EAST AFRICA METALS INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE MONTHS ENDED

MARCH 31, 2014

This Management's Discussion and Analysis ("MD&A") is dated as at May 5, 2014. This MD&A should be read in conjunction with East Africa Metals Inc.'s ("East Africa Metals" or the "Company") unaudited condensed interim consolidated financial statements for the three months ended March 31, 2014 ("Q1 2014"), and with the Company's audited consolidated financial statements with accompanying notes and related MD&A for the six month transitional fiscal period ended December 31, 2013 ("Fiscal 2013"). The Q1 2014 financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* and the Fiscal 2013 financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS"). These documents and additional information on the Company are available on SEDAR at www.sedar.com. All dollar amounts are expressed in Canadian dollars except where indicated otherwise.

Cautionary Statement Regarding Forward-Looking Information

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

Table of Contents

INTRODUCTION

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 transitional fiscal year.

On February 24, 2014, the Company and Tigray Resources Inc. ("Tigray") jointly announce 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 announce 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).

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 Tigray's 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, expected to be obtained on May 6, 2014, and final acceptance from the Exchange. Closing of the Arrangement is expected to occur on or about May 7, 2014.

For further details of the Arrangement, please see Tigray's management information circular dated March 28, 2014, and the joint news release of East Africa Metals and Tigray dated February 24, 2014, each of which is available on SEDAR at www.sedar.com.

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"). 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, 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.

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 on April 4, 2013, 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 controlled person of Tigray.

On January 25, 2014, the Company announced it has received Exchange acceptance to initiate a normal course issuer bid ("NCIB") through the facilities of the Exchange Under the NCIB, during the one year period commencing January 29, 2014, and ending January 28, 2015, EAM can purchase for cancellation up to 4,000,000 common shares (the "Shares"), representing approximately 8% of East Africa Metals's public float of common shares, as of January 24, 2014. Mackie Research Capital Corp. will conduct the bid on behalf of the Company. Purchases will be made on the open market through the facilities of the Exchange at the prevailing market price. As at date of this MD&A, the Company had purchased and cancelled 932,500 shares with a total value of $139,399.

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 within this MD&A which pertains to the Handeni property may reference 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.

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

On September 24, 2013, the Company announced that its wholly owned Tanzanian subsidiary, Canaco Tanzania Limited ("CTL"), was the recipient of the 2012 Presidential Award on Corporate Social Responsibility and Empowerment. The award was organized by the Tanzanian Ministry of Energy and Minerals through the Extractive Industry Stakeholders Forum ("EISF").

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

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

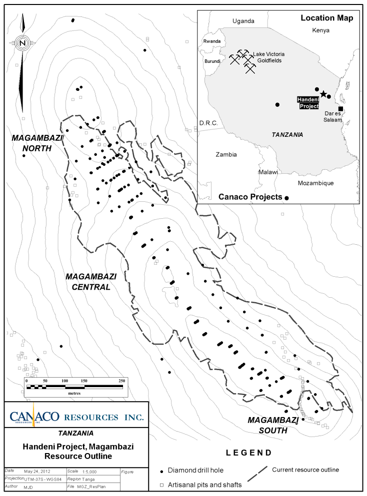
Additional information about the EISF can be found online at http://eisftz.org. For further details refer to the Company's September 24, 2013, news release.

MAGAMBAZI PROPERTY

<u>Magambazi Drill Program</u>

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

Figure 1- Extent of Magambazi Exploration Drilling



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.

Agreement for Development of Magambazi

The Company continues to advance discussions with interested parties with the objective of identifying a development partner to joint venture or purchase the Magambazi property. To date, a number of parties have been identified and due diligence has been completed, including site visits, and ongoing discussions continue regarding the terms of a potential development partnership.

In the event that partnership discussions do not lead to a sale or joint venture of the Magambazi property, the Company expects to initiate a review of the mineral resource estimate and conceptual mine plans in an effort to find opportunities to enhance the potential project economics. This review is expected to include a re-evaluation of the mineral resource based on selective mining of the high-grade core of the Magambazi property. The process would refine the current block model utilizing existing data which the Company expects will more precisely delineate continuous, high-grade mineralized zones within the mineral resource area and produce a mineral resource estimate for selective mine planning, which the Company hopes will give it an edge to re-engage in partnership discussions to develop the Magambazi property. For further details refer to the Company's January 25, 2014, news release.

