EAST AFRICA METALS INC.
(an exploration stage company)

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2014 and 2013

Expressed in Canadian dollars

(Unaudited – prepared by management)

Notice to Reader: As required by National Instrument 51-102 subsection 4.3(3)(a), readers are advised that an auditor has not performed a review of these interim financial statements.

EAST AFRICA METALS INC.
(an exploration stage company)
Condensed Interim Consolidated Balance Sheets - unaudited
Expressed in Canadian dollars, unless otherwise stated

	March 31, 2014	December 31, 2013
Assets		
Current assets		
Cash and cash equivalents (Note 7)	$ 4,983,518	$ 6,184,190
Short-term investments	11,657,265	11,659,449
Accounts receivable (Note 8)	2,332,255	1,910,268
Loan receivable (Note 9)	2,006,637	1,842,613
Marketable securities and other assets (Note 11)	1,512,911	2,151,951
Prepaid expenses and deposits	212,131	347,797
	22,704,717	24,096,268
Mineral property interests (Note 13)	6,443,325	6,111,159
Property and equipment (Note 12)	1,504,529	1,582,542
	$ 30,652,571	$ 31,789,969
Liabilities and Equity		
Current liabilities		
Accounts payable and accrued liabilities (Note 10)	$ 1,077,498	$ 786,540
	1,077,498	786,540
Equity		
Share capital (Note 15 (b))	33,734,267	33,873,666
Contributed surplus	145,644,115	145,644,115
Accumulated other comprehensive income	708,829	696,424
Deficit	(150,512,138)	(149,210,776)
	29,575,073	31,003,429
	$ 30,652,571	$ 31,789,969

Nature of operations and spinout transaction (Notes 1 and 2)
Subsequent events (Note 19)

Approved on behalf of the Board

(signed) “Andrew Lee Smith"

(signed) “Dr. Antony Harwood”

EAST AFRICA METALS INC.
(an exploration stage company)
Condensed Interim Consolidated Statements of Operations - unaudited
Expressed in Canadian dollars, unless otherwise stated

	Three months ended March 31, 2014	Three months ended March 31, 2013
Expenses		
Amortization (Note 12)	$ 50,672	$ 66,562
Corporate transaction costs	--	1,204,137
Directors and advisory board fees	21,750	136,935
Exploration and evaluation expenditure (Note 14)	445,908	1,008,382
Investor/shareholder communications and filing fees	37,638	247,012
Legal, audit and audit related fees	20,237	63,287
Management consulting fees	53,460	793,424
Office and administration	113,562	652,646
Project generation	331,757	--
Rent and occupancy costs	60,338	53,025
Salaries and benefits	97,460	774,272
Write-off of mineral property interests (Note 13)	4,938	--
	1,237,720	4,999,682
Loss from operations	(1,237,720)	(4,999,682)
Change in fair value of other assets (Notes 9 and 11)	(378,010)	--
Finance income (Note 9)	164,024	--
Foreign exchange gain	71,337	227,260
Gain on sale of marketable securities (Note 11)	21,030	--
Interest income (Note 17)	57,977	301,805
Loss on disposition of equipment	--	(3,440)
Net loss for the period	(1,301,362)	(4,474,057)
Loss per share, basic and diluted (Note 15 (b))	$ (0.02)	$ (0.07)
Weighted average number of common shares used in the calculation of loss per share – basic and diluted (Note 15 (b))	66,949,905	67,305,842

Condensed Interim Consolidated Statements of Comprehensive Income (Loss) - unaudited
Expressed in Canadian dollars, unless otherwise stated

	Three months ended March 31, 2014	Three months ended March 31, 2013
Net loss for the period	$ (1,301,362)	$ (4,474,057)
Items that may be reclassified to statement of operations		
Currency translation adjustment	273,435	169,665
Unrealized loss on investments (Note 11)	(240,000)	(72,173)
Unrealized gain on investments transferred to net loss (Note 11)	(21,030)	--
Comprehensive loss for the period	$ (1,288,957)	$ (4,376,565)

EAST AFRICA METALS INC.

