EAST AFRICA METALS INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE SIX MONTH TRANSITIONAL FISCAL PERIOD ENDED

DECEMBER 31, 2013

This Management's Discussion and Analysis ("MD&A") provides a review of the performance of the operations of East Africa Metals Inc. (collectively, with its subsidiaries, "East Africa Metals" or the "Company") for the six month transitional fiscal period up to and as at December 31, 2013 (Fiscal 2014), compared to the full twelve months ("year") ended June 30, 2013 (Fiscal 2013). The MD&A has been prepared on the basis of available information up to April 29, 2014, and should be read in conjunction with the Company's audited consolidated financial statements for the period ended December 31, 2013, and the corresponding notes to the financial statements which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). These documents 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.

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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 has changed its year end from June 30 to December 31, effective December 31, 2013. Accordingly, the fiscal year ended December 31, 2013, is a shortened six month transactional fiscal period. The comparative information is for the full twelve month fiscal year ended June 31, 2013.

On February 24, 2014, the Company and Tigray Resources Inc. ("Tigray") jointly announced that they have entered into a definitive agreement (the "Arrangement Agreement") pursuant to which East Africa Metals has agreed to acquire all of the issued and outstanding common shares of Tigray (other than the Tigray shares it currently owns). The transaction will be implemented by way of a statutory Plan of Arrangement (the "Arrangement") under the Canada Business Corporations Act.

Refer to the "Corporate Transaction and Outlook" section below for additional information on the Arrangement Agreement. 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 – East Africa Metals and Tigray

On February 24, 2014, the Company and Tigray jointly announced that they have entered into the Arrangement Agreement pursuant to which East Africa Metals has agreed to acquire all of the issued and outstanding common shares of Tigray (other than the Tigray shares it currently owns). The transaction will be implemented by way of the Arrangement under the Canada Business Corporations Act.

Under the terms of the Arrangement Agreement, on completion of the Arrangement, East Africa Metals will issue to each holder of a Tigray common share 0.55 of an East Africa Metals common share and 0.40 of an East Africa Metals warrant. Each full warrant will entitle the holder to acquire one common share of East Africa Metals at a price of $0.23 for a period of three years from the closing date.

The obligation of the Company to complete the Arrangement is subject to Tigray acquiring for cancellation for no consideration, a sufficient number of common share purchase warrants and stock options of Tigray, such that after such acquisition, upon completion of the Arrangement, the former holders of common shares of Tigray shall hold no more than 49.9% of the issued and outstanding shares of East Africa Metals on a partially diluted basis. Pursuant to the Arrangement, a total of 2,630,000 stock options, under Tigray's Stock Option Plan, which were granted to certain employees, consultants and directors of Tigray have been cancelled. All of the stock options were priced at $1.31 and had an expiry date of September 8, 2016. The optionees agreed to Tigray's request to voluntarily and unconditionally cancel the stock options. Tigray had also reached agreement with certain warrant holders to cancel an aggregate of 141,950 share purchase warrants. The share purchase warrants had an exercise price of $0.40 and an expiry date of September 21, 2014. The warrant holders agreed to Tigray's request to voluntarily and unconditionally cancel these warrants.

Following the completion of the Arrangement, current shareholders of Tigray, excluding East Africa Metals, will hold approximately 34.4% of the issued and outstanding shares of East Africa Metals (prior to the exercise of the East Africa Metals warrants to be issued in connection with the Arrangement) and no more than 49.9% of the issued and outstanding shares of East Africa Metals assuming the exercise of the East Africa Metals warrants to be issued in connection with the Arrangement.

The consideration to be provided as part of the Arrangement represents a 10.0% premium over the closing price of the Tigray common shares on the Exchange on February 21, 2014, the last day of trading prior to the announcement of the Arrangement, based on the closing price of the East Africa Metals common shares of $0.165 on February 21, 2014, and based on a Black-Scholes valuation of the East Africa Metals warrant of $0.0344 per warrant (based on a forecast volatility of East Africa Metals shares of 45% (derived having consideration for historical East Africa Metals trading volatility), a risk free rate of 1.39%, as well as other assumptions), or an implied value of $0.0138 for the 0.40 warrant consideration per Tigray share.

As a result of the fact that a control person of East Africa Metals is also a control person of Tigray, the Arrangement is considered a "related party transaction" pursuant to Multilateral Instrument 61-101 - Protection of Minority Security Holders in Special Transactions ("MI 61-101"). The Arrangement is exempt from the requirements under MI 61-101 to obtain a formal valuation pursuant to Section 5.5(e) of MI 61-101 and minority shareholder approval from the shareholders of East Africa Metals pursuant to Section 5.7(c) of MI 61-101.

The members of the Board of Directors of Tigray who are entitled to vote, acting on the recommendation of its Independent Special Committee, after consultation with its financial advisor, have unanimously approved entering into the Arrangement Agreement and recommends that Tigray shareholders vote their shares in favour of the Arrangement. GMP Securities L.P., the financial advisor to Tigray's Independent Special Committee, has provided an opinion to the effect that, as of the date of such opinion and subject to the assumptions, limitations, and qualifications stated in such opinion, the consideration to be paid on completion of the Arrangement is fair, from a financial point of view, to Tigray shareholders.

