EAST AFRICA METALS INC.
(an exploration stage company)

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended September 30, 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

	September 30, 2014	December 31, 2013
Assets		
Current assets		
Cash and cash equivalents (Note 8)	$ 3,447,300	$ 6,184,190
Short-term investments	8,740,650	11,659,449
Accounts receivable (Note 9)	1,360,814	1,910,268
Loan receivable (Note 10)	--	1,842,613
Marketable securities and other assets (Note 12)	--	2,151,951
Materials and supplies	119,101	--
Prepaid expenses and deposits	317,417	347,797
	13,985,282	24,096,268
Mineral property interests (Note 14)	21,507,374	6,111,159
Property and equipment (Note 13)	1,525,567	1,582,542
	$ 37,018,223	$ 31,789,969
Liabilities and Equity		
Current liabilities		
Accounts payable and accrued liabilities (Note 11)	$ 493,543	$ 786,540
Warrants derivative liability (Notes 7 and 16)	5,275	--
	498,818	786,540
Equity		
Share capital (Note 17(b))	38,326,688	33,873,666
Warrants (Note 17(e))	1,398,701	--
Contributed surplus (Note 17(d))	145,743,719	145,644,115
Accumulated other comprehensive income	942,910	696,424
Deficit	(154,216,816)	(149,210,776)
	32,195,202	31,003,429
Non-controlling interest (Notes 7 and 14)	4,324,203	--
	36,519,405	31,003,429
	$ 37,018,223	$ 31,789,969

Nature of operations and spinout transaction (Notes 1 and 2)
Acquisition transaction (Note 7)
Commitments (Note 21)
Subsequent events (Note 22)

Approved on behalf of the Board

(signed) “David Parsons” (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 September 30, 2014	Three months ended September 30, 2013	Nine months ended September 30, 2014	Nine months ended September 30, 2013
Expenses				
Amortization (Note 13)	$ 37,479	$ 59,372	$ 131,131	$ 192,629
Corporate transaction fees	--	93,958	--	1,354,563
Directors and advisory board fees	16,566	21,750	60,066	183,511
Exploration and evaluation expenditure (Note 15)	1,389,925	679,494	3,096,693	2,418,219
Investor/shareholder communications and filing fees	50,576	31,404	145,328	312,221
Legal, audit and audit related fees	34,466	91,919	91,128	363,227
Management consulting fees	204,222	58,632	361,181	902,703
Office and administration	143,218	79,500	391,532	840,759
Project generation	10,735	61,857	377,204	178,059
Rent and occupancy costs	59,213	56,831	188,138	166,866
Salary and benefits	110,631	89,120	311,103	946,420
Share-based compensation (Note 17(d))	12,734	299,274	12,734	299,274
Write-off of mineral property interests (Note 14)	--	--	4,938	--
	2,069,765	1,623,111	5,171,176	8,158,451
Loss before under-noted items	(2,069,765)	(1,623,111)	(5,171,176)	(8,158,451)
Change in fair value of other assets (Note 12)	--	116,941	(543,609)	31,623
Change in fair value of warrants derivative liability (Note 16)	130,211	--	163,985	--
Finance income (Note 10)	--	--	229,280	--
Foreign exchange gain (loss)	91,403	(55,179)	106,270	276,730
Loss on sale of marketable securities (Note 12)	--	--	(38,150)	--
Interest income	48,438	53,511	154,934	480,877
Loss on loan receivable	--	--	(8,859)	--
Net loss for period	(1,799,713)	(1,507,838)	(5,107,325)	(7,369,221)
Net loss attributable to:				
Shareholders	(1,715,079)	(1,507,838)	(5,006,040)	(7,369,221)
Non-controlling interest	(84,634)	--	(101,285)	--
Loss per share, basic and diluted	$ (0.02)	$ (0.02)	$ (0.06)	$ (0.11)
Weighted average number of common shares used in the calculation of loss per share – basic and diluted	101,699,661	66,830,772	85,455,883	66,830,772

Condensed Interim Consolidated Statements of Comprehensive Income (Loss) – unaudited

(Expressed in Canadian dollars)

	Three months ended September 30, 2014	Three months ended September 30, 2013	Nine months ended September 30, 2014	Nine months ended September 30, 2013
Net loss for period	$ (1,799,713)	$ (1,507,838)	$ (5,107,325)	$ (7,369,221)
Currency translation adjustment				
Attributable to shareholders of Company	868,979	(140,859)	676,679	385,784
Attributable to shareholders of non-controlling interest	209,574	--	126,451	--
Unrealized loss on investments, net of deferred income tax (Note 12)	--	221,250	(461,570)	(349,330)
Realized gain on investment transferred to net loss	--	--	31,377	--
Comprehensive loss	(721,160)	(1,427,447)	(4,734,388)	(7,332,767)
Attributable to shareholders of Company	(846,100)	(1,427,447)	(4,759,554)	(7,332,767)
Attributable to shareholders of non-controlling interest	124,940	--	25,166	--
	$ (721,160)	$ (1,427,447)	$ (4,734,388)	$ (7,332,767)

EAST AFRICA METALS INC.

(an exploration stage company)