(an exploration stage company)

Condensed Interim Consolidated Statements of Changes in Equity - unaudited

For the three months ended March 31, 2014 and March 31, 2013

Expressed in Canadian dollars, unless otherwise stated

	Common Shares Without Par Value						
	Shares	Amount	Warrants	Contributed Surplus	Accumulated Other Comprehensive Income	Deficit	Total Equity
Balance, December 31, 2012	199,863,103	$ 203,255,234	$ 2,263,787	$ 33,038,226	$ 72,056	$ (141,001,464)	$ 97,627,839
Issued for cash							
Stock options exercised (Note 15 (d))	2,054,535	994,620	--	(404,055)	--	--	590,565
Unrealized loss on investments (Note 11)	--	--	--	--	(72,173)	--	(72,173)
Warrants expired, unexercised (Note 15 (e))	--	--	(2,263,787)	2,263,787	--	--	--
Currency translation adjustment on foreign operations	--	--	--	--	169,665	--	169,665
Net loss for the period	--	--	--	--	--	(4,474,057)	(4,474,057)
Balance, March 31, 2013	201,917,638	$ 204,249,854	$ --	$ 34,897,958	$ 169,548	$ (145,475,521)	$ 93,841,839
Balance, December 31, 2013	67,305,842	$ 33,873,666	$ --	$ 145,644,115	$ 696,424	$ (149,210,776)	$ 31,003,429
Repurchase of common shares under normal course issuer bid (Note 15 (b))	(932,500)	(139,399)	--	--	--	--	(139,399)
Unrealized loss on investments (Note 11)	--	--	--	--	(240,000)	--	(240,000)
Unrealized gain on investments transferred to net loss (Note 11)	--	--	--	--	(21,030)	--	(21,030)
Currency translation adjustment on foreign operations	--	--	--	--	273,435	--	273,435
Net loss for the period	--	--	--	--	--	(1,301,362)	(1,301,362)
Balance, March 31, 2014	66,373,342	$ 33,734,267	$ --	$ 145,644,115	$ 708,829	$ (150,512,138)	$ 29,575,073

EAST AFRICA METALS INC.

(an exploration stage company)

Condensed Interim Consolidated Statements of Cash Flows - unaudited

Expressed in Canadian dollars, unless otherwise stated

	Three months ended March 31, 2014	Three months ended March 31, 2013
Cash flows provided by (used for) operating activities		
Net loss	$ (1,301,362)	$ (4,474,057)
Items not involving cash		
Amortization – administration (Note 12)	50,672	66,562
Amortization – exploration and evaluation (Notes 12 and 14)	80,283	63,078
Change in fair value of share purchase warrants (Notes 9 and 11)	378,010	--
Foreign exchange gain	(72,036)	(176,761)
Finance income (Note 9)	(164,024)	--
Gain on marketable securities (Note 11)	(21,030)	--
Interest Income	(31,569)	--
Loss on disposition of equipment	--	3,440
Write-off of mineral property interests (Note 13)	4,938	
Changes in operating assets and liabilities		
Accounts receivable	(404,529)	(518,037)
Prepaid expenses	135,666	330,281
Accounts payable and accrued liabilities	246,414	500,605
	(1,098,567)	(4,204,889)
Cash flows provided by (used for) investing activities		
Mineral property interests acquisitions (Note 13)	(74,721)	--
Proceeds from disposal of marketable securities (Note 11)	28,408	--
Purchase of equipment (Note 12)	--	(7,533)
Purchase of short-term investments	(500,000)	(8,933,032)
Redemption of short-term investments	513,500	--
	(32,813)	(8,940,565)
Cash flows provided by (used for) financing activities		
Proceeds from exercise of stock options (Note 15 (d))	--	590,565
Repurchase of common shares under normal course issuer bid (Note 15 (b))	(139,399)	--
	(139,399)	590,565
Effects of exchange rate changes on cash and cash equivalents	70,107	210,669
Decrease in cash and cash equivalents	(1,200,672)	(12,344,220)
Cash and cash equivalents, beginning of period	6,184,190	38,726,984
Cash and cash equivalents, end of period	$ 4,983,518	$ 26,382,764
Non-cash investing and financing activities		
Expiry of warrants	--	$ 2,263,787

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

1. Nature of operations, arrangement agreement and spinout transaction

East Africa Metals Inc. ("East Africa Metals" or the "Company) 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".

East Africa Metals is an exploration stage business engaged in the acquisition and exploration of mineral properties located in Tanzania. The Company has not yet determined whether its properties contain mineral reserves that are economically recoverable. The continued operations of the Company and the recoverability of the amounts capitalized for mineral properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of such properties and upon future profitable production or proceeds from the disposition of the properties.