The members of the Board of Directors of East Africa Metals who are entitled to vote, acting on the recommendation of its Independent Special Committee, after consultation with its financial advisor, have unanimously approved entering into the Arrangement Agreement. Cairn Merchant Partners LP, the financial advisor to East Africa Metals's Independent Special Committee, has provided an opinion to the effect that, as of the date of such opinion and subject to the assumptions, limitations, and qualifications stated in such opinion, the consideration to be paid on completion of the Arrangement is fair, from a financial point of view, to East Africa Metals shareholders.

Tigray's Board of Directors and management team have entered into lock-up agreements with East Africa Metals agreeing to vote their shares to support the Arrangement Agreement. Other insiders, including SinoTech (Hong Kong) Corporation Limited (“SinoTech”) and its affiliates, have entered into lock-up agreements. As of February 21, 2014, holders of a total of 25.9 million shares of Tigray, representing 36% of the basic shares outstanding. All parties that have entered into a lock-up agreement have agreed to vote in favour of the Arrangement Agreement.

The Arrangement will require the approval of 66 2/3% of the votes cast by Tigray shareholders, and will require minority approval in accordance with MI 61-101, at an annual and special meeting which is scheduled for April 30, 2014. The Arrangement is subject to other customary conditions, including court approvals and the receipt of all necessary regulatory and third party approvals, including the approval of the Exchange. Assuming Tigray shareholders approve the transaction at the annual and special meeting, and all court and regulatory approvals are obtained, the transaction is expected to close in May 2014.

The Arrangement Agreement provides for, among other things, a non-solicitation covenant on the part of Tigray (subject to customary fiduciary out provisions). In the event of a superior proposal, East Africa Metals has the right to either match such superior proposal or receive a termination fee in the amount of $250,000. The termination fee is also payable to East Africa Metals under certain other scenarios.

Corporate Transaction – Canaco Resources Inc. ("Canaco") and Shark Minerals Inc. ("Shark")

On April 4, 2013, Canaco closed a share purchase agreement between Canaco, Shark and the shareholders of Shark dated December 14, 2012. Under the agreement Canaco acquired all of the outstanding common shares of Shark in exchange for the issuance of 118,584,735 of its common shares (the "Shark Arrangement Agreement"). Subsequent to the Shark Arrangement Agreement and effective on the same date, 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 Shark Arrangement Agreement and Consolidation, Orca Gold is 63% owned by former Canaco shareholders and 37% owned by former Shark shareholders.

Immediately prior to the Shark 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 Shark 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 Shark 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 reflected these funds as restricted cash on its balance sheet. During Fiscal 2014 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 moved into East Africa Metals'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 an adjustment of $110,381,189 from share capital to contributed surplus reflects the share capital of 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.

Other Transactions

On December 3, 2013, the Company has entered into a $2,000,000 loan agreement (the "Loan") with Tigray. The Loan is due and payable in full on June 3, 2014 (the "Maturity Date"), subject to a six-month extension period at the sole discretion of the Company. The Loan is secured by a charge on the shares of Tigray Resources Holdings Inc., a wholly-owned subsidiary of Tigray which holds the controlling interest in Tigray's Ethiopian subsidiaries and the mineral projects, bears interest at a rate of 12% per annum, calculated and compounded quarterly, and is payable in full on the Maturity Date.

In connection with the Loan, Tigray issued an aggregate of 8,000,000 warrants to the Company, with each warrant entitling the holder to purchase one common share of Tigray at a price of $0.15 at any time prior to the Maturity Date, including the potential six-month extension period. Following this acquisition, the Company holds 8,000,000 common shares of Tigray and 12,000,000 common share purchase warrants, representing approximately 23.74% of the outstanding common shares of Tigray (based on a total of 72,229,665 common shares of Tigray issued and outstanding prior to such exercise), assuming exercise in full of all of the common share purchase warrants held by the Company. The number of warrants will be reduced or cancelled on a pro rata basis if the Loan is reduced or paid out prior to the Maturity Date and any such reduction or cancellation will occur within 30 days after the reduction or paying out of the Loan. The Company has agreed with the Exchange and Tigray to not exercise such number of warrants that would result in the Company becoming a control person of Tigray.

Subsequent to the period ended December 31, 2013, the Company has advised the Exchange that pursuant to a Notice of Intention to make a Normal Course Issuer Bid dated January 22, 2014, it may repurchase for cancellation, up to 4,000,000 shares in its own capital stock. The purchases are to be made through the facilities of the Exchange during the period January 29, 2014, to January 28, 2015. Purchases pursuant to the bid will be made by Brad

Birarda or Mackie Research Capital Corp. on behalf of the Company. As at the date of this MD&A, the Company had purchased 932,500 shares with a total value of $135,635, before transaction costs.

HANDENI PROJECT – TANZANIA

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.

Pursuant to the Shark 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 structured 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.

Where applicable, information below also pertains to the Handeni property and references work performed by Canaco before the Shark Arrangement Agreement and the subsequent transfer of the Handeni property to East Africa Metals on April 4, 2013.