Condensed Interim Consolidated Statements of Changes in Equity - unaudited

For the three and nine months ended September 30, 2014, and September 30, 2013

Expressed in Canadian dollars, unless otherwise stated

	Common Shares Without Par Value								
	Shares	Amount	Warrants	Contributed Surplus	Accumulated Other Comprehensive Income	Deficit	Total Common Shareholders' Equity	Non-Controlling Interest	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	$ --	$ 97,627,839
Issued for cash									
Stock options exercised (Note 17(d))	2,054,535	999,621	--	(404,055)	--	--	595,566	--	595,566
Share-based compensation (Note 17(d))	--	--	--	364,968	--	--	364,968	--	364,968
Unrealized loss on investments (Note 12)	--	--	--	--	(349,330)	--	(349,330)	--	(349,330)
Warrants expired, unexercised (Note 17(e))	--	--	(2,263,787)	2,263,787	--	--	--	--	--
Shark Arrangement (Notes 1, 2 and 17(b))	(201,917,638)	(170,381,189)	--	110,381,189	--	--	(60,000,000)	--	(60,000,000)
Issuance of shares (Note 17(b))	67,305,842	--	--	--	--	--	--	--	--
Currency translation adjustment on foreign operations	--	--	--	--	385,784	--	385,784	--	385,784
Net loss for the period	--	--	--	--	--	(7,369,221)	(7,369,221)	--	(7,369,221)
Balance, September 30, 2013	67,305,842	$ 33,873,666	$ --	$ 145,644,115	$ 108,510	$ (148,370,685)	$ 31,255,606	$ --	$ 31,255,606
Balance, December 31, 2013	67,305,842	$ 33,873,666	$ --	$ 145,644,115	$ 696,424	$ (149,210,776)	$ 31,003,429	$ --	$ 31,003,429
Repurchase of common shares under normal course issuer bid (Note 17(b))	(932,500)	(139,399)	--	--	--	--	(139,399)	--	(139,399)
Shares issued – Tigray acquisition (Notes 7 and 17(b))	35,326,319	4,592,421	--	--	--	--	4,592,421	--	4,592,421
Share-based compensation (Note 17(d))	--	--	--	12,734	--	--	12,734	--	12,734
Stock options – Tigray acquisition (Notes 7 and 17(d))	--	--	--	86,870	--	--	86,870	--	86,870
Warrants issued – Tigray acquisition (Notes 7 and 17(e))	--	--	1,311,421	--	--	--	1,311,421	--	1,311,421
Warrants – Tigray acquisition (Note 7 and 17(e))	--	--	87,280	--	--	--	87,280	--	87,280
Acquisition of Tigray (Note 7)	--	--	--	--	--	--	--	4,299,037	4,299,037
Unrealized loss on investments (Note 12)	--	--	--	--	(461,570)	--	(461,570)	--	(461,570)
Unrealized gain on investments transferred to net loss (Note 12)	--	--	--	--	31,377	--	31,377	--	31,377
Currency translation adjustment on foreign operations	--	--	--	--	676,679	--	676,679	126,451	803,130
Net loss for the period	--	--	--	--	--	(5,006,040)	(5,006,040)	(101,285)	(5,107,325)
Balance, September 30, 2014	101,699,661	$ 38,326,688	$ 1,398,701	$ 145,743,719	$ 942,910	$ (154,216,816)	$ 32,195,202	$ 4,324,203	$ 36,519,405

EAST AFRICA METALS INC.

(an exploration stage company)

Condensed Interim Consolidated Statements of Cash Flows - unaudited

Expressed in Canadian dollars, unless otherwise stated

	Nine months ended September 30, 2014	Nine months ended September 30, 2013
Cash flows provided by (used for) operating activities		
Loss for the period	$ (5,107,325)	$ (7,369,221)
Items not involving cash		
Amortization – administration (Note 13)	131,131	192,629
Amortization – exploration and evaluation (Note 15)	255,756	312,228
Share based compensation – administration (Note 17(d))	12,734	299,274
Share based compensation – exploration evaluation (Note 17(d))	--	65,694
Unrealized foreign exchange gain	(104,517)	(224,568)
Change in fair value of marketable securities and other assets (Note 12)	543,609	(31,623)
Change in fair value of warrants derivative liability (Note 16)	(163,985)	--
Finance income (Note 10)	(229,280)	--
Interest income	(41,322)	(46,788)
Loss on loan receivable	8,859	--
Loss on marketable securities and other assets (Note 12)	38,150	--
Write-off of mineral property interests (Note 14)	4,938	--
Changes in operating assets and liabilities		
Accounts receivable	(651,972)	617,620
Prepaid expenses, deposits, materials and supplies	95,927	441,477
Accounts payable and accrued liabilities	(512,193)	(770,056)
	(5,719,490)	(6,513,334)
Cash flows provided by (used for) investing activities		
Cash received from acquisition of Tigray	294,448	--
Tigray transaction costs (Note 7)	(351,650)	--
Disposal of marketable securities and other assets (Note 12)	175,257	--
Purchase of marketable securities and other assets (Note 12)	--	(1,200,000)
Mineral property interests acquisitions (Note 14)	(153,685)	(335,135)
Purchase of equipment (Note 13)	(42,464)	(29,486)
Redemption of short-term investments	14,795,946	94,365,525
Purchase of short-term investments	(11,657,583)	(56,201,567)
	3,060,269	36,599,337
Cash flows provided by (used for) from financing activities		
Shark Arrangement (Notes 1 and 2)	--	(60,000,000)
Proceeds from exercise of stock options	--	626,593
Repurchase of common shares - normal course issuer bid (Note17(b))	(139,399)	--
Shares and warrants issued for cash, net of share issue costs	--	(31,027)
	(139,399)	(59,404,434)
Effects of exchange rate changes on cash and cash equivalents	61,730	279,241
Decrease in cash and cash equivalents	(2,736,890)	(29,039,190)
Cash and cash equivalents, beginning of period	6,184,190	38,726,984
Cash and cash equivalents, end of period	$ 3,447,300	$ 9,687,794
Non-cash investing and financing activities		
Shark Arrangement (Notes 1 and 2)	$ --	$ 110,381,189
Expiry of warrants (Note 17(e))	--	2,263,787
Tigray Arrangement – common shares (Notes 1 and 7)	4,592,421	--
Tigray Arrangement – warrants (Notes 1 and 7)	1,311,421	--

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

1. Nature of operations, arrangements and spinout transaction

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

The Company was initially a wholly-owned subsidiary of Canaco Resources Inc. ("Canaco") and was formed for the purpose of a spinout of the assets of Canaco which included all the assets and liabilities of Canaco other than $60,000,000 in cash, short-term investments and certain liabilities pursuant to a spinout transaction.

East Africa is a mineral exploration company focused on the identification, acquisition, exploration, and development of base and precious metal resource properties in Ethiopia and Tanzania. The Company's major mineral properties consist of two projects in Ethiopia, the Harvest Project and the Adyabo Project and one project in Tanzania, the Handeni Project.

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 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.

Tigray Arrangement

On May 7, 2014 ("the "Effective Date"), East Africa announced that it had completed the acquisition of all of the issued and outstanding common shares (the "Tigray Shares") of Tigray Resources Inc. ("Tigray"), other than the Tigray Shares already held by East Africa, by way of a plan of arrangement (the "Tigray Arrangement") under the CBCA. Tigray was incorporated on September 23, 2010, under the CBCA. Tigray was formed for the purpose of acquiring Harvest Mining Plc ("Harvest Project") and until June 30, 2011, was a wholly owned subsidiary of Canaco, now Orca Gold Inc. ("Orca"). Tigray is a mineral exploration company focused on the identification, acquisition, exploration, and development of base and precious metal resource properties in Ethiopia. Tigray has two projects in Ethiopia, the Harvest Project and the Adyabo Project. Refer to Note 7 for further details.