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, short-term investments and certain liabilities pursuant to a spinout transaction.

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 year.

Arrangement Agreement and spinout transaction

During the year-ended June 30, 2013, Canaco closed a share purchase agreement between Canaco, Shark Minerals Inc. ("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"). In connection with the Shark Arrangement Agreement and effective on April 4, 2013, Canaco also completed a share consolidation (the "Consolidation") on the basis of one (1) new share for three (3) existing shares and changed its name to Orca Gold Inc. ("Orca Gold").

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, short-term investments 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.

2. Continuity of interests accounting

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 and short-term investments 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 will be 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.

3. Statement of compliance and basis of preparation

These unaudited condensed interim consolidated financial statements have been prepared in accordance with IAS 34 – *Interim Financial Reporting* ("IAS 34") as issued by the International Accounting Standards Board ("IASB"). Accordingly, certain disclosures included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs") as issued by the IASB have been condensed or omitted. These unaudited condensed interim consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the period ended December 31, 2013.

3. Statement of compliance and basis of preparation (continued)

The accounting policies applied in the preparation of these unaudited condensed interim consolidated financial statements are consistent with those applied and disclosed in the Company's audited consolidated financial statements for the period ended December 31, 2013, except for the application of new interpretation and amendments to existing IFRSs, which were effective January 1, 2014. Refer to Note 5 for adoption of new or revised IFRSs.

These condensed interim consolidated financial statements were approved by the Board of Directors on May 5, 2014.

4. Significant accounting estimates and judgments

The preparation of these 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.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the notes to the financial statements where applicable. Actual results may differ from these estimates. 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 policies under which significant 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 Resources Inc. ("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

As described in Notes 1 and 2, 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 period ended December 31, 2013, the Company received 8,000,000 share purchase warrants in connection with a $2,000,000 loan agreement with Tigray (Note 9). As at March 31, 2014, the Company held 8,000,000 common shares and 12,000,000 share purchase warrants (Note 11), 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 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. 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 Metals 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.

4. Significant accounting estimates and judgments (continued)

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

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 (Note 13). 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 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

The valuation of loan receivable includes 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.

5. Adoption of new or revised IFRSs

The Company has adopted the following new and revised standards, along with any consequential amendments, effective January 1, 2014. These changes were made in accordance with the applicable transitional provisions.

(a) 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 has concluded there was no significant impact of adopting this standard.

(b) 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. The Company has concluded there was no significant impact of adopting this standard.

6. IFRSs not yet effective

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the 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.

Expressed in Canadian dollars, unless otherwise stated

7. Cash and cash equivalents

	March 31, 2014	December 31, 2013
Cash	$ 4,983,518	$ 5,038,803
Cash equivalents	--	1,145,387
	$ 4,983,518	$ 6,184,190

8. Accounts receivable

Accounts receivable includes insurance receivable related to the British Columbia Securities Commission hearing costs which are covered under the Company's insurance policy.

	March 31, 2014	December 31, 2013
Insurance receivable and taxes receivable	$ 1,038,280	$ 1,018,562
Related parties and other receivables	1,293,975	891,706
	$ 2,332,255	$ 1,910,268

9. Loan receivable

On December 3, 2013, the Company entered into a $2,000,000 loan agreement with Tigray. The loan is due and payable in full on June 3, 2014 ("Maturity Date"), subject to a six-month extension period ("Extension Period"). 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 mineral projects. The loan 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 Extension Period. 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 provided an undertaking to the Exchange and Tigray not to exercise the warrants without shareholder approval. For the period ended December 31, 2013, transaction costs of $32,442 have been capitalized to the loan receivable.

The grant date fair value of the warrants was estimated at $237,449 using the Black Scholes option pricing formula with the following assumptions: expected dividend yield of 0%; expected volatility of 167.2%; risk free interest rate of 1.06% and expected life of 0.5 years. The estimated grant date fair value of the warrants and associated costs were discounted to the loan and recognized as income over the term of the loan. On March 31, 2014, the fair value of the warrants was determined to be $107,414 (December 31, 2013 – $394,705) by revaluing the warrants using the Black Scholes option pricing model with the following assumptions: expected dividend yield 0%, expected volatility 126.86%, risk free interest rate 1.07% and an expected life of 0.17 years. The fair value loss of $287,292 (March 31, 2013 – $nil) in the share purchase warrants ("other assets") was recorded through the statement of operations.

