Company continues to examine potential opportunities, primarily in the precious and base metal exploration sector, for acquisitions, joint ventures or other business opportunities that may arise. As at September 30, 2013, the Company has cash and investments of approximately $21 million and is well funded to take advantage of acquisition opportunities which are being brought to its attention in the current business environment.

HANDENI PROJECT – TANZANIA

Pursuant to the Arrangement Agreement, Canaco spun-out its mineral property interests to East Africa Metals, including its material property Handeni. The Handeni property consists of two contiguous mineral tenures totalling approximately 97 square kilometres: the 100%-owned Kilindi property (96.92 square kilometres) and the Magambazi property (0.34 square kilometres), in which Canaco is earning a 100% interest. The Magambazi property is owned 100% by Denwill Mining Services Ltd. ("Denwill"), a special purpose entity, and East Africa Metals has an option agreement to acquire a 100% interest upon payment of $40,000. Denwill acquired the Magambazi property by payment of US$1,800,000, and granted the vendors a 2.0% net smelter return ("NSR") royalty.

East Africa Metals is focused on mineral exploration in the Handeni gold district in eastern Tanzania. The Company's key property is Handeni, located 160 kilometres northwest of Dar es Salaam and 35 kilometres south of the town of Handeni. Additional preliminary exploration is being conducted on peripheral properties to Handeni. Work conducted on peripheral properties includes geological mapping, soil sampling, and localized trenching.

Where applicable, information below also pertains to the Handeni property and references work performed by Canaco before the Arrangement Agreement and the subsequent transfer of the Handeni property to East Africa Metals.

MAGAMBAZI

<u>East Africa Metals Recognized for Corporate Social Responsibility and Environmental Programs in Tanzania</u>

During the quarter ended September 30, 2013, the Company's wholly owned Tanzanian subsidiary, Canaco Tanzania Limited ("CTL"), was the recipient of the 2012 Presidential Award on Corporate Social Responsibility and Empowerment. The award was organized by the Tanzanian Ministry of Energy and Minerals through the Extractive Industry Stakeholders Forum ("EISF").

In addition to the Presidential Award, CTL was also the recipient of numerous other awards for exploration companies, including:

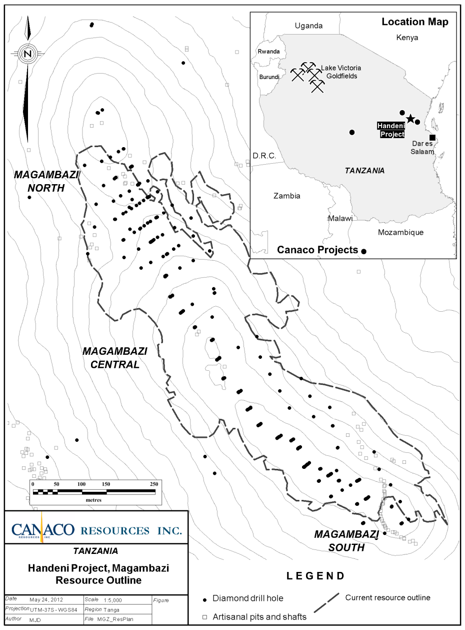
- First Place for Corporate Social Responsibility and Empowerment ("CSRE"),
- First Place for Empowerment programs for the Communities in the CSRE,
- First Place for Procurement programs for the Communities in the CSRE,
- First Place for Water programs for the Communities in the CSRE,
- Second Place for Education programs for the Communities in the CSRE,
- Second Place for Employment programs for the Communities in the CSRE, and
- Second Place for Infrastructure development for the Communities in the CSRE.

The award judged the mining sector's large, medium, and small scale companies on their contribution to the sustenance of education, health, and employment. The extractive industry companies were classified into four categories - large scale mining, medium scale mining, oil and gas, and exploration (minerals, oil, and gas). Additional information about the EISF can be found online at http://eisftz.org. For further details refer to the Company's September 24, 2013, news release.

Magambazi Drill Program

The Handeni gold district consists of numerous gold-bearing zones defined by artisanal workings over a 15-kilometre trend, highlighted by the Magambazi discovery. Figure 1 illustrates the extent and distribution of drilling in the Magambazi area.

Figure 1- Extent of Magambazi Exploration Drilling



The Magambazi, Magambazi Central and Magambazi North prospects form a 1.4-kilometre long trend of gold mineralization defined by soil geochemical anomalies and artisanal mine workings. This trend represents a segment of the total 15 kilometres of gold occurrences and anomalous gold geochemistry known to be contained within the Handeni gold property area.

Prior to the Arrangement Agreement, Canaco on completion of the drill program at Magambazi in February 2012 had drilled a total of 471 diamond drill holes totalling approximately 121,846 metres on the project since the discovery in 2009. No further diamond drilling is planned at this time at Magambazi. Additional RC is recommended for a prospective target horizon immediately west of Magambazi, and east of the MK trend, pending additional on-ground geological review after the rainy season. During Fiscal 2013, over 45,000 Niton pulp analyses have been collected from diamond drilling at Magambazi, to assist in mineralized zone characterization.