Shark Arrangement 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"). In connection with the Shark Arrangement 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.

Immediately prior to the Shark Arrangement 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, certain liabilities and $60,000,000 in cash and short-term investments as defined in the agreement, to East Africa and (b) distributed all of the shares of East Africa to the shareholders of Canaco immediately prior to giving effect to the Shark Arrangement on the basis of one (1) East Africa share for every three (3) pre-Consolidation Canaco shares held by shareholders as at the completion 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, 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, and its related comparatives are the historical results of Canaco. Accordingly in the year-ended June 30, 2013, an adjustment of $110,381,189 from share capital to contributed surplus reflects the share capital of the East Africa 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. The financial statements are expressed in Canadian dollars, unless otherwise stated and where applicable rounded to two decimals points for certain disclosures.

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 unaudited condensed interim consolidated financial statements were approved by the Board of Directors on November 28, 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 estimates and 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 and judgments. 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 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 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 (see Note 14). 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.

(b) Asset acquisitions

The Company has determined that the acquisition of Tigray (see Note 7) was an asset acquisition rather than a business combination. This is considered a significant judgment that could have a material impact on the assets and liabilities recognized. The purchase consideration is allocated to the identifiable assets acquired and liabilities assumed based on their fair values at the date of acquisition. The determination of the fair value requires the management to make assumptions, estimates and judgments regarding future events. The allocation process is inherently subjective and impacts the amounts assigned to individually identifiable assets and liabilities.

4. Significant accounting estimates and judgments (continued)

(c) 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, certain liabilities and $60,000,000 in cash, short-term investments as defined in the agreement, to East Africa and distributed all of the shares of East Africa 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 certain assets, certain liabilities, $60,000,000 in cash and short-term investments, and the management of the Company. As there was no substantive change in the Company, management concluded that the Shark Arrangement 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, and its related comparatives will be the historical results of Canaco.

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")

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")

The final version of IFRS 9 was issued by the IASB in July 2014 and will replace *IAS 39 Financial Instruments: Recognition and Measurement*. IFRS 9 introduces a model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially reformed approach to hedge accounting. The new single, principle based approach for determining the classification of financial assets is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments, which will require more timely recognition of expected credit losses. It also includes changes in respect of credit risk in measuring liabilities elected to be measured at fair value, so that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognized in profit or loss. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, however is available for early adoption. In addition, the credit changes can be early applied in isolation without otherwise changing the accounting for financial instruments. The Company is in the process of assessing the impact of IFRS 9 and has not yet determined when it will adopt the new standard.

Expressed in Canadian dollars, unless otherwise stated

6. IFRSs not yet effective (continued)

(b) *IAS 16 Property, Plant and Equipment* ("IAS 16") and *IAS 38 Intangibles* ("IAS 38")

In May 2014, the IASB issued amendments to IAS 16 and IAS 38. These amendments prohibit the use of revenue-based depreciation methods for property, plant and equipment and limit the use of revenue-based amortization for intangible assets. These amendments are effective for annual periods beginning on or after January 1, 2016 and are to be applied prospectively. These amendments are not anticipated to impact the Company's consolidated financial statements as it does not use revenue-based depreciation or revenue-based amortization.

7. Acquisition of Tigray Resources Inc.

On May 7, 2014, East Africa announced that it had completed the acquisition of all of the Tigray Shares, other than the Tigray Shares already held by East Africa, by way of the Tigray Arrangement. Under the terms of the Tigray Arrangement, East Africa acquired all of the outstanding common shares of Tigray on the basis of 0.55 of an East Africa Share and 0.40 of an East Africa Warrant (the "Exchange Ratio") for each Tigray Share held by Tigray shareholders. Each East Africa warrant will entitle the holder to purchase one common share of East Africa at a price of $0.23 and is exercisable for a period of three (3) years from the Effective Date. Each issued and outstanding Tigray warrant and option will be exercisable as at and after the Effective Date of the Tigray Arrangement to acquire that number of East Africa Shares as is determined based on the Exchange Ratio and the same terms of an East Africa Warrant, in lieu of receiving Tigray Shares. The outstanding Tigray warrants and options will continue to be governed by the same terms and conditions as the original Tigray warrant and option certificate.

For accounting purposes, Tigray is not considered as a business under *IFRS 3 "Business Combinations"* as at the time of the acquisition it is not capable of generating outputs that can provide a return to East Africa. As a result, the Tigray Arrangement has been accounted for as an asset acquisition.

The preliminary allocation of the consideration to the assets and liabilities acquired is as follows:

Allocation of assets and liabilities	
Current assets	$ 521,329
Mineral property interests	14,527,698
Property and equipment	215,939
Current liabilities	(212,713)
Non-controlling interest	(4,299,037)
	$ 10,753,216

The total consideration relating to the Tigray Arrangement is summarized below:

Consideration	
Common shares issued	$ 4,592,421
Warrants issued	1,311,421
Fair value of Tigray stock options assumed	86,870
Fair value of Tigray warrants assumed	87,280
Fair value of warrants derivative liability assumed	169,260
Fair value of Tigray Shares and warrants held	958,667
Loan and interest receivable from Tigray	2,071,893
Fair value of Tigray warrants held in connection with the loan	6,075
Other receivables from Tigray	1,113,054
Transaction costs	356,275
Total consideration	$ 10,753,216

7. Acquisition of Tigray Resources Inc. (continued)

Total consideration of $10,753,216 is comprised of:

a) 35,326,319 East Africa Shares issued with a fair value of $4,592,421 based on the opening price of an East Africa's share on May 7, 2014, at $0.13 per share.

b) 25,691,867 East Africa Warrants issued with a fair value of $1,311,421. The fair value was determined using the Black-Scholes option pricing model based on the following assumptions: expected dividend yield of 0%, expected volatility of 81.81%, risk-free rate of 1.17% and expected life of 3 years.