	Carrying Value
As at December 31, 2013	$ 1,842,613
Finance (accretion) income	164,024
As at March 31, 2014	$ 2,006,637

10. Accounts payable and accrued liabilities

	March 31, 2014	December 31, 2013
Trade payables	$ 628,150	$ 558,641
Accrued liabilities	449,348	227,899
	$ 1,077,498	$ 786,540

Expressed in Canadian dollars, unless otherwise stated

11. Marketable securities and other assets

	Candente Gold Corp.			Tigray Resources Inc.			Total	
	Quantity (Shares / warrants)		Carrying Value	Quantity		Carrying Value		Carrying Value
Marketable securities								
As at December 31, 2013	4,045,000	$	323,600	8,000,000	$	1,120,000	$	1,443,600
Disposals	(294,000)		(21,030)	--		--		(21,030)
Change in fair value	--		(40,000)	--		(200,000)		(240,000)
As at March 31, 2014	3,751,000		262,570	8,000,000		920,000		1,182,570
Other assets (warrants)								
As at December 31, 2013	--		--	12,000,000		708,351		708,351
Change in fair value	--		--	--		(378,010)		(378,010)
As at March 31, 2014	--		--	12,000,000		330,341		330,341
Marketable securities and other assets								
As at March 31, 2014	3,751,000	$	262,570	20,000,000	$	1,250,341	$	1,512,911
As at December 31, 2013	4,045,000	$	323,600	20,000,000	$	1,828,351	$	2,151,951

	Candente Gold Corp.			Tigray Resources Inc.			Total	
	Quantity (Shares / warrants)		Carrying Value	Quantity		Carrying Value		Carrying Value
Marketable securities								
As at December 31, 2012	3,612,500	$	361,250	--	$	--	$	361,250
Release from escrow	637,500		50,923	--		--		50,923
Change in fair value	--		(72,173)	--		--		(72,173)
As at March 31, 2013	4,250,000		340,000	--		--		340,000
Other assets (warrants)								
As at December 31, 2012 and March 31, 2013	--		--	--		--		--
Marketable securities and other assets								
As at March 31, 2013	4,250,000	$	340,000	--	$	--	$	340,000
As at December 31, 2012	3,612,500	$	361,250	--	$	--	$	361,250

Candente Gold Corp. (“Candente Gold”)

On January 4, 2010, Candente Gold’s common shares were listed on the Exchange and have been marked to market since that date with changes in fair value recorded in other comprehensive income. For the three months ended March 31, 2014, the Company sold 294,000 Candente Gold’s common shares for total proceeds of $21,030. These common shares were recorded at a nominal value when issued. Gain previously included in accumulated other comprehensive income in the amount of $21,030 was transferred to the consolidated statements of operations. For the three months ended March 31, 2014, an unrealized marked to market loss of $40,000 (March 31, 2013 – loss of $72,173) was recorded in other comprehensive income.

The common shares were subject to a Voluntary Escrow Agreement; whereby, 10% of the shares were released on the date Candente Gold was listed on the TSX and the balance was released in equal tranches of 15% every six months over a three-year period. For the three months ended March 31, 2013, the Company has reclassified 637,500 common shares that are no longer held in escrow, as marketable securities and all common shares have been released from escrow.

Expressed in Canadian dollars, unless otherwise stated

11. Marketable securities, other assets and investment (continued)

Tigray Resources Inc.

During the year-ended June 30, 2013, the Company acquired 8,000,000 units of Tigray's equity placement at a price of $0.15 per unit. The Company and Tigray have Directors and officers in common. Each unit comprises one common share and one-half of one non-transferable common share purchase warrant. Each whole warrant allows the holder to purchase one common share of Tigray at an exercise price of $0.20 for a period of two years from the date of closing.