MAGAMBAZI

East Africa Metals Recognized for Corporate Social Responsibility and Environmental Programs in Tanzania

During the period ended December 31, 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 awards were 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:

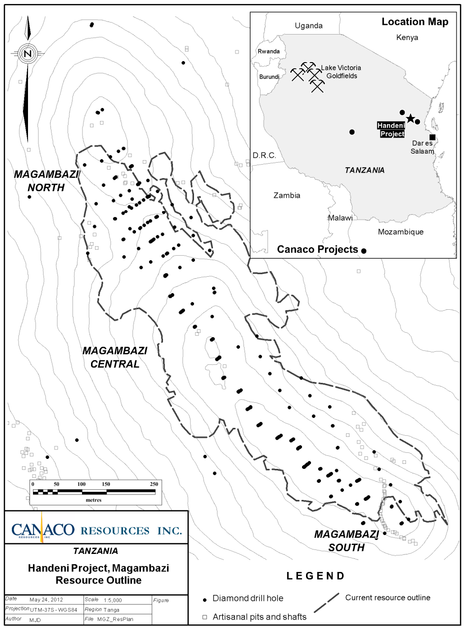
- First Place for Corporate Social Responsibility and Empowerment ("CSRE"),
- First Place for Empowerment programs for the Communities in the CSRE,
- First Place for Procurement programs for the Communities in the CSRE,
- First Place for Water programs for the Communities in the CSRE,
- Second Place 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 Shark 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. During Fiscal 2013, over 45,000 Niton pulp analyses have been collected from diamond drilling at Magambazi, to assist in mineralized zone characterization. Further analysis may be performed pending the completion of the Shark Arrangement Agreement and the identification of potential joint venture partners to develop Magambazi.

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 721,300 ounces of gold, as well as an inferred mineral resource estimate of 6.7 million tonnes grading 1.36 grams per tonne gold and 292,400 ounces of gold.

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. Results of this program confirmed potential processing characteristics for Magambazi material and were published, in June 2012, with the mineral resource estimate. No further PEA work is currently planned. 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.

Mining Licence

Prior to the Shark 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 submission of an application to expand the mining licence to cover the entire project area.

SELECTED 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 2012 accounting balances represented within this document include the historical results of Canaco.

The Company has changed its year end from June 30 to December 31, effective December 31, 2013. Accordingly, the fiscal year ended December 31, 2013, is a shortened six month transitional fiscal period. The comparative information is for the full twelve month fiscal year ended June 30, 2013 and 2012.

As at December 31, 2013, the Company had cash and cash equivalents and short-term investments of $17,843,639 and current liabilities of $786,540, 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 December 31, 2013, totalled $33,873,666 with no change from the comparative period as at June 30, 2013.

(Information extracted from the Company's audited consolidated financial statements for the six months ended December 31, 2013, and the full years ended June 30, 2013, and 2012, expressed in Canadian dollars):

	For the six month transitional period ended December 31, 2013	For the year ended June 30, 2013	For the year ended June 30, 2012*
Corporate transaction costs	$ --	$ 1,830,556	$ --
Exploration and evaluation expenditure	1,380,711	4,611,066	28,994,825
Administration costs	1,501,369	7,475,723	4,782,521
Interest income and other items	(534,211)	(747,115)	(1,853,224)
Net loss for the year	2,347,929	13,170,230	31,924,122
Loss per share – basic and diluted	(0.03)	(0.20)	(0.47)
Total assets**	31,789,969	33,139,904	105,040,424
Total liabilities	786,540	821,819	1,457,531
Total equity**	31,003,429	32,318,085	103,582,893

* The reduction in exploration expenditures from June 30, 2012, is a result of the Company altering its focus from exploration activity to identifying potential joint venture partners to develop the Magambazi project.

** The reduction in total assets and equity from June 30, 2012, is as a result of the Shark Arrangement Agreement. Refer to Corporate Transactions and Outlook section for further details.

RESULTS OF OPERATIONS

(Information extracted from the Company's audited consolidated financial statements for the six months ended December 31, 2013, and the year ended June 30, 2013, expressed in Canadian dollars):

	Six months ended December 31, 2013	Year ended June 30, 2013
Expenses		
Amortization	$ 114,480	$ 276,103
Corporate transaction costs	--	1,830,556
Directors and advisory board fees	42,667	282,198
Exploration and evaluation expenditure	1,380,771	4,611,066
Investor/shareholder communications and filing fees	42,601	402,437
Legal, audit and audit related fees	197,235	975,442
Management consulting fees	115,984	1,133,415
Project generation	280,482	246,970
Office and administration	130,836	888,416
Rent and occupancy costs	113,768	213,723
Salaries and benefits	164,042	1,652,389
Share-based compensation	299,274	1,404,630
Write-off of mineral property interests	31,205	--
	2,913,345	13,917,345
Loss from operations	(2,913,345)	(13,917,345)
Change in fair value of other assets	212,371	(85,318)
Change in fair value of other assets associated with loan receivable	157,256	--
Finance income	47,620	--
Foreign exchange gain (loss)	12,553	(72,002)
Gain on sale of marketable securities	16,236	--
Interest income	119,380	904,435
Net loss for the period	(2,347,929)	(13,170,230)
Loss per share, basic and diluted	$ (0.03)	$ (0.20)
Weighted average number of common shares used in the calculation of loss per share – basic and diluted	67,305,842	66,830,772