c) 2,316,600 East Africa Shares and 1,684,800 East Africa Warrants are issuable on exercise of the outstanding stock options of Tigray and 4,998,703 East Africa Shares are issuable on exercise of the outstanding share purchase warrants of Tigray. The outstanding Tigray stock options are accounted for under *IFRS 2 Share-based payments* as the stock options have been modified as a result that they are exercisable at the Exchange Ratio of 0.55 for an East Africa Share and 0.40 for an East Africa Warrant. The fair value of Tigray's outstanding stock options of $86,870 and the fair value of the East Africa Warrants of $87,280, issuable on the exercise of Tigray's outstanding stock options, was determined using the Black-Scholes option pricing model based on the following assumptions: stock option exercise price (post Exchange Ratio) $0.19 and Tigray warrant exercise price (post Exchange Ratio) of $0.23 to $0.73, expected dividend yield of 0%, expected volatility of 48.69% to 86.33%, risk-free rate of 1.05% to 1.17%, and expected life of 0.38 years to 3 years.

d) As part of the acquisition of Tigray, the legal existence of the share purchase warrants was continued; however, the share purchase warrants were modified such that they are exercisable for 0.55 of a common share of East Africa and for 0.40 of a warrant of East Africa. As a result, the modified East Africa Warrants have been recognized as a liability rather than an equity instrument of the consolidated group in these unaudited condensed interim consolidated financial statements on the basis that a Tigray share purchase warrant which is settled in another warrant meets the definition of a financial liability rather than equity instrument under *IAS 32 Financial instruments: presentation*. Accordingly, the modified Tigray share purchase warrants will be measured on a recurring basis at fair value until the earlier of expiry or exercise. Subsequent gains or losses are to be recognized in the consolidated statement of operations.

The financial liability fair value of $169,260, related to the 3,635,420 East Africa Warrants, was determined using the Black-Scholes option pricing model based on the following assumptions: exercise price of $0.23, expected dividend yield of 0%, expected volatility of 84.89% to 89.33%, risk-free rate of 1.07% to 1.17% and expected life of 2.05 years to 2.62 years.

e) On April 19, 2013, the Company acquired 8,000,000 shares and 4,000,000 share purchase warrants of Tigray (see Note 12). Each warrant allows the holder to purchase one common share of Tigray at an exercise price of $0.20 until April 19, 2015. The shares were valued at $800,000 based on the closing price immediately before the completion of the Tigray Arrangement. The 4,000,000 share purchase warrants were voluntarily cancelled and were fair valued immediately before completion of the Tigray Arrangement at $158,667 using the Black-Scholes option pricing model based on the following assumptions: expected dividend yield of 0%, expected volatility of 155.39%, risk-free rate of 1.05% and expected life of 0.95 years.

f) On December 4, 2013, the Company granted a loan of $2,000,000 to Tigray due and payable in full on June 3, 2014 (see Note 10). The loan bore an interest rate of 12% per annum, calculated and compounded quarterly. In connection with the loan, Tigray issued 8,000,000 share purchase warrants to East Africa, with each share purchase warrant exercisable at a price of $0.15 at any time prior to June 3, 2014, the maturity date of the loan ("Maturity Date"). The carrying loan payable and interest accrual carrying amounts of $2,071,893 on the closing of the Tigray Arrangement were recorded as part of the consideration. The 8,000,000 share purchase warrants were voluntarily cancelled and were fair valued immediately before completion of the Tigray Arrangement at $6,075 using the Black-Scholes option pricing model based on the following assumptions: expected dividend yield of 0%, expected volatility of 92.47%, risk-free rate of 1.05% and expected life of 0.08 years.

g) $1,113,054 payable to East Africa for exploration related costs and administrative expenses paid on behalf of Tigray.

h) Transaction costs of $356,275 have been included as part of the consideration.

Expressed in Canadian dollars, unless otherwise stated

8. Cash and cash equivalents

	September 30, 2014	December 31, 2013
Cash	$ 3,447,300	$ 5,038,803
Cash equivalents	--	1,145,387
	$ 3,447,300	$ 6,184,190

9. 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 (see Note 22).

	September 30, 2014	December 31, 2013
Insurance receivable and tax receivables	$ 1,112,249	$ 1,018,562
Related parties and other receivables	248,565	891,706
	$ 1,360,814	$ 1,910,268

10. Loan receivable

On December 3, 2013, the Company entered into a $2,000,000 loan agreement with Tigray. The loan was due and payable in full on the Maturity Date, subject to a six-month extension period ("Extension Period"). The loan was 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 bore an interest at a rate of 12% per annum, calculated and compounded quarterly, and was 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 was to 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 was to occur within 30 days after the reduction or paying out of the loan.

The grant date fair value of the warrants was estimated at $237,449 using the Black-Scholes option pricing model 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 were being recognized as income over the term of the loan.

As part of the consideration of the Tigray Arrangement (see Note 7), the fair value of the loan receivable and interest accrual of $2,071,893 (December 31, 2013 – $1,842,613) and the fair value of the warrants of $6,075 (December 31, 2013 – $394,705) was estimated respectively on May 7, 2014. The warrants were fair valued using the Black-Scholes option pricing model with the following assumptions: expected dividend yield 0%, expected volatility 92.47%, risk free interest rate 1.05% and an expected life of 0.08 years. The fair value loss of $388,630 for the share purchase warrants ("other assets") for the period ended prior to the completion of the Tigray Arrangement (September 30, 2013 – $Nil) was recorded through the consolidated statements of operations. The warrants were voluntarily cancelled upon the completion of the Tigray Arrangement.