On December 3, 2013, the Company entered into a $2,000,000 loan agreement with Tigray (Note 9). The loan is due in full on June 3, 2014, and bears interest at a rate of 12% per annum. In connection with the loan, the Company received 8,000,000 Tigray's share purchase warrants 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. The initial value of the warrants, $237,449, was discounted to the loan and recognized as income over the term of the loan. On March 31, 2014, these share purchase warrants were revalued at $107,414 using the Black Scholes Option Pricing Model. The Company's investment in common shares of Tigray was valued at the close price of the shares on the Exchange on March 31, 2014. The fair value of the share purchase warrants was estimated using the Black-Scholes option pricing model with the following inputs:

	March 31, 2014	December 31, 2013
Expected life (years)	0.17 – 1.05	0.42 – 1.30
Volatility	126.86% – 163.16%	149.90% – 167.20%
Dividend yield	--	--
Risk free rate	1.07%	1.06% – 1.10%

For the three months ended March 31, 2014, an unrealized marked to market loss of $200,000 (March 31, 2013 – loss of $nil) for the 8,000,000 common shares held was recorded in other comprehensive income. For the three months ended March 31, 2014, a change in fair value of share purchase warrants of $90,718 (March 31, 2013 – $nil) for the 4,000,000 share purchase warrants related to Tigray equity placement and a change in fair value of share purchase warrants of $287,292 (March 31, 2013 - $nil) related to the 8,000,000 share purchase warrants received in relation to the loan to Tigray (Refer to Note 9). A total of $378,010 was included in consolidated statements of operations.

12. Property and equipment

Details of the Company's property and equipment are as follows:

	Buildings and roads	Office furniture and equipment	Computers and software	Leasehold improvements	Total
Cost					
As at December 31, 2013	$ 1,611,900	$ 801,769	$ 439,949	$ 357,092	$ 3,210,710
Foreign exchange	64,926	19,653	3,241	3,180	91,000
As at March 31, 2014	$ 1,676,826	$ 821,422	$ 443,190	$ 360,272	$ 3,301,710

	Buildings and roads	Office furniture and equipment	Computers and software	Leasehold improvements	Total
Accumulated amortization					
As at December 31, 2013	$ 502,298	$ 443,229	$ 388,922	$ 293,719	$ 1,628,168
Amortization	--	13,214	17,717	19,741	50,672
Exploration amortization	50,858	23,737	1,872	3,816	80,283
Foreign exchange	19,872	12,180	2,963	3,043	38,058
As at March 31, 2014	$ 573,028	$ 492,360	$ 411,474	$ 320,319	$ 1,797,181
Net book value					
As at March 31, 2014	$ 1,103,798	$ 329,062	$ 31,716	$ 39,953	$ 1,504,529
As at December 31, 2013	1,109,602	358,540	51,027	63,373	1,582,542

Expressed in Canadian dollars, unless otherwise stated

12. Property and equipment (continued)

	Buildings and roads	Office furniture and equipment	Computers and software	Leasehold improvements	Total
Cost					
As at December 31, 2012	$ 1,484,786	$ 758,804	$ 429,384	$ 352,366	$ 3,025,340
Additions	661	--	6,872	--	7,533
Disposals	--	(951)	(7,203)	--	(8,154)
Foreign exchange	72,393	(43,021)	1,094	1,113	31,579
As at March 31, 2013	$ 1,557,840	$ 714,832	$ 430,147	$ 353,479	$ 3,056,298

	Buildings and roads	Office furniture and equipment	Computers and software	Leasehold improvements	Total
Accumulated amortization					
As at December 31, 2012	$ 284,501	$ 279,429	$ 254,597	$ 173,749	$ 992,276
Amortization	--	11,472	35,350	19,740	66,562
Disposals	--	(301)	(4,134)	--	(4,435)
Exploration amortization	33,249	24,061	1,296	4,472	63,078
Foreign exchange	(575)	626	(445)	(180)	(574)
As at March 31, 2013	$ 317,175	$ 315,287	$ 286,664	$ 197,781	$ 1,116,907

Net book value					
As at March 31, 2013	$ 1,240,665	$ 399,545	$ 143,483	$ 155,698	$ 1,939,391
As at December 31, 2012	1,200,285	479,375	174,787	178,617	2,033,064

13. Mineral property interests

Details of the Company's mineral property interests are as follows:

	Tanzania, Handeni properties	Tanzania, other properties	Total
Acquisition costs			
As at December 31, 2013	$ 2,815,705	$ 3,295,454	$ 6,111,159
Property payments	11,503	107,762	119,265
Write-off	--	(4,938)	(4,938)
Foreign exchange	88,325	129,514	217,839
As at March 31, 2014	$ 2,915,533	$ 3,527,792	$ 6,443,325

Tanzania – Handeni properties

The Handeni Gold Project consists of two contiguous claims, Magambazi and Kilindi. The properties are located in the Handeni district, Tanga Region of Tanzania. The Kilindi property is 100% owned by the Company and is subject to a Prospecting Licence ("PL").