LOSS FOR THE SIX MONTHS ENDED DECEMBER 31, 2013, COMPARED TO THE LOSS FOR THE YEAR ENDED JUNE 30, 2013

The loss for Fiscal 2014 is $2,347,929 compared to a loss for Fiscal 2013, of $13,170,230. The significant items contributing to the Fiscal 2014 loss include exploration costs of $1,380,771 (Fiscal 2013 - $4,611,066), share-based compensation of $299,274 (Fiscal 2013 - $1,404,630), project generation of $280,482 (Fiscal 2013 - $246,970), legal, audit and audit related fees of $197,235 (Fiscal 2013 - $975,442), and salaries and benefits of $164,042 (Fiscal 2013 - $1,652,389). The loss for Fiscal 2013 was offset by a gain in change in fair value of other assets $369,627 (Fiscal 2013 loss - $85,318). Significant changes are discussed below.

Exploration and evaluation expenditure ("Exploration Expenditures")

Exploration expenditures decreased from $4,611,066 in Fiscal 2013 to $1,380,771 in Fiscal 2014, a decrease of $3,230,295. The decrease is primarily due to reduced exploration activity at Magambazi as the Company continues to explore strategic opportunities including identifying a joint venture partner or potential buyers of the project. In addition, a portion of the decrease is due the transitional Fiscal 2014 period being six months compared to full twelve months for Fiscal 2013 and aligned with the Company's objective to preserve capital funds.

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

	Six Months ended December 31, 2013	Year ended June 30, 2013
Exploration expenditures		
Amortization	$ 159,960	$ 385,278
Camp and administration costs	784,465	1,309,254
Drilling	--	154,875
Geochemistry	88,172	358,554
Geology	11,699	387,294
Project development	--	873,749
Project management and consulting	21,916	262,598
Share-based compensation	65,694	447,630
Technical services	248,865	431,834
Total for the period	1,380,771	4,611,066
Cumulative exploration expenditure as at June 30, 2013 and 2012	64,403,461	59,792,395
Cumulative exploration expenditure as at December 31, 2013 and June 30, 2013	$ 65,784,232	$ 64,403,461

Change in fair value of other assets

In Fiscal 2014, the Company recognized a gain in the fair value of the Tigray share purchases warrants of $369,627 (Fiscal 2013 loss - $85,318). The increase is a result of the Company receiving an additional 8,000,000 share purchase warrants related to the loan provided to Tigray and the increase in value of Tigray's share price during the six months ended December 31, 2013.

Share-based compensation

In Fiscal 2014, the Company granted 5,000,000 stock options to directors, officers and employees (Fiscal 2013 – 6,000,000). The fair value of the options granted in Fiscal 2014 were recorded at $364,968 (Fiscal 2013 – $1,852,260) of which $299,274 (Fiscal 2013 - $1,404,630) was recorded as share-based compensation expense and $65,694 (Fiscal 2013 - $447,630) is included in exploration expenditures. The decrease in the fair value is a result of the inputs used in the Black Scholes option Model. The inputs in Fiscal 2014 were 1) expected life - 2.31 years (Fiscal 2013 - 2.90 years); 2) Volatility - 96.00% (Fiscal 2013 - 140.24%); 3) Risk free rate - 1.20% (Fiscal 2013 - 1.16%); and 4) exercise price - $0.135 (Fiscal 2013 $0.40).

Project generation

The Company recorded project generation costs of $280,482 (2013 - $246,970). These expenses relate to allocation of wages and internal costs, financial advisors, lawyers and other experts for the research, analysis and evaluation of potential acquisition targets including the Arrangement Agreement and joint-venture partners for the Magambazi project.

Legal, audit and audit-related fees

In Fiscal 2014, the Company incurred $197,235 for legal, audit and audit-related fees, compared to $975,442 in Fiscal 2013. For Fiscal 2014, the costs pertain to general corporate matters, due diligence on the Arrangement Agreement and general audit matters. A significant component of the legal costs incurred in Fiscal 2013 related to the BCSC enquiry and investigation. The BCSC enquiry, commenced in fiscal 2011 and continued until Fiscal 2014, regarding 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. During Fiscal 2014, 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 Fiscal 2013, Canaco expended $569,798, net of estimated recoverable costs of $1,153,270 under the terms of its directors' and officers' insurance policy, relating to the BCSC inquiries and hearing. Other legal fees related to the Shark Arrangement Agreement and Spinout is included in "corporate transaction costs".

Salaries and benefits

Salaries and benefits expense in Fiscal 2014 totalled $164,042 compared to $1,652,389 in Fiscal 2013, a decrease of $1,488,347. A significant item related to the decrease is the Fiscal 2013 severance and termination costs of $1,300,603 for eleven employees, leaving $351,786 as regular salary expense in the period. The remaining decrease is a result of the Fiscal 2014 period being six months compared to a twelve month period for Fiscal 2013.

Corporate transaction costs

Corporate transaction costs totalled $Nil in Fiscal 2014 compared to $1,830,556 in Fiscal 2013. The Fiscal 2013 costs in this expense category include legal, accounting, financial advisory fees and certain termination costs related to the Shark Arrangement Agreement and Spinout. The Fiscal 2013 costs include $219,883 in travel and related transaction costs; $550,330 in legal and accounting fees; $773,943 in consulting and other advisory fees; and $286,400 in success fees paid to consultants and advisors. There were no comparable costs in Fiscal 2014.