	Carrying Value
As at December 31, 2013	$ 1,842,613
Finance (accretion) income	229,280
Acquisition of Tigray	(2,071,893)
As at September 30, 2014	$ --

Expressed in Canadian dollars, unless otherwise stated

11. Accounts payable and accrued liabilities

	September 30, 2014	December 31, 2013
Trade payables	$ 292,900	$ 558,641
Accrued liabilities	200,643	227,899
	$ 493,543	$ 786,540

12. 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
Acquisition of Tigray (Note 7)	--	--	(8,000,000)	(800,000)	(800,000)
Disposals	(4,045,000)	(182,030)	--	--	(182,030)
Change in fair value	--	(141,570)	--	(320,000)	(461,570)
As at September 30, 2014	--	--	--	--	--
Other assets (warrants)					
As at December 31, 2013	--	--	12,000,000	708,351	708,351
Acquisition of Tigray (Note 7)	--	--	(12,000,000)	(164,742)	(164,742)
Change in fair value	--	--	--	(543,609)	(543,609)
As at September 30, 2014	--	--	--	--	--
Marketable securities and other assets					
As at September 30, 2014	--	$ --	--	$ --	$ --
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
Additions	--	--	8,000,000	1,013,407	1,013,407
Change in fair value	--	(135,923)	--	(213,407)	(349,330)
As at September 30, 2013	4,250,000	276,250	8,000,000	800,000	1,076,250
Other assets (warrants)					
As at December 31, 2012	--	--	--	--	--
Additions	--	--	4,000,000	186,593	186,593
Change in fair value	--	--	--	31,623	31,623
As at September 30, 2013	--	--	4,000,000	218,216	218,216
Marketable securities and other assets					
As at September 30, 2013	4,250,000	$ 276,250	12,000,000	$ 1,018,216	$ 1,294,466
As at December 31, 2012	3,612,500	$ 361,250	--	$ --	$ 361,250

12. Marketable securities and other assets (continued)

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 nine months ended September 30, 2014, an unrealized marked to market loss of $141,570 (September 30, 2013 – loss of $135,923) was recorded in other comprehensive income. For the nine months ended September 30, 2014, the Company sold 4,045,000 Candente Gold's common shares for total proceeds of $182,030 before commission of $6,773. These common shares were recorded at a nominal value when issued. Revaluation gains previously included in accumulated other comprehensive income in the amount of $182,030 before commission was transferred to the consolidated statements of operations as loss on sale of marketable securities.

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. In the nine months ended September 30, 2013, the Company has reclassified the remaining 637,500 common shares such all common shares were released from escrow.

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 comprised of 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 (see Note 10). 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 (see Note 10), was discounted to the loan and recognized as income over the term of the loan.

As part of the consideration of the Tigray Arrangement (see Note 7(e)), the Company's investment in 8,000,000 common shares of Tigray was valued at $800,000 based on the close price of a Tigray share on May 7, 2014. The revaluation loss previously included in accumulated other comprehensive income in the amount of $213,407 was transferred to the consolidated statements of operations as loss on marketable securities.

As part of the consideration of the Tigray Arrangement (see Notes 7(e) and (f)), the 12,000,000 share purchase warrants were voluntarily cancelled and was fair valued at $164,742 on May 7, 2014, using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%, expected volatility of 92.47% to 155.39%, risk free interest rate of 1.05% and an expected life of 0.08 years to 0.95 years (December 31, 2013 – expected dividend yield 0%, expected volatility 149.90% to 167.20%, risk free interest rate 1.06% to 1.10% and an expected life of 0.42 years to 1.30 years).

For the period ended prior to the completion of the Tigray Arrangement, an unrealized marked to market loss of $320,000 (September 30, 2013 – loss of $213,407) for the 8,000,000 common shares held was recorded in other comprehensive income. For the period ended prior to the completion of the Tigray Arrangement, there was a change in fair value of share purchase warrants of $154,979 (September 30, 2013 – increase of $31,623) for the 4,000,000 share purchase warrants related to Tigray equity placement and a change in fair value of share purchase warrants of $388,630 (September 30, 2013 - $Nil) related to the 8,000,000 share purchase warrants received in relation to the loan to Tigray (see Note 10). As a result, a total change in fair value of $543,609 (September 30, 2013 – increase of $31,623) for the 12,000,000 share purchase warrants (September 30, 2013 – 4,000,000 share purchase warrants) was included in the consolidated statements of operations.

Expressed in Canadian dollars, unless otherwise stated

13. 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
Acquisition of Tigray (Note 7)	38,206	166,959	10,774	--	215,939
Additions	--	41,626	838	--	42,464
Foreign exchange	88,522	31,269	4,676	4,281	128,748
As at September 30, 2014	$ 1,738,628	$ 1,041,623	$ 456,237	$ 361,373	$ 3,597,861

	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	--	39,640	32,269	59,222	131,131
Exploration amortization	155,624	85,568	10,781	3,783	255,756
Foreign exchange	30,332	18,457	4,275	4,175	57,239
As at September 30, 2014	$ 688,254	$ 586,894	$ 436,247	$ 360,899	$ 2,072,294

Net book value					
As at September 30, 2014	$ 1,050,374	$ 454,729	$ 19,990	$ 474	$ 1,525,567
As at December 31, 2013	1,109,602	358,540	51,027	63,373	1,582,542

	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	16,629	15	12,842	--	29,486
Disposals	--	(951)	(6,924)	--	(7,875)
Foreign exchange	58,885	28,281	2,072	2,199	91,437
As at September 30, 2013	$ 1,560,300	$ 786,149	$ 437,374	$ 354,565	$ 3,138,388

	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	--	41,184	92,210	59,235	192,629
Disposals	--	(301)	(4,134)	--	(4,435)
Exploration amortization	164,794	98,223	17,999	31,212	312,228
Foreign exchange	(10,184)	(20,328)	2,010	90	(28,412)
As at September 30, 2013	$ 439,111	$ 398,207	$ 362,682	$ 264,286	$ 1,464,286

Net book value					
As at September 30, 2013	$ 1,121,189	$ 387,942	$ 74,692	$ 90,279	$ 1,674,102
As at December 31, 2012	1,200,285	479,375	174,787	178,617	2,033,064

Expressed in Canadian dollars, unless otherwise stated

14. Mineral property interests

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

	Tanzania, Handeni properties	Tanzania, other properties	Harvest Project	Adyabo Project	Total
Acquisition costs					
As at December 31, 2013	$ 2,815,705	$ 3,295,454	$ --	$ --	$ 6,111,159
Property payments	23,840	129,170	675	--	153,685
Acquisition of Tigray (Note 7)	--	--	14,163,673	364,025	14,527,698
Impairment	--	(4,938)	--	--	(4,938)
Foreign exchange	115,535	175,889	417,942	10,404	719,770
As at September 30, 2014	$ 2,955,080	$ 3,595,575	$ 14,582,290	$ 374,429	$ 21,507,374

	Tanzania, Handeni properties	Tanzania, other properties	Harvest Project	Adyabo Project	Total
Acquisition costs					
As at December 31, 2012	$ 2,541,761	$ 2,847,652	$ --	$ --	$ 5,389,413
Property payments	51,573	283,562	--	--	335,135
Foreign exchange	96,690	82,466	--	--	179,156
As at September 30, 2013	$ 2,690,024	$ 3,213,680	$ --	$ --	$ 5,903,704

Tanzania – Handeni properties

The Handeni 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"). Subsequent to September 30, 2014, the Company had finalized and received its Mining Licence for the Handeni property.