MAGAMBAZI INITIAL MINERAL RESOURCE

On May 15, 2012, Canaco published an initial mineral resource estimate for the Magambazi area of its Handeni project in Tanzania. Using a cut-off grade of 0.5 grams per tonne gold, Magambazi is estimated to contain an indicated mineral resource of 15.2 million tonnes grading 1.48 grams per tonne gold and containing 22.4 million grams of gold (721,300 ounces), as well as an inferred mineral resource estimate of 6.7 million tonnes grading 1.36 grams per tonne gold and containing 9.1 million grams of gold (292,400 ounces).

Table 1 below summarizes the classification of mineral resources within the mineral resource block model.

Table 1 – Initial Magambazi Mineral Resource Estimate Summary – May 2012

Category	Estimated Quantities		
	Tonnes (000s)	*Average grade (grams/tonne gold)*	*Contained gold (ounces)*
Indicated	15,186	1.48	721,300
Inferred	6,683	1.36	292,400

Note: Quantities are estimated using a cut-off grade of 0.5 grams per tonne gold, a gold price of US$1,250 per ounce, and data from 102,600 metres of diamond drilling in 397 holes.

Table 2 below presents a summary of the estimated mineral resource for a range of cut-off grades.

Table 2 - Cut-off Grade Sensitivities

	Indicated			**Inferred**		
Cut-off grade (grams/tonne gold)	*Tonnes (000s)*	*Average grade (grams/tonne gold)*	*Contained gold (ounces)*	*Tonnes (000s)*	*Average grade (grams/tonne gold)*	*Contained gold (ounces)*
0.3	19,685	1.23	777,500	9,256	1.09	324,500
0.4	17,218	1.36	750,300	7,831	1.23	308,800
0.5	**15,186**	**1.48**	**721,300**	**6,683**	**1.36**	**292,400**
0.6	13,392	1.60	689,900	5,593	1.52	273,400
0.7	11,884	1.72	658,700	4,791	1.67	256,800
1.0	8,593	2.07	570,600	3,058	2.14	210,700

For information on mineral resource estimation methodology, data validation, and quality control refer to the Company's website at www.eastafricametals.com.

Magambazi Metallurgy

In January 2012 Canaco launched a comprehensive metallurgical test work program at Magambazi in preparation for a preliminary economic assessment ("PEA'). The program was designed to determine the effect of mineralization, lithology and grade variation on metallurgical recovery, grind size and leach residence time, and work-index and abrasion characteristics. During Fiscal 2013, approximately 2,900 samples were analyzed at G&T Metallurgical Services laboratory in Kamloops, BC. Results of this program confirmed potential processing characteristics for Magambazi material and were published, in June 2012, with the mineral resource estimate. The mineral resource estimate report is available on the Company's website at www.eastafricametals.com.

Agreement for Development of Magambazi

In August 2012 Canaco announced it had entered into a memorandum of understanding ("MOU") with an arm's length third party, a Chinese gold producer, to create a joint venture to develop the Magambazi project. Under the terms of the MOU, Canaco's initial contribution to the joint venture would be the Handeni property, including the Magambazi project, and all rights and obligations within the Handeni property. The value of Canaco's initial contribution would be determined by an independent valuation firm retained by both parties. The Chinese gold company may earn up to a 55% interest in the joint venture by funding 100% of the costs of the ongoing operations of the joint venture until the earn-in is complete. With the transfer of all assets of Canaco, other than certain cash balances, to East Africa Metals, the MOU was terminated on April 2, 2013. The Company continues to explore strategic opportunities for the project including identifying a joint venture partner or potential buyers of the project.

Mining Licence

Prior to the Arrangement Agreement, Canaco received an Environmental Impact Assessment ("EIA") certificate from the Tanzanian government for the entire Handeni property, including the Magambazi project area. This achievement was the culmination of a two-year process involving environmental studies, ministerial reviews and public hearings. The receipt of the EIA certificate was the first step in the mine permitting process and a prerequisite for a Tanzanian mining licence which was received on November 16, 2012. The mining licence is related to the four primary mining licences ("PMLs") that cover 29.6 hectares. The Magambazi project includes a portion of the Handeni property. East Africa Metals will now focus on the continued development of plans to move the project forward, including the submission of an application to expand the mining licence to cover the entire project area.

SELECTED CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION

For accounting purposes, under a continuity of business basis of presentation the continuing business of East Africa Metals, and its related comparatives will be the historical results of Canaco. As a result, the Fiscal 2013 and Q1 2013 accounting balances represented within this document included the historical results of Canaco.