As at March 31, 2014, and December 31, 2013, the Company had:

a) through a structured entity, made the third payment of US$50,000 on a Handeni PML exploration and purchase option agreement ("Agreement') to acquire 100% interest in the PML. The Agreement includes payments of US$50,000 in year one (paid); US$50,000 in year two (paid) and US$50,000 in year three (paid). The Company has a purchase option to acquire the PML for US$400,000. The Agreement is subject to a 2.0% Net Smelter Returns Royalty ("NSR") with an option for the Company to buy back 1.0% of the NSR for US$250,000.

Expressed in Canadian dollars, unless otherwise stated

13. Mineral property interests (continued)

b) through a structured entity, made the third payment of US$50,000 on a second Handeni PML exploration and option agreement ("2nd Agreement"), with a different third party than noted in a). The 2nd Agreement includes payments of US$50,000 in year one (paid); US$50,000 in year two (paid) and US$50,000 in year three (paid). The Company has a purchase option to acquire the PML for US$400,000. The 2nd agreement is subject to a 2.0% NSR with an option for the Company to buy back 1.0% of the NSR for US$250,000.

c) accrued for the third payment for the Kwadijava PML exploration and purchase option agreement. The Kwadijava agreement includes payments of US$100,000 in Year 1 (paid); US$120,000 in year two (paid) and US$140,000 (accrued). The Company has a purchase option of US$1,200,000 to be exercised before January 7, 2014, subject to a NSR of 2.0% on gold and/or other base metals. The Company has an option to buy back 1.0% of the NSR. If the purchase option is exercised prior to January 7, 2014, the value of any unexpired payments as noted above will be deducted from the purchase consideration.

Tanzania – Other properties

The Company's "Other properties" consists of 5 non-contiguous claims. The properties are located in the Handeni district, Tanga Region of Tanzania. For the three months ended March 31, 2014, the Company discontinued its exploration program and did not renew its PL for one project within Tanzania Other properties and recorded an impairment charge of $4,938.

14. Exploration and evaluation expenditure ("exploration expenditure")

Details of the Company's exploration expenditure are as follows:

	Tanzania, Handeni Properties	Tanzania other properties	Three months ended March 31, 2014
Exploration expenditure			
Amortization	$ 80,283	$ --	$ 80,283
Camp and administration costs	221,065	22,982	244,047
Geochemistry	1,414	--	1,414
Geology	3,656	927	4,583
Project management and consulting	11,591	--	11,591
Technical services	39,183	64,807	103,990
Total for three months ended March 31, 2014	357,192	88,716	445,908
Cumulative exploration expenditure as at December 31, 2013	64,368,846	1,415,386	65,784,232
Cumulative exploration expenditure as at March 31, 2014	$ 64,726,038	$ 1,504,102	$ 66,230,140

Expressed in Canadian dollars, unless otherwise stated

14. Exploration and evaluation expenditure (continued)

	Tanzania, Handeni Properties	Tanzania other properties	Three months ended March 31, 2013
Exploration expenditure			
Amortization	$ 63,078	$ --	$ 63,078
Camp and administration costs	361,828	85,556	447,384
Drilling	8,630	--	8,630
Geochemistry	--	173,150	173,150
Geology	4,993	77,701	82,694
Project development	48,829	--	48,829
Project management and consulting	73,612	--	73,612
Technical services	78,327	32,678	111,005
Total for three months ended March 31, 2013	639,297	369,085	1,008,382
Cumulative exploration expenditure as at December 31, 2012	62,131,937	532,806	62,664,743
Cumulative exploration expenditure as at March 31, 2013	$ 62,771,234	$ 901,891	$ 63,673,125

15. Share capital

As at March 31, 2014, the Company’s share capital consisted of the following:

(a) Authorized: Unlimited common shares without par value

(b) Issued and outstanding: 66,373,342 (December 31, 2013 – 67,305,842) common shares

On January 24, 2014, the Company initiated a normal course issuer bid ("NCIB") through the facilities of the Exchange for a one year period commencing January 29, 2014, and ending January 28, 2015. The Company can repurchase for cancellation up to 4,000,000 common shares in its own capital stock. For the three months ended March 31, 2014, the Company purchased and cancelled 932,500 common shares at an average price of approximately $0.147, totaled $139,399 (including transaction costs).