Management consulting fees

In Fiscal 2014 the Company paid management consulting fees and related costs of $115,984 compared to $1,133,415 in Fiscal 2013, a decrease of $1,017,431. In Fiscal 2014, $63,750 was paid to a management company for services rendered by an officer of the Company. In Fiscal 2013 the fees includes a severance fees of $675,000 as a result of the Shark Arrangement Agreement. In addition, a portion of the decrease is due the transitional Fiscal 2014 period being six months compared to a twelve month period for Fiscal 2013.

Office and administration

Office and administration costs totalled $130,836 in Fiscal 2014, compared to $888,416 in Fiscal 2013, a decrease of $757,580. The Fiscal 2013 costs includes $469,672 to cover the directors and officers runoff insurance policy purchased as part of the closing of the Shark Arrangement Agreement and Spinout, leaving costs of $418,744. In addition, a portion of the decrease is due the transitional Fiscal 2014 period being six months compared to full twelve months for Fiscal 2013 and aligned with the Company's objective to preserve capital funds.

SUMMARY OF QUARTERLY RESULTS – UNAUDITED

Key financial information for the two quarters spanning the six month transitional fiscal period ended December 31, 2013, as well as the previous 6 quarters is summarized as follows:

Quarter ended	Revenue	Loss(1)	Loss per share, basic
Fiscal 2014			
December 31, 2013	Nil	(2,347,929)	(0.01)
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)

Quarter ended	Revenue	Loss(1)	Loss per share, basic
September 30, 2012	Nil	(4,256,398)	(0.02)
Fiscal 2012			
June 30, 2012	Nil	(4,152,289) (3)	(0.02)
March 31, 2012	Nil	(7,791,528)(2)	(0.04)

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

(2) The loss in Q3 2012 includes exploration expenditures of $7,216,235, foreign exchange loss of $322,879 and interest income of $1,025,487.

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

LOSS FOR THE THREE MONTHS ENDED DECEMBER 31, 2013, COMPARED TO THE LOSS FOR THE THREE MONTHS ENDED JUNE 30, 2013

The loss for the three months ended December 31, 2013, ("H2 2013") of $804,091 compares to a loss for the three months ended June 30, 2013 ("Q4, 2013"), of $1,374,482. The significant items contributing to the H2 2013 loss with the Q4 2013 comparative figures are exploration costs of $701,277 (Q4 2013 - $730,336); legal, audit and accounting fees of $124,667 (Q4 2013 - $209,726); project generation of $124,667 (Q4 2013 - $246,970); salary and benefits of $74,922 (Q4 2013 - $83,028); and a gain from the change in fair value of other assets of $252,686 (Q4 2013 - $85,318). Significant items are discussed below.

Exploration expenditures

Exploration expenditures decreased from $730,336 in Q4 2013 to $701,277 in H2 2013, a decrease of $29,059. The decrease is primarily due to reduced exploration activity at Magambazi as the Company continues to explore strategic opportunities including identifying a joint venture partner or potential buyers of the project. Increase in Camp and administration costs of $226,988 relates to expenditure of $148,562 for the remediation of historical fallen trees within the Magambazi project determined by the Tanzanian Forest Service Agency.

Details of the Company's exploration and evaluation expenses in Tanzania are as follows:

	Three months ended	
	December 31, 2013	June 30, 2013
Exploration and evaluation expenditure		
Amortization	$ 80,095	$ 169,823
Camp and administration costs	450,040	223,052
Drilling	--	37,845
Geochemistry	51,759	93,068
Geology	3,466	--
Project development	(12,255)	--
Project management and consulting	11,014	70,794
Share-based compensation	--	--
Technical services	117,158	135,754
Total for the period	$ 701,277	$ 730,336

Project generation

The Company recorded project generation costs of $124,667 (2013 - $59,305). The increase of $65,362 relate to costs for internal allocation of wages and costs related to project generation, financial advisors, lawyers and other experts for the research, analysis and evaluation of potential acquisition targets including the Tigray transaction and joint-venture partners for the Magambazi project.

Legal, audit and audit-related fees

Legal, audit and audit-related fees totalled $105,316 in H2 2013, compared to $209,726 in Q4 2013. The decrease of $104,410 primarily relates to no comparable cost in H2 2013 for the BCSC hearing, lawsuit and the listing of East Africa Metals on the Exchange incurred in Q4, 2013.

<u>Office and administration</u>

Office and administration costs totalled $51,336 in H2 2013 (Fiscal 2013 - $108,613). The decrease of $57,277 is aligned with the Company's objective to preserve capital funds.

<u>Salaries and benefits</u>

Salaries and benefits expense in H2 2013 totalled $74,922, is consistent with $83,028 in Q4 2013. In Q4 2013, the Company had eight full-time employees where salaries may be shared with Tigray (eight) and with True North Gems Inc. (five), which will reduce salary expense in the period.