At September 30, 2013, the Company had cash and cash equivalents, short-term investments and restricted cash of $21,311,620 and current liabilities of $947,417, compared to cash and cash equivalents, short-term investments and restricted cash of $22,312,630 and current liabilities of $821,819 at June 30, 2013. Share capital as at September 30, 2013, totalled $33,873,666 with no change from the comparative period as at June 30, 2013.

RESULTS OF OPERATIONS

(Information extracted from the Company's unaudited condensed interim financial statements for the three months ended September 30, 2013, and 2012, expressed in Canadian dollars):

	Three months ended September 30, 2013	Three months ended September 30, 2012
Expenses		
Amortization	$ 59,372	$ 71,783
Directors and advisory board fees	21,750	29,899
Exploration and evaluation expenditure	679,494	1,806,739
Investor/shareholder communications and filing fees	31,404	48,220
Legal, audit and audit related fees	91,919	250,906
Management consulting fees	58,632	55,174
Project generation	155,815	52,639
Office and administration	79,500	52,281
Rent and occupancy costs	56,831	51,844
Salary and benefits	89,120	87,073
Share-based compensation	299,274	1,404,630
	1,623,111	3,911,188
Loss before under-noted items	(1,623,111)	(3,911,188)
Foreign exchange loss	(55,179)	(584,428)
Change in fair value of other assets	116,941	--
Interest income	53,511	239,218
Net loss	$ (1,507,838)	$ (4,256,398)
Loss per share, basic and diluted	$ (0.02)	$ (0.06)
Weighted average number of common shares used in the calculation of loss per share – basic and diluted	66,830,772	66,516,082

<u>Loss for the Three Months Ended September 30, 2013, Compared to the Loss for the Three Months Ended September 30, 2012</u>

The loss for three months ended September 30, 2013 ("Q1 2014") is $1,507,838 compared to a loss for the three months ended September 30, 2012 ("Q1 2013"), of $4,256,398. The significant items contributing to the Q1 2014 loss include exploration costs of $679,494 (Q1 2013 - $1,806,739); share-based compensation of $299,274 (Q1 2013 - $1,404,630); project generation of $155,815 (Q1 2013 - $52,639); legal, audit and audit related fees of $91,919 (Q1 2013 - $250,906); and salary and benefits of $89,120 (Q1 2013 - $87,073), and. The loss for Q1 2014 was offset by change in fair value of other assets of $116,941 (Q1 2013 - $Nil) and interest income of $53,511 (Q1 2013 - $239,218). Significant changes are discussed below.

<u>Exploration and evaluation expenditure ("Exploration Expenditures")</u>

Exploration expenditures decreased from $1,806,739 in Q1 2013 to $679,494 in Q1 2014 a decrease of $1,127,245. The decrease is primarily due to drilling costs of $Nil, geology costs of $8,233, project development costs of $12,255, share based compensation of $65,694 and technical service costs of $131,707 incurred in Q1 2014, compared to geology costs of $153,985, project development costs of $622,182, share based compensation of $447,630 and technical service costs of $37,278 incurred in Q1 2013, respectively. The reduction in exploration costs is a result of the Company completing the Magambazi initial mineral resource, ceasing activities related to the preparation of the PEA on the Magambazi project and a change of focus to explore strategic opportunities for the project including identifying a joint venture partner or potential buyers of the project.

Details of East Africa Metals' exploration expenditures are as follows:

	Three Months ended September 30	
	2013	2012
Exploration expenditure		
Amortization	$ 79,865	$ 64,234
Camp and administration costs	334,425	319,198
Drilling	--	79,455
Geochemistry	36,413	30,647
Geology	8,233	153,985
Project development	12,255	622,182
Project management and consulting	10,902	52,130
Share-based compensation	65,694	447,630
Technical services	131,707	37,278
Total for the period	679,494	1,806,739
Cumulative exploration expenditure as at June 30, 2013 and 2012	64,403,461	59,792,395
Cumulative exploration expenditure as at September 30, 2013 and 2012	$ 65,082,955	$ 61,599,134

Share-based compensation

In Q1 2014 the Company granted 5,000,000 stock options to directors, officers and employees. The fair value of the options granted in Q1 2014 were recorded at $364,968 (Q1 2013 – $1,852,260) of which $299,274 (Q1 2013 – $1,404,630 was recorded as share-based compensation expense and $65,694 (Q1 2013 – $447,630) was included in exploration costs.

Project generation

Project generation costs totaled $155,815 in Q1 2014, compared to $52,639 in Q1 2013, an increase of $103,176. The amount consisted of $140,815 fees paid to external consultants on investigating new project and potential acquisition opportunities.

