EAST AFRICA METALS INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED

DECEMBER 31, 2015

This Management's Discussion and Analysis ("MD&A") provides a review of the performance of the operations of East Africa Metals Inc. (collectively, with its subsidiaries, "East Africa" or the "Company") for the year ended December 31, 2015 ("Fiscal 2015"), compared to the year ended December 31, 2014 ("Fiscal 2014"). The MD&A has been prepared on the basis of available information up to April 28, 2016, and should be read in conjunction with the Company's audited consolidated financial statements ("Financial Statements") for the year ended December 31, 2015, and the corresponding notes to the Financial Statements which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). These documents are available on SEDAR at www.sedar.com. All dollar amounts are expressed in Canadian dollars except where indicated otherwise.

Cautionary Statement Regarding Forward-Looking Information

This MD&A may contain certain forward-looking statements concerning anticipated development in the Company's operations in future periods, "forward-looking information," within the meaning of applicable Canadian securities legislation. The forward-looking statements are set forth 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: the negotiation of a Tanzanian Definitive Agreement reflecting the conditions, terms and timing outlined herein; delays with respect to required payments and regulatory approvals; results of the due diligence review; recoverability of Tanzanian VAT receivable; early exploration; the ability of East Africa to identify any other corporate opportunities for the Company; the possibility that the Company may not be able to generate sufficient cash to service its planned operations and may be force to take other options; the risk the Company may not be able to continue as a going concern; the possibility the Company will require additional financing to develop the Harvest Project into a mining operation; the risks associated with obtaining necessary licences or permits including and not limited to Ethiopian Government approval of any future mining licence applications for the Company's Ethiopian Projects; risks associated with mineral exploration and development; metal and mineral prices; availability of capital; accuracy of the Company's projections and estimates, including the initial and any updates to the mineral resource for the Adyabo, Harvest and Magambazi Projects; 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; foreign taxation risks; 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, as well as those risk factors set out in the Company's listing application dated July 8, 2013, and Tigray's Management Information Circular dated March 28, 2014. 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 any 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 successful integration of Tigray's business with the Company; 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 to do so. Accordingly, readers should not place undue reliance on forward-looking information contained herein, except in accordance with applicable securities laws.

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INTRODUCTION

East Africa 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 700, 1055 W. Georgia 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".