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 property 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 property includes a portion of the Handeni project. East Africa Metals will now focus on the submission of an application to expand the mining licence to cover the entire property area. For further details on the expansion of the mining licence refer to the Company's January 25, 2014, news release.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

As a result of the Shark Arrangement Agreement, 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. Therefore, the Q3 2013 accounting balances represented within this document included the historical results of Canaco.

The Company has changed its year end from June 30 to December 31, effective December 31, 2013. Accordingly, the comparative balance sheet of Fiscal 2013 is a shortened six month transitional fiscal year and the comparative period to Q1 2014 is the three months ended March 31, 2013 ("Q3 2013").

At March 31, 2014, the Company had cash and cash equivalents and short-term investments of $16,640,783, and current liabilities of $1,077,498, compared to cash and cash equivalents and short-term investments of $17,843,639 and current liabilities of $786,540 at December 31, 2013. At March 31, 2014, share capital totalled $33,734,267 compared to $33,873,666 as at December 31, 2013.

RESULTS OF OPERATIONS

(Information extracted from the Company's unaudited condensed interim consolidated financial statements for the three months ended March 31, 2014, and 2013, expressed in Canadian dollars):

	Three months ended March 31, 2014	Three months ended March 31, 2013
Expenses		
Amortization	$ 50,672	$ 66,562
Corporate transaction costs	--	1,204,137
Directors and advisory board fees	21,750	136,935
Exploration and evaluation expenditure	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	4,938	--
	1,237,720	4,999,682
Loss from operations	(1,237,720)	(4,999,682)
Change in fair value of other assets	(378,010)	--
Finance income	164,024	--
Foreign exchange gain	71,337	227,260
Gain on sale of marketable securities	21,030	--
Interest income	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	$ (0.02)	$ (0.07)
Weighted average number of common shares used in the calculation of loss per share – basic and diluted	66,949,905	67,305,842

LOSS FOR THE THREE MONTHS ENDED MARCH 31, 2014, COMPARED TO THE THREE MONTHS ENDED MARCH 31, 2013

The loss for Q1 2014 is $1,301,362 compared to a loss for Q3 2013, of $4,474,057. The significant items contributing to the Q1 2014 loss includes exploration costs of $445,908 (Q3 2013 - $1,008,382), change in fair value of other assets of $378,010 (Q3 2013 - $Nil), project generation of $331,757 (Q3 2013 - $Nil), office and administration of $113,562 (Q3 2013 - $ 652,646), and salaries and benefits of $97,460 (Q3 2013 - $ 774,272). The loss for Q1 2014 was offset by finance income of 164,024 (Q3 2013 - $Nil). Significant changes are discussed below.

Exploration and evaluation expenditure ("Exploration Expenditures")

Exploration expenditures decreased from $1,008,382 in Q3 2013 to $445,908 in Q1 2014, a decrease of $562,474. The decrease is primarily due to reduced exploration activity at Magambazi property as the Company continues to explore strategic opportunities including identifying a joint venture partner or potential buyers of the property.

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

	Three months ended March 31, 2014	Three months ended March 31, 2013
Exploration expenditures		
Amortization	$ 80,283	$ 63,078
Camp and administration costs	244,047	447,384
Drilling	--	8,630
Geochemistry	1,414	173,150
Geology	4,583	82,694
Project development	--	48,829
Project management and consulting	11,591	73,612
Technical services	103,990	111,005
Total for the period	445,908	1,008,382
Balance at the beginning of the period	65,784,232	62,664,743
Cumulative balance at the end of the period	$ 66,230,140	$ 63,673,125

Change in fair value of other assets

In Q1 2014, the Company recognized a loss in the fair value of the 12,000,000 Tigray share purchases warrants of $378,010 (Q3 2013 - $Nil). The significant driver in the loss is related to the decrease in Tigray's share price since December 31, 2013. Of the 12,000,000 warrants, the Company acquired 4,000,000 share purchase warrants in Tigray's equity placement in April 2013 and received 8,000,000 share purchase warrants related to the loan provided to Tigray in December 2013.

Project generation

In Q1 2014, the Company recorded project generation costs of $331,757 (Q3 2013 - $Nil). These expenses relate to allocation of wages and internal costs, financial advisors, lawyers and other experts for the research, analysis and evaluation for the Arrangement Agreement and potential joint-venture partners for the Magambazi property.