<u>Change in fair value of other assets</u>

In H2, 2013, the Company recognized a gain in the fair value of the Tigray share purchases warrants of $252,686 (Q4 2013 loss - $85,318). The increase is a result of the Company receiving an additional 8,000,000 share purchase warrants related to the loan provided to Tigray and the increase in value of Tigray's share price during the three months ended December 31, 2013.

LIQUIDITY

As at December 31, 2013, the Company had cash and cash equivalents of $6,184,190, short-term investments of $11,659,449, other current assets of $4,410,016 and current liabilities of $786,540, 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 as at June 30, 2013.

Management believes that the Company's working capital of $21,467,115 (June 30, 2013 - $24,513,033) is adequate to support its operations, exploration and acquisition and development opportunities for the coming twelve months.

In Fiscal 2013, under the terms of the Shark 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. During Fiscal 2014, on the 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 meet 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 meet its 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 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, and any future pre-development programs 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 six months ended December 31, 2013, the Company expended $117,966 (Fiscal 2013 - $457,655) on acquisitions of mineral property interests which have been capitalized. In addition, there were no expenditures on property and equipment in Fiscal 2014 (Fiscal 2013 - $75,290). In Fiscal 2013 the mineral property interests, and all furniture, equipment, computer and software upgrades were transferred to East Africa Metals pursuant to the Shark Arrangement Agreement.

Mineral property capital expenditures are summarized as follows:

	Tanzania, Handeni properties	Tanzania, other properties	Total
Acquisition costs			
As at June 30, 2012	$ 2,481,173	$ 2,828,733	$ 5,309,906
Property payments	102,211	355,444	457,655
Foreign exchange	98,223	96,014	194,237
As at June 30, 2013	2,681,607	3,280,191	5,961,798
Property payments	108,545	9,421	117,966
Write-off	--	(31,205)	(31,205)
Foreign exchange	25,553	37,047	62,600
As at December 31, 2013	$ 2,815,705	$ 3,295,454	$ 6,111,159

FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are measured on an ongoing basis at fair value or amortized cost. As at December 31, 2013, the classifications of the financial instruments are shown in the table below:

	Fair value through profit or loss	Available-for-sale	Loans and receivables	Other financial liabilities	Total carrying value
As at December 31, 2013					
Cash	$ --	$ --	$ 6,184,190	$ --	$ 6,184,190
Short-term investments	--	--	11,659,449	--	11,659,449
Accounts receivable	--	--	1,664,875	--	1,664,875
Loan receivable	--	--	1,842,613	--	1,842,613
Marketable securities and other assets	708,351	1,443,600	--	--	2,151,951
Accounts payable and accrued liabilities	--	--	--	(786,540)	(786,540)
	$ 708,351	$ 1,443,600	$ 21,351,127	$ (786,540)	$ 22,716,538

	Fair value through profit or loss	Available-for-sale	Loans and receivables	Other financial liabilities	Total carrying value
As at June 30, 2013					
Cash	$ --	$ --	$ 5,072,586	$ --	$ 5,072,586
Short-term investments	--	--	13,240,050	--	13,240,050
Restricted cash	--	--	3,999,994	--	3,999,994
Accounts receivable	--	--	1,394,335	--	1,394,335
Marketable securities and other assets	101,275	855,000	--	--	956,275
Accounts payable and accrued liabilities	--	--	--	(821,819)	(821,819)
	$ 101,275	$ 855,000	$ 23,706,965	$ (821,819)	$ 23,841,421

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 purposes, 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 accumulated other comprehensive income ("AOCI"), 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 AOCI 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 December 31, 2013:

	Level 1	Level 2	Level 3	Total
As at December 31, 2013				
Marketable securities and other assets	1,443,600	708,351	--	2,151,951
	$ 1,443,600	$ 708,351	$ --	$ 2,151,951

	Level 1	Level 2	Level 3	Total
As at June 30, 2013				
Marketable securities and other Assets	$ 855,000	$ 101,275	$ --	$ 956,275
	$ 855,000	$ 101,275	$ --	$ 956,275

The fair values of the Company's financial instruments measured at December 31, 2013, constitute Level 1 for marketable securities and Level 2 for other assets (share purchase warrants). For the six months ended December 31, 2013, the Company recognized interest income totaling $119,380 (year ended June 30, 2013- $904,435). This is primarily interest income from the Company's cash and cash equivalents and short-term investments. The decrease in interest income is a result of the reduction in cash and cash equivalents and short-term investment balances from the Shark Arrangement Agreement.

Management of financial risk

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

Price Risk

The Company is exposed to equity securities price risk because of investments held by the Company and classified on the consolidated balance sheet as marketable securities ("available-for-sale"). The Company has not mitigated against price risk on these financial assets. The Company's investments in equity of other entities that are publicly traded are included on the Exchange. As at December 31, 2013, the Company had $1,443,600 (June 30, 2013 - $855,000) in available-for-sale assets. Based on the net exposure as at December 31, 2013, and assuming all other variables held constant, a 10% depreciation or appreciation on the equity instruments would result in a decrease /increase of $144,360 (June 30, 2013- $85,000) in the Company's equity account accumulated other comprehensive income and the consolidated statement of comprehensive income (loss).

Currency risk

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company operates in Canada and 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 functional currencies relative to these currencies could have an effect on the Company's results of operations. The Company has not hedged its exposure to currency fluctuations.