KEY OPERATING HIGHLIGHTS

- The Company released its final assays results from the completion of the reverse circulation ("RC") drill program at the Terakimti volcanogenic massive sulphide ("VMS") deposit on the Harvest Project and first pass exploration drill targets. Highlights from resource drilling include:
    - 20.0 metres grading 8.92 grams per tonne gold and 24.3 grams per tonne silver, from 24.0 metres drill depth (TRC085A);
    - 14.0 metres grading 5.29 grams per tonne gold and 169.7 grams per tonne silver, from 33.0 metres drill depth(TRC095); and
    - 22.0 metres grading 7.34 grams per tonne gold and 1.3 grams per tonne silver, from surface (TRC109).
- The Company released its update on the Terakimti Oxide Resource following the completion of the RC drill program. Highlights from the Oxide Resource update include:
    - The near surface oxide portion of the Terakimti VMS deposit hosts an updated Oxide Indicated Resource of 1,110,000 tonnes grading 3.20 grams per tonne gold and 23.6 grams per tonne silver and an Inferred Resource of 15,000 tonnes grading 1.94 grams per tonne gold and 13.5 grams per tonne silver. Updated Oxide Indicated Resource contained metal includes 114,000 ounces gold and 841,000 ounces silver.
    - Oxide Indicated Resource ounces have increased for gold and silver by 375% and 758% respectively, as a result primarily of conversion of existing Inferred Resources, and the identification of additional zones of mineralization from detailed Oxide drilling;
    - Oxide Indicated Resource grades for gold and silver have increased by 25% and 125% respectively;
    - Tabulation of cutoff grades suggests that the Oxide Indicated Resource estimate is not sensitive to changes in cut-off grade.
    - Refer to "Harvest Project – Ethiopia" section for further details.
- On January 11, 2016 and March 22, 2016, East Africa release diamond drill results for resource infill drilling at the Adyabo Project, targeting the Mato Bula Silica Hill and Da Tambuk sections of the resource. Highlight intersections include:
    - 19.50 metres at 21.67 grams per tonne gold including 8.6 metres at 46.81 grams per tonne gold, from 103.35 metres drill depth (WMD050 - Section 19920N at Mato Bula Silica Hill); and
    - 8.14 metres at 26.84 grams per tonne gold including 4.14 metres at 52.42 grams per tonne gold, from 83.40 metres drill depth (ADD020 - Section 23640N at Da Tambuk).
- On June 10, 2015, East Africa signed a binding letter agreement ("Magambazi LOI") with an arm's length private exploration and development company (the "Developer") with management based in the United Kingdom and Tanzania, to acquire and develop East Africa's Magambazi Project in Tanzania. On December 4, 2015, the Company further extended the effective date to February 29, 2016 including the requirement for a US$100,000 non-refundable deposit. On March 5, 2016, (the "Tanzanian Effective Date") the Company completed the execution of the Definitive Agreement and the Gold Purchase Agreement with the Developer.
    - Under the term of the Definitive and Gold Purchase Agreements among other things the Developer is to pay East Africa US$2,000,000 in cash for a 100% interest in the Handeni property and other assets (together the "Tanzanian Assets") and convey to East Africa the right to acquire a gold stream equal to 30% of the life of mine gold production from all of the Tanzanian Assets;
    - For further information please refer to "Proposed Transaction".

OUTLOOK

As of the date of this MD&A, the Company's focus is on advancing the Ethiopian Projects. This includes management focusing on the work required to obtain a mining licence for the Terakimti Oxide Resource. In parallel, the Company has commenced discussions with a number of interested parties to provide the funding, and not limited to, for the development of the Terakimti Oxide Resource, on the receipt of mining licence, through financing sources including and not limited to sale of non-strategic assets, debt finance, streaming contracts and/or equity placements. East Africa will continue to advance the Adyabo Project through resource upgrading and more advanced testwork which is expected to commence during Q2 2016. The Company has released initial mineral resource estimates on each of its exploration projects at Harvest, Adyabo and Magambazi.

For the year ended December 31, 2015, the Company had incurred a net loss attributable to shareholders totaling \$8,050,740 (Fiscal 2014 – \$10,441,622) and as at December 31, 2015, had an accumulated deficit of \$167,703,138 (December 31, 2014 – \$159,652,398) and working capital surplus of \$2,025,317 (December 31, 2014 - \$10,341,491).

Based on the Company's financial position as at December 31, 2015, the available funds are not considered adequate to meet requirements for the estimated operations, exploration and development expenditures in the coming twelve-month period. These requirements may be adversely impacted by: a lack of normal available financing, obtaining a mining licence for the Harvest Project and continued uncertainty in the Exchange and commodity markets. To address its financing requirements, the Company will seek financing through and not limited to sale of non-strategic assets, debt financing, gold streaming contracts, equity financing and optioning its mineral properties. However, there is no assurance that such financing will be available. This uncertainty casts significant doubt upon the Company's ability to continue as a going concern. If the going concern assumption were not appropriate for the Financial Statements, then adjustments would be necessary to the carrying values of assets, liabilities, the reported income and expenses and the consolidated balance sheets classifications used. Such adjustments could be material.

The outcome of these measures cannot be predicted at this time and Management's ability to complete these measures will depend on market conditions and its ability to identify and secure financing. The Company's Board of Directors has approved pursuing these measures. Refer to the "Liquidity" section for further details.