Legal, audit and audit-related fees

In Q1 2014 the Company incurred $91,919 for legal, audit and audit-related fees, compared to $250,906 in Q1 2013. A significant component in the decrease of the legal costs incurred in Q1 2014 relate to The British Columbia Securities Commission (the "BCSC") enquiry and investigation. The BCSC enquiry, commenced in fiscal 2011 and continued until August 2013, related to the grant of certain stock options as directed by the former board of Canaco and Canaco's disclosure practices at the time with respect to exploration results. A hearing on this matter was held with a BCSC panel during January 2013. In August 2013, the Company was successful in defending the hearing before the BCSC regarding certain infill drill result disclosures made by a predecessor company, Canaco, in December 2010. Following an 11-day hearing in January 2013, a three-member panel unanimously agreed that the Company and its directors acted appropriately with regard to its disclosures.

In Q1 2014 Canaco expended $15,579 (Q1 2013 -$115,117), net of estimated recoverable costs of $Nil (Q1 2013 - $119,837) under the terms of its directors' and officers' insurance policy, relating to the BCSC inquiries and hearing.

Other legal expenses totalled $65,953 and accounting fees totalled $10,388, which was related to the Company's listing on the Exchange and general corporate matters. The Company commenced trading on the Exchange as a Tier 2 mining issuer on July 11, 2013.

Salaries and benefits

Salaries and benefits expense in Q1 2014 totalled $89,120, consistent with $87,073 incurred in Q1 2013. At September 30, 2013, Company had eight full-time employees where salaries may be shared with Tigray and with True North Gems Inc.

Change in fair value of other assets

In Q1 2014 the Company recorded a change in fair value of $116,941 compared to $Nil in Q1 2013. At September 30, 2013, the Company held 8,000,000 common shares and 4,000,000 share purchase warrants acquired from Tigray in prior fiscal year. The amount of $116,941 represents the fair value of the share purchase warrants estimated using the Black-Scholes Option Pricing Model.

Interest revenue

In Q1 2014 the Company recorded interest revenue of $53,511 compared to $239,218 in Q1 2013, a decrease of $185,707. Interest revenue has decreased due to lower cash balances held during the period.

SUMMARY OF QUARTERLY RESULTS – UNAUDITED

Quarter ended	Revenue	Loss(1)	Loss per share, basic
Fiscal 2014			
September 30, 2013	Nil	(1,507,838)	(0.02)
Fiscal 2013			
June 30, 2013	Nil	(1,374,482)	(0.02)
March 31, 2013	Nil	(4,474,057)	(0.02)
December 31, 2012	Nil	(3,065,293)	(0.02)
September 30, 2012	Nil	(4,256,398)	(0.02)
Fiscal 2012			
June 30, 2012	Nil	(4,152,289) (4)	(0.02)
March 31, 2012	Nil	(7,791,528)(2)	(0.04)
December 31, 2011	Nil	(12,262,666)(3)	(0.06)

(1) Values may not add to reported amount for the periods due to rounding.

(2) The loss in Q1 2012 includes exploration expenditures of $8,028,385, foreign exchange gain of $1,142,884 and interest income of $316,689.

(3) The loss in Q2 2012 includes exploration expenditures of $10,328,720.

(4) In Q4, 2012, with the release of the initial mineral resource estimate in May 2012, resulted in reduced exploration activity

LIQUIDITY

As at September 30, 2013, the Company had cash and cash equivalents of $9,687,794, short-term investments of $11,623,826, restricted cash of $Nil, other current assets of $3,313,597 and current liabilities of $947,417, compared to cash and cash equivalents of $5,072,586, short-term investments of $13,240,050, restricted cash of $3,999,994, other current assets of $3,022,222 and current liabilities of $821,819 at June 30, 2013.

Management believes that the Company’s working capital of $23,677,800 (June 30, 2013- $24,513,033) is adequate to support its operations, exploration and acquisition and development opportunities for the coming twelve months.

Under the terms of the Arrangement Agreement and Spinout, $4,000,000 was placed into escrow to cover any potential future costs that may be incurred after April 4, 2013, as a result of the BCSC hearing. Once the proceeding of the BCSC hearing is concluded, the unexpended balance of these funds will be forwarded to East Africa Metals. In Q1 2014, on successful defense of the BCSC allegations, the escrow account was collapsed and the cash was transferred to the Company’s operating cash accounts.

Liquidity risk is the risk that the Company will not be able to meets its obligations associated with the financial liabilities. The Company has a planning and budget process in place by which it anticipates and determines the funds necessary to support normal operation requirements and development of its mineral property interests. The Company coordinates the planning and budgeting process with its financing activities through the capital management process.

The Company's investment policy is to invest its cash in highly liquid short-term interest bearing investments with maturities greater than 90 days from the original date of acquisition, selected with regards to the expected timing of expenditures from continuing operations. The Company ensures that sufficient funds are raised from equity placements to meets it operating requirements, after taking into account existing cash.

CAPITAL RESOURCES

The Company has historically met its exploration capital requirements through the completion of equity placements and may be impacted by continued poor market conditions and further downward trends. Trends affecting the Company's liquidity may be dictated by the demands on financial resources created by the advancing nature of the Company's exploration assets and the pursuit of a growth strategy that targets property acquisition, with the attendant exploration commitments and the Company's ability to access the financial resources required to meet these demands. As the exploration properties advance through exploration, they typically require more capital-intensive programs that apply pressure to the Company's financial resources. Additional planned exploration programs, future pre-development programs and a pre-feasibility study on non-producing mineral property interests will result in a decrease to the Company's current liquidity.