Office and administration

Office and administration costs totalled $113,562 in Q1 2014, compared to $652,646 in Q3 2013, a decrease of $539,084. The Q3 2013 costs include $460,984 to cover the directors and officers runoff insurance policy purchased as part of the closing of the Shark Arrangement Agreement and Spinout.

Salaries and benefits

Salaries and benefits expense in Q1 2014 totalled $97,460 compared to $774,272 in Q3 2013, a decrease of $676,812. A significant item related to the decrease from Q3 2013 is the severance and termination costs of $666,986 for eleven employees, including two officers, related to the Shark Arrangement Agreement.

Corporate transaction costs

Corporate transaction costs totalled $Nil in Q1 2014 compared to $1,204,137 in Q3 2013. The Q3 2013 costs in this expense category include legal, accounting, financial advisory fees and certain termination costs related to the Shark Arrangement Agreement and Spinout completed on April 4, 2013.

Management consulting fees

In Q1 2014, the Company paid management consulting fees and related costs of $53,460 compared to $793,424 in Q3 2013, a decrease of $739,964. In Q1 2014 $46,875 was paid to a management company for services rendered by an officer of the Company. In Q3 2013 the fees includes a severance fees of $675,000 as a result of the Shark Arrangement Agreement.

Finance Income

In Q1 2014, the Company recorded finance income of $164,024 compared to $Nil in Q3 2013. The recognition of finance income is related to the Tigray loan receivable and the accretion of the fair value of the share purchase warrants, interest receivable and associated costs for the three months ended March 31, 2014.

SUMMARY OF QUARTERLY RESULTS – UNAUDITED

Quarter ended	Revenue	Loss(1)	Loss per share, basic
Fiscal 2014			
March 31, 2014	Nil	(1,301,362)	(0.02)
Fiscal 2013 – H/Y(3)			
December 31, 2013	Nil	(840,091)	(0.01)
September 30, 2013	Nil	(1,507,838)	(002)
Fiscal 2013			
June 30, 2013	Nil	(1,374,482)(2)	(0.02)
March 31, 2013	Nil	(4,474,057)	(0.02)
December 31, 2012	Nil	(3,065,293)	(0.02)
September 30, 2012	Nil	(4,256,398)	(0.02)
Fiscal 2012			
June 30, 2012	Nil	(4,152,289)	(0.02)

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

(2) In Q4 2013, the decrease is primarily due to reduced exploration activity at Magambazi property as the Company continues to explore strategic opportunities including identifying a joint venture partner or potential buyers of the property.

(3) A shortened six month transitional fiscal year as a result of the change of year end from June 30 to December 31, effective December 31, 2013.

LIQUIDITY

As at March 31, 2014, the Company had cash and cash equivalents of $4,983,518, short-term investments of $11,657,265, other current assets of $6,063,934 and current liabilities of $1,077,498, compared to cash and cash equivalents of $6,184,190, short-term investments of $11,659,449, other current assets of $6,252,629 and current liabilities of $786,540 as at December 31, 2013.

Management believes that the Company's working capital as at March 31, 2014, of $21,627,219 (December 31, 2013 - $23,309,728) is adequate to support its operations, exploration and acquisition and development opportunities for the coming twelve months.

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 may be affected by general trends in the resource equity markets which may in turn impact the Company's performance in creating shareholder value and in demonstrating the ability to manage the Company's affairs and achieve mandated objectives.

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

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

Capital Expenditures

During the three months ended March 31, 2014, the Company expended $119,265 (Q3 2013 - $Nil) on maintenance payments of mineral property interests which have been capitalized.

Mineral property capital expenditures are summarized as follows:

	Tanzania, Handeni properties	Tanzania, other properties	Total
Acquisition costs			
As at 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

FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are measured on an ongoing basis at fair value or amortized cost. As at March 31, 2014, 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

From time to time, the Company may make strategic investments in other private or publicly traded entities. These investments may take the form of common shares and share purchase warrants. For accounting purpose, the Company has determined that any share purchase warrants held are derivative financial instruments and any change in fair value is included in the consolidated statements of operations for the period. The fair value of share purchase warrants is measured using Black-Scholes that uses inputs that are primarily based on market indicators. Any common shares (equities) held are designated as available-for-sale and any change in fair value is included in 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 March 31, 2014:

	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

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). For the three months ended March 31, 2014, the Company recognized interest income totaling $57,977 (Q3 2013 - $301,805). 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 March 31, 2014, the Company had $1,182,570 (December 31, 2013 - $1,443,600) in available-for-sale assets. Based on the net exposure as at March 31, 2014, and assuming all other variables held constant, a 10% depreciation or appreciation on the equity instruments would result in a decrease /increase of $118,257 (December 31, 2013 - $144,360) 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 Tanzania and a portion of its expenses are incurred in Euros, Australian dollars, US dollars and Tanzanian shillings. A significant change in the currency exchange rates between the Canadian dollar relative to these currencies could have an effect on the Company's results of operations. The Company has not hedged its exposure to currency fluctuations.

As at March 31, 2014, the Company is exposed to currency risk through the following assets and liabilities dominated in United States dollars ("USD") and Tanzanian shillings ("TSH"):

	USD	TSH
As at March 31, 2014		
Cash and cash equivalents	$ 1,196,648	190,183,705
Accounts payable and accrued liabilities	--	(215,309,761)
	$ 1,196,648	(25,126,056)

Based on the above net exposure as at March 31, 2014, and assuming that all other variables remain constant, a 10% depreciation or appreciation of the Canadian dollar against these currencies would result in an increase/decrease of $106,660 (December 31, 2013 – $182,098) 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 equivalents 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 three months ended March 31, 2014, ranged between 1.3% to 2.1% (period ended December 31, 2013 – 1.4% to 2.1%).

Based on the amount of cash and cash equivalents and short term investments as at March 31, 2014, and assuming that all other variables remain constant, a 0.5% change in the applicable interest rate would result in an increase/ decrease of $83,204 (December 31, 2013 – $89,218) 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 equity placements to meet its operating requirements, after taking into account existing cash. As at March 31, 2014, the Company believes it has sufficient cash on hand to meet its current liabilities and its expected administrative, acquisition 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 three months ended and as at March 31, 2014, the Company had recorded the following significant related party transactions:

For the three months ended March 31, 2014, the Company incurred goods and services for Tigray and True North Gems Inc. totaling $453,446 (Q1 2013 - $223,158) for shared office, administration expenses, Arrangement Agreement expenses and exploration expenses.

As at March 31, 2014, the Company had receivables of $1,137,030 (December 31, 2013 - $755,926) from Tigray and True North Gems Inc. for outstanding payments for shared office, administration, Arrangement Agreement and exploration expenses.

For the three months ended March 31, 2014, the Company incurred management fees of $54,375 (Q3 2013 - $721,875). Of this amount $46,875 (Q3 2013 - $706,250) 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 Q3 2013 in connection with the Shark Arrangement Agreement.

As at March 31, 2014, a payable of $15,000 (December 31, 2013 - $144,500) 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 $95,650 for the three months ended March 31, 2014 (Q3 2013 - $1,419,942). 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 March 31, 2014, the Company recorded a payable of $52,815 (December 31, 2013 - $30,469) for past director and consulting services provided by directors and officers and reimbursement of expenses.

On December 3, 2013, the Company entered into a $2,000,000 loan agreement with Tigray, company with directors in common. The loan is due and payable in full on June 3, 2014, subject to a six-month 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. For the three months ended March 31, 2014, the Company earned interest income from the loan of $61,130 (Q3 2013 - $Nil). As at March 31, 2014, the Company had a loan receivable with a face value of $2,078,549 (December 31, 2013 - $2,018,065). Refer to the Corporate Transactions and Outlook – Other section for further details.

On February 24, 2014, the Company and Tigray jointly announce 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). Refer to the Corporate Transactions and Outlook – East Africa Metals and Tigray section for further details.

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 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. As at March 31, 2014, 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 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.

(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, maturity date 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

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 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")

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 impact of adopting this standard.

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 standard.

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. In particular, the certifying officers are not making any representations relating to the establishment and maintenance of:

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 $4,983,518, short-term investments of $11,657,265, and working capital of $21,627,219 as at March 31, 2014. 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 condensed interim 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 May 5, 2014, the Company has 66,373,342 common shares issued and outstanding.

As at May 5, 2014, the remaining following stock options are outstanding:

Options outstanding	Options exercisable	Exercise price
4,900,000	4,900,000	$0.135

As at May 5, 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.