As at September 30, 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.

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) above. 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).

Tanzania – Other properties

The Company's "Other properties" consists of five non-contiguous claims. The properties are located in the Handeni district, Tanga Region of Tanzania. For the nine months ended September 30, 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.

Expressed in Canadian dollars, unless otherwise stated

14. Mineral property interests (continued)

Harvest Project

The Harvest Project in Ethiopia consists of four exploration concessions. The four concessions are known as Nefasit, Hamlo, Terakimti, and Igub. The Company has a 70% interest in the Harvest Project with the remaining 30% held with Ezana Mining Development ("Ezana"), an Ethiopian company. The non-controlling interest is carried at 30% until the completion of the feasibility study. The Company is responsible for all exploration costs until completion of a feasibility study. Subsequent to the completion of a feasibility study any approved contributions by the Company for which Ezana elects not to contribute or elects to contribute less than its equity interest could increase the Company's interest.

Adyabo Project

As at November 30, 2013, prior to the Tigray Arrangement, Tigray completed the first phase of the option agreement under which it may acquire up to an undivided 80% interest in the Adyabo Project in two phases. The Adyabo Project consists of two exploration concessions, West Shire and Adi Dairo, located in the Tigray National Regional State of Ethiopia. The first phase will allow Tigray to earn a 55% interest in the properties in exchange for payment of $300,000 in cash (paid) and the issuance of 300,000 common shares (issued) of Tigray on the Effective Date of the transaction, which was November 1, 2012, and a second payment of $300,000 (paid) and the issuance of 300,000 common shares (issued) of Tigray on November 1, 2013.

Subsequent to the Tigray Arrangement, the second phase will allow the Company to earn an additional 25% in exchange for (a) payment of $300,000 (see Note 22(b)) in cash and the issuance of an additional 550,000 East Africa Shares (see Note 22(b)) and 400,000 East Africa Warrants (see Note 22(b)) by November 1, 2014; and (b) the issuance of an additional 550,000 East Africa Shares and 400,000 East Africa Warrants by November 1, 2015. On receipt of a positive feasibility study, the Company shall issue 550,000 East Africa Shares and 400,000 East Africa Warrants to the optionor, and on commencement of commercial production, the Company shall issue 275,000 East Africa Shares and 200,000 East Africa Warrants to the optionor. The optionor may elect to convert the remaining 20% interest into a 2.0% net smelter royalty ("NSR"), and the Company will have the option to buy back 1.0% of the NSR for a cash payment of $5,000,000.

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

As a result of the Tigray Arrangement, East Africa acquired the Harvest and Adyabo Projects (see Notes 1 and 7). For the period ended September 30, 2014, the exploration expenditure related for the Harvest and Adyabo Projects is from May 7, 2014 onwards. Details of the Company's exploration expenditure are as follows:

	Tanzania, Handeni Properties	Tanzania other properties	Harvest Project	Adyabo Project	Three months ended September30, 2014	Nine months ended September 30, 2014
Exploration expenditure						
Amortization	$ 75,164	$ --	$ 7,668	$ 3,523	$ 86,355	$ 255,756
Camp and administration costs	237,346	767	37,425	188,996	464,534	1,103,560
Drilling	--	--	41,272	321,410	362,682	898,350
Geochemistry	2,988	--	89,876	50,717	143,581	161,006
Geology	1,346	--	73,626	120,202	195,174	303,598
Geophysics	--	--	--	700	700	700
Project management and consulting	11,437	--	--	--	11,437	34,474
Technical services	50,571	2,643	32,245	40,003	125,462	339,249
Total for the period	378,852	3,410	282,112	725,551	1,389,925	3,096,693
Cumulative exploration expenditure as at September 30, 2014						68,880,925
Cumulative exploration expenditure as at December 31, 2013						$ 65,784,232

Expressed in Canadian dollars, unless otherwise stated

15. Exploration expenditure (continued)

	Tanzania, Handeni Properties	Tanzania other properties	Three months ended September 30, 2013	Nine months ended September30, 2013
Exploration expenditure				
Amortization	$ 79,865	$ --	$ 79,865	$ 312,228
Camp and administration costs	291,193	43,232	334,425	1,003,831
Drilling	--	--	--	46,475
Geochemistry	1,628	34,785	36,413	307,360
Geology	6,888	1,345	8,233	87,773
Project development	12,255	--	12,255	61,084
Project management and consulting	10,902	--	10,902	155,308
Share-based compensation	65,694	--	65,694	65,694
Technical services	45,691	86,016	131,707	378,466
Total for the period	514,116	165,378	679,494	2,418,219
Cumulative exploration expenditure as at September 30, 2013				65,082,955
Cumulative exploration expenditure as at December 31, 2012				$ 62,664,736

16. Warrants derivative liability

As part of the consideration for Tigray (see Note 7 (d)), the Company reserved 3,635,420 warrants issuable on exercise of warrants of Tigray. On May 7, 2014, the fair value of the warrants was estimated at $169,260.

For the period ended September 30, 2014, 5,018,550 Tigray warrants that on exercise would be exchanged for 2,007,420 East Africa Warrants based on the Exchange Ratio expired unexercised. The liability of $98,067 determined upon the acquisition of Tigray was derecognized from the consolidated balance sheets and accounted for as a change in fair value on the consolidated statements of operations.

As at September 30, 2014, the number of East Africa Warrants reserved was reduced to 1,628,000 (see Note 17(e)) and revalued at $5,275 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 50.86%; risk free interest rate of 1.12% and expected life of 1.65 years. The change in fair value of $65,918 was recorded through the consolidated statements of operations.

The Company recognized a total change in fair value of $163,985 during the nine months ended September 30, 2014.