In acquiring the required capital to pursue the Company's business plan, capital will be generated from a combination of accessing equity markets, procuring industry partners for its primary exploration assets or sale of exploration assets for equity positions or cash. In the event that additional funding is required, there can be no assurances that such funds will be available and/or on terms acceptable by the Company.

Trends that affect the market generally, and the perception of the Company within the marketplace, can affect the Company's ability to access capital in both a positive and negative way. Trends in this general market are defined by fluctuations in the global economy and the demand for metals and commodity prices. Trends in the perception of the Company in the resource marketplace will be affected by general trends in the resource equity markets, the Company's performance in creating shareholder value and in demonstrating the ability to manage the Company's affairs and achieve mandated objectives.

Uncertainty is a prevalent element in exploration and therefore can, on occasion, impede the Company's ability to meet its financial requirements and result in an inability to advance exploration assets and meet objectives in a timely manner.

Mineral exploration and development involves a high degree of risk and few properties that are explored are ultimately developed into producing mines. There is no assurance that the Company's mineral exploration activities will result in any discoveries of new bodies of commercial deposits. There is also no assurance that if a commercial deposit is discovered that the ore body would be economical for commercial production. Discovery of mineral deposits is dependent upon a number of factors and significantly influenced by the technical skill of the exploration personnel involved. The commercial viability of a mineral deposit is also dependent upon a number of factors, which are beyond the Company's control. Some of these factors are the attributes of the deposit, market, government policies and regulation and environmental protection.

Capital Expenditures

During the three months ended September 30, 2013, the Company expended $52,118 on acquisitions of mineral property interests which have been capitalized. Mineral property capital expenditures are summarized as follows:

	Tanzania, Handeni properties	Tanzania, other properties	Total
Acquisition costs			
As at June 30, 2013	$ 2,681,607	$ 3,280,191	$ 5,961,798
Property payments	51,573	545	52,118
Foreign exchange	(43,156)	(67,056)	(110,212)
As at September 30, 2013	2,690,024	3,213,680	5,903,704

FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are measured on an ongoing basis at fair value or amortized cost. As at September 2013, the classifications of the financial instruments are shown in the table below:

	Fair value through profit or loss	Financial assets available-for-sale	Total carrying value
As at September 30, 2013			
Marketable securities	$ --	$ 1,076,250	$ 1,076,250
Other assets	218,216	--	218,216
	$ 218,216	$ 1,076,250	$ 1,294,466

From time to time, the Company may make strategic investments in other private or publicly traded entities. These investments may take the form of common shares and share purchase warrants. For accounting purpose, the Company has determined that any share purchase warrants held are derivative financial instruments and any change in fair value is included in the consolidated statements of operations for the period. The fair value of share purchase warrants is measured using Black-Scholes that uses inputs that are primarily based on market indicators. Any common shares (equities) held are designated as available-for-sale and any change in fair value is included in other comprehensive income (loss), until such time as the common shares are sold or otherwise disposed of at which time any gains or losses will be included in the consolidated statements of operations for the period. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from OCI and recognized in the consolidated statements of operations.

The following table presents the Company's financial assets that are measured at fair value as at September 30, 2013:

	Level 1	Level 2	Level 3	Total
As at September 30, 2013				
Marketable securities	$ 1,076,250	$ --	--	$ 1,076,250
Other Assets	--	218,216	--	218,216
	$ 1,076,250	$ 218,216	$ --	$ 1,294,466

The fair values of the Company's financial instruments measured at September 30, 2013, constitute Level 1 for marketable securities and Level 2 for other assets (share purchase warrants).

Management of financial risk

The Company's financial instruments are exposed to certain financial risks including currency risk, interest rate risk, credit risk and liquidity risk.

Currency risk

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company operates in Tanzania and a portion of its expenses are incurred in Euros, Australian dollars, US dollars and Tanzanian shillings. A significant change in the currency exchange rates between the Canadian dollar relative to these currencies could have an effect on the Company's results of operation. The Company has not hedged its exposure to currency fluctuations.

Credit risk

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and cash equivalents, short-term investments and receivables. Cash and cash equivalents and short-term investments consist of GIC's and short-term deposits issued by major Canadian banks. Receivables mainly consist of insurance receivable and trade receivables from related parties. The carrying amount of cash and cash equivalents, short-term investments, receivables from related parties and other accounts receivable represents the Company's maximum exposure to credit risk.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meets its obligations associated with the financial liabilities. The Company has a planning and budget process in place by which it anticipates and determines the funds necessary to support normal operation requirements and development of its mineral property interests. The

Company coordinates the planning and budgeting process with its financing activities through the capital management process.