PROPOSED TRANSACTION

On June 10, 2015, East Africa signed a binding agreement ("Definitive Agreement") with an arm's length private exploration and development company (the "Developer") with management based in the United Kingdom and Tanzania, to acquire and develop East Africa's Handeni properties and Other Properties in Tanzania. On October 16, 2015, the Company extended the Tanzanian effective date of the Definitive Agreement, including the receipt of the initial payment, to November 30, 2015. On December 4, 2015, the Company further extended the effective date to February 29, 2016 including the requirement for a US\$100,000 (CAD\$133,000) non-refundable deposit (received). Subsequent to the year-end, on March 5, 2016, (the "Tanzanian Effective Date") the Company completed the execution of the Definitive Agreement and the Gold Purchase Agreement with the Developer.

Under the terms of the agreements, the Developer will:

(a) pay East Africa US\$2,000,000 (US\$200,000 paid of which US\$100,000 was paid subsequent to the year ended December 31, 2015) in cash for a 100% interest in the Handeni property, which includes the Magambazi Project, all of "Tanzania - Other properties" owned by East Africa in Tanzania and the camp, equipment and other assets (together the "Tanzanian Assets") within 12 months of the Tanzanian Effective Date;

(b) convey to East Africa the right to receive a 1.6% net smelter royalty on production, capped at US\$1,800,000;

(c) convey to East Africa the right to purchase 30% of gold produced during mining operations established at any of the Tanzanian Assets, for a per ounce payment equal to the lesser of: (i) production cost plus 15% based on the Developer's historical and budgeted production costs, and (ii) the prevailing market price for gold per the Gold Purchase Agreement;

(d) issue treasury shares of the Developer that is expected to represent 9.9% of the Developer's outstanding shares. The Developer intends to list on the London Stock Exchange's AIM and expects to issue such shares to East Africa before the listing; and

(e) offer East Africa a seat on the Board of Directors of the Developer and a seat on the Management Committee of the Magambazi Project.

East Africa will not be required to contribute to capital or exploration expenditures with respect to the construction and development of any of the Tanzanian Assets. Pursuant to the Definitive Agreement, the Company recognized US$59,558 in accounts receivable for the Tanzanian recoverable operating expenses between October 16, 2015 and December 31, 2015, from the Developer.

Further, the Developer will provide a complete guarantee under which the Developer will pay East Africa advanced cash payment of US$592,500 for every quarter after 48 months from the Tanzanian Effective Date that 8,000 ounces of gold is not produced. East Africa will have a right of first offer and a right to re-acquire the properties if commercial production, defined when production reaches 8,000 ounces per quarter, is not reached in four years from the Tanzanian Effective Date or if the project is abandoned.

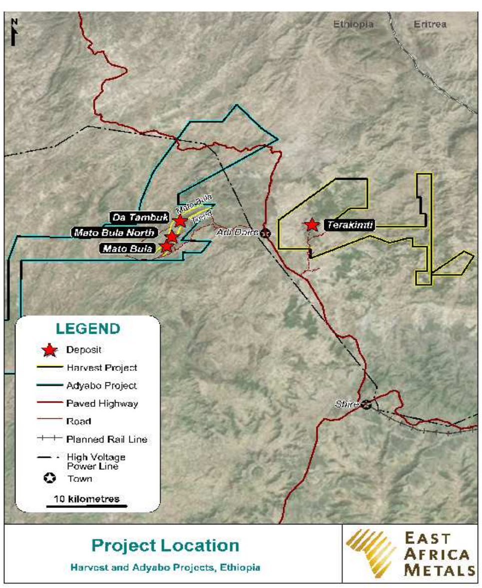
DESCRIPTION OF THE BUSINESS

East Africa is a mineral exploration company focused on the identification, acquisition, exploration, development and/or sale of base and precious metal resource properties in Ethiopia and Tanzania. East Africa's key mineral assets include the Harvest and the Adyabo Projects (together the "Ethiopian Projects") in Ethiopia, and the Handeni Properties in Tanzania. With the recent announcement of the Adyabo initial resource estimate, the Company has released Mineral Resource Estimates on each of its projects. 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.