	Carrying Value
As at December 31, 2013	$ --
Acquisition of Tigray	169,260
Change in fair value	(163,985)
As at September 30, 2014	$ 5,275

17. Share capital

As at September 30, 2014, the Company's share capital consisted of the following:

(a) Authorized: Unlimited common shares without par value

(b) Issued and outstanding: 101,699,661 (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 nine months ended September 30, 2014, the Company purchased and cancelled 932,500 common shares at an average price of approximately $0.147, totaled $139,399 (including transaction costs).

On May 7, 2014, the Company issued 35,326,319 common shares at a fair value of $4,592,421 as part of the acquisition of Tigray (see Note 7).

Expressed in Canadian dollars, unless otherwise stated

17. Share capital (continued)

On April 4, 2013, as a result of the Shark Arrangement (see Note 1), Canaco's outstanding shares of 201,917,638 were assigned to Orca. Immediately prior to the Shark Arrangement, on the basis of one (1) East Africa 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 the Company's loss per share for the period ending September 30, 2013, was calculated using 66,830,772 weighted average number of common shares. The recalculated loss per share for the nine months ended September 30, 2013, was ($0.11).

(c) Escrowed shares

As at September 30, 2014, 675,045 (December 31, 2013 – 507,553) common shares are held in escrow. In connection with the acquisition of Tigray (see Note 7), 167,492 common shares are held in escrow based on the Exchange Ratio and the number of outstanding Tigray escrow shares of 304,530, immediately prior to the Effective Date. The release of these shares is based on the future exploration expenditure, discovery of an ore deposit and achieving commercial mineral production.

(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.

Details of stock option activity during the nine months ended September 30, 2014, and September 30, 2013, are as follows:

	Number of options outstanding	Weighted average exercise price
Balance, December 31, 2013	5,000,000	$ 0.14
Granted	150,000	0.14
Expired and forfeited	(250,000)	0.14
Outstanding and exercisable, September 30, 2014	4,900,000	$ 0.14

	Number of options outstanding	Weighted average exercise price
Balance, December 31, 2012	18,799,535	$ 2.19
Granted	5,000,000	0.14
Exercised	(2,054,535)	0.29
Expired and forfeited	(2,300,000)	2.80
Shark Arrangement	(14,445,000)	2.36
Outstanding and exercisable, September 30, 2013	5,000,000	$ 0.14

During the nine months ended September 30, 2014, the Company granted 150,000 stock options to an employee (September 30, 2013 – 5,000,000) with a fair value of $12,734 (September 30, 2013 – $364,968), which was expensed as share-based compensation. Each stock option is exercisable to acquire one common share at a price of $0.14 and expire on May 16, 2019. The fair value of the 5,000,000 stock options granted during the nine months ended September 30, 2013, totaled $364,968, of which $299,274 were recorded as share-based compensation and $65,694 (Note 15) was recognized as share-based compensation within exploration expenditure.

Expressed in Canadian dollars, unless otherwise stated

17. Share capital (continued)

(d) Share-based compensation (continued)

These options were valued using the Black-Scholes model based on the following assumptions:

	2014	2013
Expected life	4.74 years	2.31 years
Volatility	98.26%	96.00%
Dividend yield	--	--
Risk free rate	1.37%	1.20%

Pursuant to the Tigray Arrangement, all Tigray outstanding stock options at the Effective date will be exercisable to acquire that number of East Africa Shares and East Africa Warrants as is determined based on the Exchange Ratio, in lieu of receiving Tigray Shares, but will otherwise continue to be governed by the same terms and conditions as the original Tigray stock option certificate. The fair value of Tigray outstanding stock options of $86,870 (see Note 7(c)) was estimated using the Black-Scholes option pricing model with the following assumptions: exercise price (post Exchange Ratio) of $0.19, expected dividend yield of 0%, expected volatility of 86.33%, risk-free rate of 1.05% and an expected life of 1.59 years.

As at September 30, 2014, there were 3,850,000 Tigray stock options outstanding that on exercise would be exchanged for 2,117,500 East Africa Shares and 1,540,000 East Africa Warrants (see Note 17(e)).

As a result of the Shark Arrangement (see Note 1), the outstanding 14,445,000 stock options as at April 4, 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.

The following table summarizes information about the stock options exercisable at September 30, 2014:

Options exercisable at September 30, 2014	Weighted average exercise price	Weighted average remaining contractual life	Expiry date
4,750,000	$ 0.14	3.89 years	August 19, 2018
150,000	0.14	4.63 years	May 16, 2019
4,900,000	$ 0.14	3.91 years	

Option pricing models require the input of subjective assumptions including the expected volatility. The expected volatility is based on the historical volatility of the Company's common shares. Changes in the subjective input assumptions can materially affect the fair value estimate.

(e) Share-purchase warrants

Details of share-purchase warrants activity during the nine months ended September 30, 2014, and September 30, 2013, are as follows:

	Number of warrants outstanding	Weighted average exercise price
Balance, December 31, 2013	--	$ --
Issued on acquisition of Tigray (Note 7)	25,691,867	0.23
Outstanding and exercisable, September 30, 2014	25,691,867	$ 0.23

	Number of warrants outstanding	Weighted average exercise price
Balance, December 31, 2012	897,465	$ 5.21
Expired	(897,465)	5.21
Outstanding and exercisable, September 30, 2013	--	$ --

Expressed in Canadian dollars, unless otherwise stated

17. Share capital (continued)

(e) Share-purchase warrants (continued)

Pursuant to the Tigray Arrangement (see Note 7), the Company has issued 25,691,867 warrants based on the Exchange Ratio and the number of outstanding shares immediately prior to the Effective Date. The fair value of $1,311,421 was estimated using the Black-Scholes option pricing model with the following assumptions: exercise price of $0.23, expected dividend yield of 0%, expected volatility of 81.81%, risk-free rate of 1.17% and an expected life of 3 years. In addition, all Tigray outstanding warrants at the Effective Date will be exercisable to acquire that number of East Africa Shares and East Africa Warrants as is determined based on the Exchange Ratio, in lieu of receiving Tigray Shares, but will otherwise continue to be governed by the same terms and conditions as the original Tigray warrant certificate. The fair value of East Africa Warrants in connection with outstanding Tigray warrants and stock options of $87,280 was estimated using the Black-Scholes option pricing model with the following assumptions: exercise price (post Exchange Ratio) of $0.23 to $0.73, dividend yield of 0%, expected volatility of 48.69% to 81.81%, risk-free rate of 1.05% to 1.17% and an expected life of 0.38 years to 3.00 years.