The Company's investment policy is to invest its cash in highly liquid short-term interest bearing investments with maturities greater than 90 days from the original date of acquisition, selected with regards to the expected timing of expenditures from continuing operations.

The Company ensures that sufficient funds are raised from private placements to meets it operating requirements, after taking into account existing cash. As at September 30, 2013, the Company has sufficient cash on hand to meet its current liabilities and it's expected administrative and explorations requirements for the coming twelve months.

TRANSACTIONS WITH RELATED PARTIES

In the normal course of business, the Company transacted with individuals and companies considered to be related parties. Related party transactions involve normal commercial compensation for services rendered by senior management, officers, and directors of the Company by companies with which they were associated as owners, contractors or employees. For the period ended September 30, 2013, the Company had recorded the following significant related party transactions:

For the period ended September 30, 2013, the Company made payments for or received services from SinoTech (Hong Kong) Corporation Limited ("SinoTech"), Tigray and True North Gems Inc. totaling $143,599 (Q1 2013- $243,379) for shared office and administration expenses and exploration expenses.

As at September 30, 2013, the Company had receivables of $570,020 (June 30, 2013- $614,441) from Tigray and True North Gems Inc. for outstanding payments for shared office, administration and exploration expenses.

For the period ended September 30, 2013, management fees of $52,375 (Q1 2013- $46,875) were paid to a privately held company controlled by the CEO for management services and related expenses.

As at September 30, 2013, a payable of $129,500 (June 30, 2013 - $129,500) was payable to SinoTech for geology and related services. SinoTech has a control interest in the Company. The geology services were provided for IP survey data on the Magambazi project.

Fees, salaries and benefits, including share-based compensation, paid to directors and senior key management totaled $337,185 for the period ended September 30, 2013 (Q1 2013- $1,110,279). Senior key management includes the CEO, VP of Exploration, VP of Development and the CFO. As at September 30, 2013, the Company recorded a payable of $100,962 (June 30, 2013- $27,607) for past Director and consulting services provided by directors and officers and reimbursement of expenses.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The details of the Company's accounting policies are presented in Note 4 of the audited consolidated financial statements for the year ended June 30, 2013. The Company's financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS").

The preparation of the interim consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The Company has identified the following critical accounting policy under which significant judgments, estimates and assumptions are made where actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the Company's balance sheet reported in future periods.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements is included in the notes to the financial statements where applicable.

(a) Investment in Tigray - share purchase warrants

Share purchase warrants held as other assets are measured at fair value using the Black-Scholes Option Pricing Model. The fair value estimates derived through the use of this model are subject to the use of subjective assumptions similar to those described for share-based compensation including historical price volatility, forfeiture rate and expected option life. Changes in the subjective input assumptions can materially affect the fair value estimate.

(b) Continuity of interests accounting

There is currently no guidance in IFRS on the accounting treatment for combinations among entities under common control. IAS 8 – Accounting policies, changes in accounting estimates and errors ("IAS 8") requires management, if there is no specifically applicable standard of interpretation, to develop a reliable policy that is relevant to the decision making needs of users.

The Company has determined to apply the concept of continuity of interest basis of accounting for transactions under common control as detailed under United States generally accepted accounting principles ("US GAAP"). US GAAP requires an acquirer in a combination between entities or businesses under common control to recognize the assets acquired and liabilities assumed in the transaction at their carrying amounts in the accounts of the transferring entity at the date of the transfer.

As described in the Corporate Transaction and Outlook, on April 4, 2013, Canaco transferred all of its assets other than certain assets and $60,000,000 in cash, and certain liabilities as defined in the agreement, to East Africa Metals and distributed all of the shares of East Africa Metals to the shareholders of Canaco. As a result there was no substantive change to the shareholder's interest, the assets of the company, other than $60,000,000 in cash, and the management of the Company. As there was no substantive change in the Company, the Arrangement Agreement represents a rearrangement of the legal interests and has been accounted for as a reverse spinout. Consequently, for accounting purposes, under a continuity of business basis of presentation the continuing business of East Africa Metals, and its related comparatives will be the historical results of Canaco.

(c) Investment in Tigray Resources Inc.

In the year-ended June 30, 2013, the Company acquired 8,000,000 units of Tigray's Equity Placement. The Company and Tigray have Directors and officers in common. On completion of the Equity Placement, the Company held 8,000,000 common shares and 4,000,000 share purchase warrants, representing approximately 13.4% of the then outstanding common shares of Tigray, assuming exercise of all warrants. Management has considered whether Tigray is an associate because of the acquisition of shares in Tigray which was an independent business decision of East Africa Metals given that there are two pre-existing directors in common of the respective entities. For accounting purposes, management concluded that the investment should be categorized as available-for-sale rather than as an associate as the share ownership is below 20% and does not provide any rights to Board appointments of Tigray nor other indicators of significant influence. Management believes that the directors in common do not exercise any significant influence on behalf of East Africa over the direction of Tigray in fulfillment of their fiduciary responsibilities. As a result, East Africa Metals is not required to record its initial investment in Tigray using the equity method of accounting.