As at December 31, 2013, and June 30, 2013, the Company is exposed to currency risk through the following assets and liabilities dominated in Euros, Australian dollars, United States dollars and Tanzanian shillings:

		EUR		AUD		USD	TSH
As at December 31, 2013							
Cash and cash equivalents	€	--	$	--	$	1,786,674	103,499,017
Accounts payable and accrued liabilities		--		--		(12,413)	(215,309,361)
	€	--	$	--	$	1,774,261	(111,810,344)

		EUR		AUD		USD	TSH
As at June 30, 2013							
Cash and cash equivalents	€	--	$	--	$	2,869,630	219,397,971
Accounts payable and accrued liabilities		(319)		(1,317)		(11,195)	(5,474,996)
	€	(319)	$	(1,317)	$	2,858,435	213,922,975

Based on the above net exposure as at December 31, 2013, and assuming that all other variables remain constant, a 10% depreciation or appreciation of the Canadian dollar against these currencies would result in a decrease/increase of $182,098 (June 30, 2013 – $312,960) in the Company's consolidated statements of operations.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company's interest rate risk arises from the interest rate impact on cash and cash equivalent and short term investments. The Company earns interest on its cash and cash equivalents and short term investments based on current market interest rates, which during the six months ended December 31, 2013, ranged between 1.4% to 2.1% (year ended June 30, 2013 – 1.2% to 2.0%).

Based on the amount of cash and cash equivalents and short term investments as at December 31, 2013, and assuming that all other variables remain constant, a 0.5% change in the applicable interest rate would result in an increase/ decrease of $89,218 (year ended June 30, 2013 – $91,563) to the interest earned in the Company statements of operations per annum.

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, 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 meet 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 meet its operating requirements, after taking into account existing cash. As at December 31, 2013, the Company has sufficient cash on hand to meet its current liabilities and its expected administrative and explorations requirements for the coming fiscal year.

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 six months ended December 31, 2013, the Company had recorded the following significant related party transactions:

For the six months ended December 31, 2013, the Company incurred goods and services for Tigray and True North Gems Inc. totaling $316,960 (Year ended June 30, 2013- $791,346) for shared office, administration expenses and exploration expenses.

As at December 31, 2013, the Company had receivables of $755,926 (June 30, 2013- $614,441) from Tigray and True North Gems Inc. for outstanding payments for shared office, administration and exploration expenses.

For the six months ended December 31, 2013, the Company incurred management and consulting fees of $116,250 (Fiscal 2013- $1,011,875). Of this amount $93,750 (Fiscal 2013- $1,011,875) were paid to a privately held company controlled by the CEO for management services and related expenses. The decrease predominately relates to change of control payments of $675,000 made in Fiscal 2013 in connection with the Shark Arrangement Agreement.

As at December 31, 2013, $144,500 (June 30, 2013 - $129,500) was payable to SinoTech for geological, administrative and language translation services. SinoTech has a control interest in the Company.

Fees, salaries and benefits, including share-based compensation, paid to directors and senior key management totalled $427,127 for the six months ended December 31, 2013 (Year ended June 30, 2013- $2,721,750). Senior key management includes the CEO, VP of Exploration, VP of Development and the CFO. The significant decrease relates to the severance payments related to the Shark Arrangement Agreement. As at December 31, 2013, the Company recorded a payable of $30,649 (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 six months ended December 31, 2013. The Company's financial statements are prepared in accordance with IFRS.

The preparation of the 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.

(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 life. Changes in the subjective input assumptions can materially affect the fair value estimate.

(b) Continuity of interests accounting

During the year-ended June 30, 2013, Canaco transferred all of its assets other than certain assets and $60,000,000 in cash, short-term investments 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 short-term investments, and the management of the Company. As there was no substantive change in the Company, the Shark Arrangement Agreement represents a rearrangement of the legal interests. 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 associate – Tigray Resources Inc.

During the six months ended December 31, 2013, the Company received 8,000,000 share purchase warrants in connection with a $2,000,000 loan agreement with Tigray. As at December 31, 2013, the Company held 8,000,000 common shares and 12,000,000 share purchase warrants, representing approximately 23.74% of the then outstanding common shares of Tigray, assuming exercise of all warrants. Management has considered whether Tigray is an associate because of its potential ownership which may represent more than 20% interest in Tigray if all warrants are exercised, and two directors in common of the respective entities. Management concluded that the investment should be categorized as available-for-sale rather than as an associate because the Company agreed with the Exchange and Tigray to not exercise 8,000,000 warrants in connection with the loan and become a control person of Tigray. The agreement will result in a decrease in potential interest in Tigray to 13.4%. The share ownership of 13.4% 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 Metals over the direction of Tigray in fulfillment of their fiduciary responsibilities. As a result, East Africa Metals has not recorded its investment in Tigray using the equity method of accounting.