As at September 30, 2014, there were 4,070,000 Tigray warrants outstanding that on exercise would be exchanged for 2,238,500 East Africa Shares and 1,628,000 East Africa Warrants. In addition, there are 1,540,000 East Africa Warrants that can be issued on the exercise of 3,850,000 outstanding Tigray Stock options.

For the nine months ended September 30, 2013, 897,465 warrants valued at $2,263,787 expired unexercised.

The following table summarizes information about the warrants exercisable at September 30, 2014:

Warrants exercisable at September 30, 2014	**Weighted average exercise price**	**Weighted average remaining contractual life**	**Expiry date**
25,691,867	$ 0.23	2.60 years	May 7, 2017

18. Related party transactions

(a) Related parties

	Three months ended September 30, 2014	**2013**	**Nine months ended September 30, 2014**	**2013**
Services rendered and expenses incurred (vii):				
Services and related expenses (i)	$ 51,051	$ 143,599	$ 555,749	$ 429,389
Management fees (ii)	77,500	52,375	204,167	1,038,125
Loan interest income (v)	--	--	(229,280)	--
Geological services (vi)	23,460	--	40,620	--

	September 30, 2014	**December 31, 2013**
Balances receivable from (vii):		
Reimbursement of shared costs (iii)	$ 175,157	$ 755,926
Loan and interest receivable (v)	--	2,018,065
	175,157	2,773,991
Balances payable to (vii):		
Services rendered (i)	(38,460)	(144,971)
Directors and officers (iv)	(56,381)	(30,469)
	$ (94,841)	$ (175,440)

Expressed in Canadian dollars, unless otherwise stated

18. Related party transactions (continued)

Related parties:

(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 and an officer 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 10 for the fair value balances and further details. The loan was included as part of the consideration for the acquisition of Tigray completed on May 7, 2014 (see Note 7).

(vi) Fees are paid to a related company for geological services. The related company and the Company have directors in common.

(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 balances 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 September 30, 2014	Three months ended September 30, 2013	Nine months ended September 30, 2014	Nine months ended September 30, 2013
Directors fees, key management personnel salaries and short-term benefits	$ 65,316	$ 145,030	$ 231,063	$ 966,483
Share-based compensation	--	244,529	--	244,529
	$ 65,316	$ 389,559	$ 231,063	$ 1,211,012

19. 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, accounts receivable, warrants derivative liability and accounts payables and accrued liabilities are representative of their respective fair values due to the short-term nature of these instruments. As at September 30, 2014, the classifications of the financial instruments are shown in the table below:

	Loans and receivables	Other financial liabilities	Total carrying value
As at September 30, 2014			
Cash	$ 3,447,300	$ --	$ 3,447,300
Short-term investments	8,740,650	--	8,740,650
Accounts receivable	1,021,735	--	1,021,735
Accounts payable and accrued liabilities	--	(493,543)	(493,543)
Warrants derivative liability	--	(5,275)	(5,275)
	$ 13,209,685	$ (498,818)	$ 12,710,867

Expressed in Canadian dollars, unless otherwise stated

19. Financial instruments (continued)

Fair values

The Company's financial assets and liabilities are classified based on the lowest level of input significant to the fair value measurement based on the fair value hierarchy:

Level 1 – quoted prices in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 – inputs for the asset or liability that are not based on observable market data.

The fair values of the Company's financial instruments measured as at September 30, 2014, and December 31, 2013, constitute Level 1 and 2 for marketable securities and other assets (share purchase warrants) and warrants derivative liability (refer to Notes 12 and 16 respectively for inputs used).

	Level 1	Level 2	Level 3	Total
As at September 30, 2014				
Warrants derivative liability	$ --	$ (5,275)	$ --	$ (5,275)
	$ --	$ (5,275)	$ --	$ (5,275)

	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

20. 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	Ethiopia	Total
For the three months ended September 30, 2014				
Net loss for the period	$ 394,755	$ 397,087	$ 1,007,871	$ 1,799,713
For the nine months ended September 30, 2014				
Net loss for the period	1,988,840	1,280,430	1,838,055	5,107,325
As at September 30, 2014				
Total liabilities	(303,928)	(189,587)	(5,303)	(498,818)
Total non-current assets	677,353	7,160,041	15,195,547	23,032,941
Total assets	13,942,560	7,541,430	15,534,233	37,018,223

	Canada	Tanzania	Ethiopia	Total
For the three months ended September 30, 2013				
Net loss for the period	$ 897,154	$ 610,684	$ --	$ 1,507,838
For the nine months ended September 30, 2013				
Net loss for the period	5,015,373	2,353,848	--	7,369,221
As at September 30, 2013				
Total liabilities	(535,986)	(411,431)	--	(947,417)
Total non-current assets	863,594	6,714,212	--	7,577,806
Total assets	25,071,785	7,131,238	--	32,203,023

21. Commitments

On June 18, 2014, the Company extended the agreement with a third party drilling company for a further minimum drilling meterage of 6,000 meters at a rate of $125 per meter not including consumables and other fees, during the period from July 1, 2014 to June 30, 2015.

22. Subsequent Events

(a) Subsequent to September 30, 2014, the Company received $767,403 insurance proceeds related to the recovery of the British Columbia Securities Commission hearing costs (see Note 9).

(b) Subsequent to September 30, 2014, the Company paid $300,000 and issued 550,000 East Africa Shares at a price of $0.08 per share and 400,000 East Africa Warrants pursuant to the second phase of the Adyabo Project option agreement (see Note 14).

(c) Subsequent to September 30, 2014, the Company signed a five (5) year lease for office premises. The monthly lease payment and building operating costs before estimated rent recoveries is approximately $24,000.

(d) Subsequent to September 30, 2014, the Company retained two contractors to provide investor relations services for the European and North American markets. As part of the consideration for their services the Company granted 500,000 stock options to each contractor. The options are exercisable at a price of $0.135 per share, have an expiry date of October 6, 2016 and vest as to 25% after three months from the grant date and 25% every three months thereafter until fully vested.

(e) On October 10, 2014, the Company entered into an agreement with a third party drilling company for a reverse circulation drilling meterage of 4,000 meters at a rate in the range between US$69 per meter and US$72 per meter not including consumables and other fees, during the period from November 20, 2014 to January 31, 2015.