New Accounting Policies

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the International Accounting Standards Board ("IASB") or International Financial Reporting Interpretations Committee ("IFRIC"). The Standards impacted that are applicable to the Company are as follows:

(a) IFRS 10 Consolidated Financial Statements ("IFRS 10")

IFRS 10 establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. IFRS 10 supersedes IAS 27 "Consolidated and Separate Financial Statements" and SIC-12 "Consolidation – Special Purpose Entities" and is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. The Company has adopted this new standard and there is no impact on the consolidated financial statements.

(b) IFRS 11 Joint Arrangements ("IFRS 11")

IFRS 11 introduces new accounting requirements for joint arrangements, replacing IAS 31 Interests in Joint Ventures. The option to apply the proportional consolidation method when accounting for jointly controlled entities is removed. Additionally, IFRS 11 eliminates jointly controlled assets to now only differentiate between joint operations and joint ventures. A joint operation is a joint arrangement whereby the parties that have joint control have rights to the assets and obligations for the liabilities. A joint venture is a joint arrangement whereby the parties that have joint control have rights to the net assets. This accounting requirement is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted. The Company has adopted this new standard and there is no impact on the consolidated financial statements.

(c) IFRS 12 Disclosure of Interests in Other Entities ("IFRS 12")

IFRS 12 applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. IFRS 12 is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. The Company assess that additional disclosures will be required in the 2014 consolidated financial statements. The Company shall disclose the significant judgements and assumptions it has made in determining the nature of its interest in another entity or arrangement, and in determining the type of arrangement in which it has an interest; and information about its interests in subsidiaries, joint arrangements and associates; and structured entities that are not controlled by the Company. The disclosure requirements are not required for interim consolidated financial statements, unless significant events and transactions in the interim period require that they are provided. Accordingly, the Company will make any relevant disclosures in its annual statements for the year ending June 30, 2014.

(d) IFRS 13 Fair Value Measurements ("IFRS 13")

IFRS 13 defines fair value, sets out in a single IFRS framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 applies to standards that require or permit fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements), except in specified circumstances. In addition, IFRS 13 requires specific disclosures about fair value measurement. IFRS 13 is to be applied for annual periods beginning on or after January 1, 2013. The Company has adopted this new standard. Refer to interim condensed financial statements for the disclosures.

(e) Amendment to IAS 1, Presentation of Financial Statements

The amendments to IAS 1 require items to be grouped within other comprehensive income that may be reclassified to profit or loss and those that will not be reclassified and the amendments are effective for annual periods beginning on or after January 1, 2013. The Company has amended its condensed interim consolidated statements of comprehensive loss to reflect the presentation changes required under the amended IAS 1. There is no net impact on comprehensive income.

INTERNAL CONTROL OVER FINANCIAL REPORTING AND DISCLOSURE CONTROLS AND PROCEDURES

Currently, the certification required by the Company's certifying officers under National Instrument 52-109 Certificate of Disclosure in Issuers' Annual and Interim Filings (NI 52-109), the Venture Issuer Basic Certificate, does not include representations relating to the establishment and maintenance of disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as defined in NI 52-109. This includes:

i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarised and reported within the time periods specified in securities legislation; and

ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP.

The Company's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they make in the certificate.

Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

RISK FACTORS

Financial Risk

The Company relies on equity financings to fund its activities. While it has been successful in raising funds in the past, there is no guarantee that adequate funds will be available in the future. The Company had cash and cash equivalents of $9,687,794, short-term investments of $11,623,826, restricted cash of $Nil and working capital of $23,677,800 as at September 30, 2013. Based on current planned expenditures at its mineral property interests in Tanzania, management believes that the Company has sufficient capital resources to fund current levels of activity for the coming twelve months.

The Company's corporate head office is in Vancouver, Canada and the Company maintains the majority of its funds in Canadian dollars. Since the onset of the credit crisis in 2008 there still exists significant fluctuation in the value of the Canadian dollar against other currencies and because the Company operates in foreign countries it may be exposed to significant currency risk. In addition, its operations may be affected by rapid price fluctuation in the countries it operates in.

Environmental Risk

The Company is subject to substantial environmental requirements which could cause a restriction or suspension of certain operations. The current and anticipated future operations and exploration activities of the Company in Tanzania require permits from various governmental authorities and such operations and exploration activities are and will be governed by federal, regional and local laws and regulations governing various elements of the mining industry including, without limitation, land use, the protection of the environment, prospecting, development, production, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, and other matters. The Company's projects are all in the exploration stage and as a result activities at Handeni have caused little environmental impact to date due to the early stage of its activity. The Company conducts certain environmental restoration efforts including drill rig platform cleanup and the sealing of drill holes among other cleanup activities to rehabilitate areas affected by its operations and it is the Company's intention to ensure that the environmental impact on areas where it operates is mitigated by restoration and rehabilitation of affected areas.