For the three months ended March 31, 2014, no common shares were issued by the Company (March 31, 2013 – 2,054,535 common shares were issued on the exercise stock options).

On April 4, 2013, as a result of the Shark Arrangement Agreement (Refer to Note 1), Canaco’s outstanding shares of 201,917,638 were assigned to Orca Gold. Immediately prior to the Shark Arrangement Agreement, on the basis of one (1) East Africa Metals share for every three (3) pre-Consolidation Canaco shares, 67,305,842 shares were distributed to Canaco shareholders. As a result of the Shark Arrangement Agreement the Company’s Loss per Share for the period ending March 31, 2013, was calculated using 67,305,842 weighted average number of common shares. The recalculated Loss per Share for the three months ended March 31, 2013, was ($0.07).

(c) Escrowed shares

As at March 31, 2014, 507,553 (December 31, 2013 – 507,553) common shares are held in escrow. The release of these shares is based on the future exploration expenditures, discovery of an ore deposit and achieving commercial mineral production.

Expressed in Canadian dollars, unless otherwise stated

15. Share capital (continued)

(d) Share-based compensation

The Company has established a share purchase option plan whereby the Board of Directors may grant stock options to directors, officers, employees or consultants in order to more closely align the grant-recipients' interests with those of shareholders.

The Company has been authorized by its shareholders to grant stock options of up to ten percent (10%) of the number of common shares issued and outstanding. Options granted are subject to a maximum term of ten years from the date of grant. The exercise price of an option must be determined in accordance with the share purchase option plan. Options vest at the time the stock options are granted unless determined otherwise by the Board of Directors, other than options granted to consultants performing investor relations activities, which vest in stages over twelve months with no more than one quarter vesting in any three-month period.

There were no stock options issued or exercised during the three months ended March 31, 2014.

Details of stock option activity during the three months ended March 31, 2014, and March 31, 2013, are as follows:

	Number of options outstanding	Weighted average exercise price
Balance, March 31, 2014 and December 31, 2013	5,000,000	$ 0.14
Outstanding as at March 31, 2014	5,000,000	$ 0.14

	Number of options outstanding	Weighted average exercise price
Balance, December 31, 2012	18,799,535	$ 2.19
Exercised	(2,054,535)	0.29
Expired and forfeited	(2,300,000)	2.80
Outstanding and exercisable, March 31, 2013	14,445,000	$ 2.36

As a result of the Shark Arrangement Agreement (Note 1), the outstanding 14,445,000 stock options as at March 31, 2013, to acquire Canaco's common shares continued to be governed by and be subject to the terms of the Canaco's stock option plan by Orca Gold.

The following table summarizes information about the stock options exercisable at March 31, 2014:

Options exercisable at March 31, 2014	Exercise price	Weighted average remaining contractual life	Expiry date
5,000,000	$ 0.14	4.39 years	August 19, 2018

(e) Share-purchase warrants

As at March 31, 2014, and December 31, 2013, there were no share purchase warrants outstanding.

For the three months ended March 31, 2013, 897,465 warrants valued at $2,263,787 expired unexercised.

Expressed in Canadian dollars, unless otherwise stated

16. Related party transactions

(a) Related parties

	Three months ended March 31, 2014	Three months ended March 31, 2013
Services rendered and expenses incurred (vii):		
Services and related expenses (i)	$ 453,446	$ 223,158
Management and consulting fees (ii)	54,375	721,875
Loan interest income (v)	(61,130)	--

	March 31, 2014	December 31, 2013
Balances receivable from (vii):		
Reimbursement of shared costs (iii)	$ 1,137,030	$ 755,926
Loan and interest receivable (v)	2,078,549	2,018,065
	3,215,579	2,773,991
Balances payable to (vii):		
Services rendered (i)	(15,224)	(144,971)
Directors and officers (iv)	(52,815)	(30,469)
	$ (68,039)	$ (175,440)

Related parties transactions:

(i) Services and related expenses are paid for related parties with directors in common.

(ii) Management fees were paid to a privately held company for the services of an officer of the Company and consulting fees to a Company with directors in common.

(iii) The Company shares office premises with two other companies that have directors in common and expenses were reimbursed at cost.

(iv) Director fees and salaries paid or accrued to directors and officers of the Company.

(v) On December 3, 2013, the Company entered into a $2,000,000 loan agreement with Tigray, company with directors in common. This amount reflects the face value of the loan and interest receivable to represent the legal repayment. Refer to Note 9 for the fair value balances and further details.