Ethiopia

Ethiopia is located in northeast Africa, in the region termed the Horn of Africa. The country is landlocked and is comprised topographically of predominantly high plateaux. The population is diverse in terms of languages spoken and religious beliefs. Ethiopia has steadily improved in economic development since 2002 according to The Economist magazine's website. In January 2016, The World Bank publication "Global Economic Prospects. A World Bank Group Flagship Report" forecasts growth in Ethiopia for 2016 to be an estimated 10.2%. New mining regulations ("Proclamation(s)") were issued in 1993 with the purpose of promoting the exploration and development of Ethiopia's natural resources. The proclamations allow for business incentives that include security of tenure, the right to sell minerals, preferential duty and tax provisions on equipment and machinery, a 5-8 % production royalty (revised in Proclamation 678/2010), a 25% income tax on taxable income, and a structuring to allow for repatriation of profits. The Company currently has interests in two areas in Ethiopia, the Harvest Project and the Adyabo Project. The current Mineral Resources at the Ethiopian Projects straddle an infrastructure corridor, with the projects being located within 11 and 7 kilometres respectively of a paved highway and a high-tension power corridor (refer to Figure 1).

Figure 1: Harvest and Adyabo Projects Location



Where applicable, information within this MD&A which pertains to the Harvest and Adyabo Projects may reference work performed by Tigray Resources Inc. ("Tigray") before the completion of the Tigray Arrangement on May 7, 2014 ("Tigray Effective Date"). References to Tigray news releases before May 7, 2014, can be found on the

Company's website at www.eastafricametals.com and information on the Tigray Arrangement can be found in Tigray's management information circular dated March 28, 2014, which can be found on SEDAR at www.sedar.com .

HARVEST PROJECT – ETHIOPIA

The Company has a 70% interest in the Harvest Project with the remaining 30% held by Ezana Mining Development Plc ("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 costs until completion of a feasibility study. Subsequent to the 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.

Harvest Project is located 600 kilometres north of Ethiopia's capital city of Addis Ababa. The Harvest Project has one exploration licence and comprises of three exploration concessions - Nefasit, Hamlo, Terakimti, and Igub - covering approximately 86 square kilometres. The exploration licence has a term of 10 years and expires in 2017. The Ethiopian regulations allows for retentions to the exploration licence term once the term has reached 10 years. Management believes there is precedence in the Ethiopian mining industry of the Ministry of Mines granting extensions to exploration licences that have reached their 10 year term. It is located in the highly prospective Asmara Mineral Belt in the southern part of the Arabian Nubian Shield (ANS), host to the Bisha, Debarwa and Emba Derho volcanogenic massive sulphide deposits. Vein-related gold deposits are also typical of the ANS, including the giant >13 million ounce Sukari deposit in Egypt, the one million ounce gold discovery at Koka-Zara in central Eritrea and the approximate 140,000 ounce per year gold producer at Lega Dembi in southern Ethiopia.

Terakimti RC drill program

On September 14, 2015, the Company released the final assay results for, and the completion of, the RC drill program at the Terakimti VMS deposit on the Harvest Project, Northern Ethiopia. The 20 x 20 metre spaced resource drill-out specifically targeted the gold and gold-silver oxide portion of the deposit and totaled 6,190 metres of drilling in 127 holes. The assay results have now been received for all drill holes in the program.