Exploration Risk

The Company has no production of minerals and its properties are all currently at the exploration stage. There is no assurance that a commercially viable mineral deposit exists on any of the Company's properties, and substantial additional work will be required in order to determine the presence of any such deposit.

The exploration and development of mineral deposits involves significant risks which even with careful evaluation, experience and knowledge may not, in some cases, be fully mitigated. The commercial viability of any mineral deposit depends on many factors, not all of which are within the control of management. Some of the factors that affect the financial viability of a given mineral deposit include its size, grade and proximity to infrastructure. Government regulation, taxes, royalties, land tenure, land use, environmental protection and reclamation and closure obligations all have an impact on the economic viability of a mineral deposit. Other potential impacts could include the location of the mineral deposit. These unique environments could limit or reduce production possibilities or if conditions are permissive for potential natural disasters, such as severe weather, could negatively impact facilities, equipment and the safety of its workers dramatically.

The marketability of minerals is affected by numerous factors beyond the control of the Company. These factors include, but are not limited to, market fluctuations, government regulations relating to prices, taxes and royalties, allowable production, import, exports and supply and demand. One or more of these risk elements could have an impact on costs of an operation and if significant enough, reduce the profitability of future production and threaten the continuation of a particular project or operations altogether.

Macroeconomic Risk

From a macroeconomic perspective, ongoing sovereign debt problems in Europe (Greece, Italy, Spain, Ireland and Portugal in particular) have led to a significant reduction in risk appetite with respect to funding investment into exploration companies. The ability for exploration companies to access capital through traditional means may be significantly diminished, with the possible long-term result that projects may take longer to develop, or may not be developed at all.

Political Policy Risk

Given the current high level of commodity prices, numerous governments around the world are looking at ways to secure additional benefits from this scenario. Various mechanisms used by governments have included increases to royalty rates, corporate tax rates, implementation of "windfall or super taxes" and free carried interests to the benefit of the state. There have been extreme cases in Venezuela, Bolivia and Argentina where active mining interests have been nationalized. Such changes are viewed negatively in the investment community and can lead to share price erosion and difficulty in accessing capital to advance projects.

Readers of this MD&A can review and obtain copies of our filings from SEDAR at www.sedar.com. Mineral exploration and development involves a high degree of risk and few properties that are explored are ultimately developed into producing mines. There is no assurance that the Company's mineral exploration activities will result in any discoveries of new bodies of commercial deposits. There is also no assurance that if a commercial deposit is discovered that the ore body would be economical for commercial production. Discovery of mineral deposits is dependent upon a number of factors and significantly influenced by the technical skill of the exploration personnel involved. The commercial viability of a mineral deposit is also dependent upon a number of factors, which are beyond the Company's control. Some of these factors are the attributes of the deposit, market, government policies and regulation and environmental protection.

Business Acquisition Risk

East Africa Metals may pursue the acquisition of exploration properties and companies. The search for attractive acquisition opportunities and the completion of suitable transactions are time consuming and expensive, divert management attention away from the Company's existing business and may be unsuccessful. Any acquisition that East Africa Metals may choose to complete may be of a significant size, may change the scale of East Africa Metals's business and operations and may expose the Company to new geographic, political, operating, financial and geological risks. The Company's success in its acquisition activities depends on its ability to identify suitable acquisition candidates, negotiate acceptable terms for any such acquisition and integrate the acquired operations successfully with those of the Company. Any acquisitions would be accompanied by risks. Such risks may include there may be a significant change in market prices after East Africa Metals has committed to complete the transaction and established the purchase price or share exchange ratio; or potential resource may prove to be below expectations; or if the Company chooses to use equity as consideration for such acquisition, existing shareholders may suffer dilution. There can be no assurance that the Company would be successful in overcoming these risks or any other problems encountered in connection with such acquisitions.

Other MD&A Requirements

Additional Disclosure for Venture Issuers without Significant Revenue

Refer to elsewhere in this MD&A or the Company's consolidated financial statements for capitalized or expensed exploration and development costs, general and administration expenses and other material costs. Additional information relating to the Company is on SEDAR at www.sedar.com.

Outstanding Shares

At November 28, 2013, after accounting for the Arrangement Agreement and Consolidation, the Company has 67,305,842 common shares issued and outstanding.

At November 28, 2013, the remaining following stock options are outstanding:

Options outstanding	**Options exercisable**	**Exercise price**
5,000,000	5,000,000	$0.135

At November 28, 2013, there were no share purchase warrants outstanding.

Approval

The Board of Directors of the Company has approved the disclosure contained in this interim MD&A. Readers of this interim MD&A and other filings can review and obtain copies of our filings from SEDAR at www.sedar.com and copies will be provided to anyone who requests it.