(vi) On February 24, 2014, the Company and Tigray have entered into an Arrangement Agreement which the Company has agreed to acquire all of the issued and outstanding common shares of Tigray. Refer to Note 19 for further details.

(vii) These transactions were in the normal course of business recorded at their exchange amounts, which was established and agreed to by the related parties. The balances payable are included in accounts payable and accrued liabilities and the amounts receivable are included in accounts receivable.

(b) Key management personnel

Key management personnel are those persons that have the authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management includes the Company's directors and members of the senior management group.

Details of key management personnel compensation is as follows:

	Three months ended March 31, 2014	Three months ended March 31, 2013
Directors fees, key management personnel salaries and short-term benefits	$ 95,650	$ 155,236
Termination benefits for key management personnel and directors	--	1,264,706
	$ 95,650	$ 1,419,942

Expressed in Canadian dollars, unless otherwise stated

17. Financial instruments

Financial assets and financial liabilities are measured on an ongoing basis at fair value or amortized cost. The book values of cash and cash equivalents, short-term investments, restricted cash, accounts receivable, loan receivable, and accounts payables and accrued liabilities are representative of their respective fair values due to the short-term nature of these instruments. As at March 31, 2014, and 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 March 31, 2014					
Cash	$ --	$ --	$ 4,983,518	$ --	$ 4,983,518
Short-term investments	--	--	11,657,265	--	11,657,265
Accounts receivable	--	--	2,067,144	--	2,067,144
Loan receivable	--	--	2,006,637	--	2,006,637
Marketable securities and other assets	330,341	1,182,570	--	--	1,512,911
Accounts payable and accrued liabilities	--	--	--	(1,077,498)	(1,077,498)
	$ 330,341	$ 1,182,570	$ 20,714,564	$ (1,077,498)	$ 21,149,977

	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

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. Refer to Note 11 for the inputs used in the fair value measurement. 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. Refer to Note 11 for the inputs used in the fair value measurement. 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.

Expressed in Canadian dollars, unless otherwise stated

17. Financial instruments (continued)

The fair values of the Company's financial instruments measured as at March 31, 2014, constitute Level 1 for marketable securities and Level 2 for other assets (share purchase warrants). The following table presents the Company's financial assets that are measured at fair value as at March 31, 2014, and December 31, 2013:

	Level 1	Level 2	Level 3	Total
As at March 31, 2014				
Marketable securities and other assets	$ 1,182,570	$ 330,341	$ --	$ 1,512,911
	$ 1,182,570	$ 330,341	$ --	$ 1,512,911

	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

18. Geographical segment information

The Company's activities are all in the one industry segment of mineral property acquisition, exploration and development. Following is a summary of net loss, assets and liabilities by geographical segment:

	Canada	Tanzania	Total
For the three months ended March 31, 2014			
Net loss for the period	$ 853,806	$ 447,556	$ 1,301,362
As at March 31, 2014			
Total liabilities	(666,838)	(410,660)	(1,077,498)
Total non-current assets	757,815	7,190,039	7,947,854
Total assets	22,940,149	7,712,422	30,652,571

	Canada	Tanzania	Total
For the three months ended March 31, 2013			
Net loss for the period	$ 3,513,430	$ 960,627	$ 4,474,057
As at March 31, 2013			
Total liabilities	(2,222,022)	(31,551)	(2,253,573)
Total non-current assets	982,100	6,450,536	7,432,636
Total assets	89,122,056	6,973,356	96,095,412

19. Subsequent events

(a) On February 24, 2014, the Company and Tigray jointly announce that they have entered into the Arrangement Agreement ("Arrangement") 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).

On May 1, 2014, Tigray announced its shareholders voted to approve the Arrangement under the *Canada Business Corporations Act* with East Africa Metals. The resolution approving the Arrangement was approved by 99.7% of the votes cast by Tigray's shareholders present in person or represented by proxy at the meeting as well as 99.0% of the votes cast by shareholders after excluding Tigray shares held by interested parties which includes shares held by East Africa Metals and its directors and officers, as required pursuant to Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions*.

Under the terms of the Arrangement, 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 Arrangement remains subject to final court approval, estimated to be obtained on May 6, 2014, and final acceptance from the Exchange. Closing of the Arrangement is estimated to occur on or about May 7, 2014.