(d) Investment in structured entity – Denwill Mining Services Limited

Denwill is consolidated as a structured entity (formerly a Special Purpose Entity), and the purpose of which is for the benefit of the Company to acquire primary mining licenses ("PML") in Magambazi, restricted to citizens of Tanzania. During the year ended June 30, 2011, the Company provided funds to Denwill for the payments for the Magambazi PMLs, Concurrently during the year ended June 30, 2011 the Company and Denwill has entered into an agreement whereby the Company is granted an option to acquire all of the issued and outstanding shares of Denwill for US$40,000, which has not yet been exercised. The Company has assessed it has control over Denwill as Denwill's three directors are directors of the Company's Tanzanian subsidiary, it provides funds for the payments of PML's and it has the power to direct the exploration activities, which affects the risks and rewards from the Magambazi property.

(e) Loan receivable - warrants

The valuation of loan receivable included the following estimates and judgments. The carrying value of a loan receivable is determined using valuation techniques based on an amortized cost model for cash flows expected to be received from the loan. The estimated cash flows and the collectability of the principal balance at maturity are subject to significant judgment and uncertainty. Changes in the subjective input assumptions can materially affect the fair value estimate.

New Accounting Policies

The Company has adopted the following new and revised standards, along with any consequential amendments, effective January 1, 2013. These changes were made in accordance with the applicable transitional provisions.

(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" ("SIC – 12") and is effective for annual periods beginning on or after January 1, 2013. Previously, Denwill Mining Services Limited, was considered as a special purpose entity ("SPE") and was consolidated in accordance with SIC -12. The Company has assessed that the adoption of IFRS 10 does not result in any change in the consolidation status of this structured entity (formerly a SPE) and its subsidiaries.

(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. 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 has 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.

(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. IFRS 13 is to be applied for annual periods beginning on or after January 1, 2013. The Company has adopted this new standard.

(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 consolidated statements of comprehensive income (loss) to reflect the presentation changes required under the amended IAS 1. There is no net impact on the consolidated statements of comprehensive income (loss).

IFRS Accounting policies not yet effective

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 9 Financial Instruments ("IFRS 9")

IFRS 9 was issued in October 2010 by the IASB to replace IAS 39, Financial Instruments – Recognition and Measurement. The replacement standard has the following significant components: it establishes two primary measurement categories for financial assets – amortized cost and fair value; it establishes criteria for the classification of financial assets within the measurement category based on business model and cash flow characteristics; and it eliminates existing held to maturity, available-for-sale, and loans and receivable categories.

In November 2013, the IASB issued an amendment to IFRS 9 which includes a new hedge model that aligns accounting more closely with risk management and enhances disclosure about hedge accounting and risk management. Additionally, as the impairment guidance and certain limited amendments to the classification and measurement requirements of IFRS 9 are not yet complete, the previously mandated effective date of IFRS 9 of January 1, 2015 has been removed and the updated effective date is January 1, 2018. Entities may apply IFRS 9 before the IASB completes the amendments but are not required to do so. The Company is currently evaluating the impact of adopting this new standard.

(b) Amendment to IAS 36, Impairment of Assets

IAS 36 was amended in May 2013 to make small changes to the disclosures required by IAS 36 when an impairment loss is recognized or reversed. The amendments require the disclosure of the recoverable amount of an asset or cash generating unit ("CGU") at the time an impairment loss has been recognized or reversed and detailed disclosure of how the associated fair value less costs of disposal has been determined. The amendments are effective for accounting periods beginning on or after January 1, 2014, with earlier adoption permitted. The Company is currently evaluating the impact of adopting this new amendment.

(c) Accounting for levies imposed by governments

IFRIC 21, Accounting for levies imposed by governments ("IFRIC 21") is an interpretation on the accounting for levies. IFRIC 21 will affect entities that are subject to levies that are not income taxes within the scope of IAS 12 Income Taxes. IFRIC 21 is effective for annual periods beginning on or after January 1, 2014, and should be applied retrospectively. Earlier adoption is permitted. East Africa Metals is currently evaluating the impact IFRIC 21 is expected to have on its consolidated financial statements.

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 $6,184,190, short-term investments of $11,659,449, and working capital of $21,467,115 as at December 31, 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. 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 the operations 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 global market uncertainty has 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.

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 any 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.

Foreign Countries and Political Policy Risk

The Company has interests in exploration properties that are located in the developing country of Tanzania and the mineral exploration of the Company may be affected in varying degrees by political instability and government regulations relating to foreign investment and the mining industry. Changes, if any, in mining or investment policies or shifts in political attitude in Tanzania may adversely affect the Company's operations. Operations may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on production, price controls, export controls, currency remittance, income taxes, royalties, expropriation of property, foreign investment, maintenance of claims, environmental legislation, land use, land claims of local people, water use and mine safety. Failure to comply with applicable laws, regulations, and permitting requirements may result in enforcement actions there under, including orders issued by regulatory of judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions.

Amendments to current laws, regulations and permits governing operations and activities of mining or exploration companies, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in expenditures or require abandonment or delays in development of properties. 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. The occurrence of these various factors and uncertainties cannot be accurately predicted and could have an adverse effect on the Company's business, financial condition and results of operations.

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.

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

As at April 29, 2014, the Company has 66,373,342 common shares issued and outstanding.

As at April 29, 2014, the remaining following stock options are outstanding:

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

As at April 29, 2014, there were no share purchase warrants outstanding.

Approval

The Board of Directors of the Company has approved the disclosure contained in this annual MD&A. Readers of this annual 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.