Highlights from resource drilling of the oxide component of the Terakimti VMS deposit include:

- 20.0 metres grading 8.92 grams per tonne gold and 24.3 grams per tonne silver, from 24.0 metres drill depth (TRC085A);
- 14.0 metres grading 5.29 grams per tonne gold and 169.7 grams per tonne silver, from 33.0 metres drill depth(TRC095);
- 22.0 metres grading 7.34 grams per tonne gold and 1.3 grams per tonne silver, from surface (TRC109).
- TRC002 - 19 metres grading 6.87 grams per tonne gold and 11.3 grams per tonne silver, from 16.0 metres drill depth (section 53860N);
- TRC004 - 14 metres grading 7.63 grams per tonne gold and 4.8 grams per tonne silver, from 0 metre drill depth (section 54020N);
- TRC013 - 15 metres grading 12.36 grams per tonne gold and 38.2 grams per tonne silver, from 28.0 metres drill depth (section 54080N);
- TRC058 - 33 metres grading 7.20 grams per tonne gold and 1.3 grams per tonne silver, from 5 metres drill depth (section 54060N);
- TRC069 - 10 metres grading 5.37 grams per tonne gold and 2.8 grams per tonne silver, from 7.0 metres drill depth (section 53940N); and
- TRC080 - 21 metres grading 6.00 grams per tonne gold and 30.2 grams per tonne silver, from 23.0 metres depth (section 53820N)

A table of all Harvest Project intercept results, related maps and further information can be located on the Company's news release dated September 14, 2015, or on the Company's website www.eastafricametals.com.

Terakimti Mineral Resource - Update

On October 27, 2015, the Company announced an updated National Instrument 43-101 Standards for Disclosure for Mineral Projects ("NI 43-101") for the gold, copper, and silver independent mineral resource estimate on the near surface oxide component of the Terakimti VMS deposit on the Company's Harvest Project. A tabulation error in this oxide component resource was identified and announced on January 11, 2016 and was not considered material. The near surface oxide portion of the Terakimti VMS deposit hosts an updated Oxide Indicated Resource of 1,110,000 tonnes grading 3.20 grams per tonne gold and 23.6 grams per tonne silver, and an Inferred Oxide Resource of 15,000 tonnes grading 1.94 grams per tonne gold and 13.5 grams per tonne silver. The Updated Oxide Mineral Resource estimate contained metal includes 114,000 ounces gold and 841,000 ounces silver(Indicated), and 1,000 ounces gold and 7,000 ounces silver (Inferred).

The Terakimti Oxide Resource update did not include a revision of the sulphide component of the original Terakimti VMS mineralization, qualified in the Terakimti Resource dated January 17, 2014, as the recent detailed infill drilling only targeted upgrading the oxide portion of the deposit. The Terakimti deposit is the most advanced prospect on the Harvest Project and Table 1 below summarizes the classification of the updated mineral resource estimate and Table 2 provides the original classification of the mineral resource estimate announced on January 27, 2014.

In December of 2015 East Africa shipped the oxide core from six metallurgical diamond drill holes to SGS in Johannesburg, South Africa. This metallurgical evaluation work is on-going.

Table 1 Update Terakimti Oxide Mineral Resource Estimate

Classification	Tonnes ('000s)	Gold equivalent (g/t)	Gold grade (g/t)	Silver grade	Copper grade (%)	Gold Metal (Ozs)	Silver Metal (Ozs)
Indicated	1,110,000	3.41	3.20	23.6	0.08	114,000	841,000
Inferred	15,000	2.06	1.94	13.5	0.04	1,000	7,000

Updated Terakimti Oxide Mineral Resource Estimate at a 0.5 g/t Gold Equivalent Cut-Off, David Thomas, P. Geo. (Effective Date: October 18, 2015, with revision announced January 11, 2016).For the footnotes to Updated mineral resource statement, mineral resource estimation methodology, data validation, and quality control please refer to either the Company's news release dated October 27, 2015 and revised January 11, 2016 that can be found on the company website www.eastafricametals.com

Table 2 Initial Terakimti Mineral Resource Estimate

Mineralization Class	Mineralization Type	NSR Cut-Off ($/t)	Contained Metals								
			Tonnes ('000s)	Cu %	Au g/t	Ag g/t	Zn %	Cu ('000 lb)	Au ('000 oz)	Ag ('000 oz)	Zn ('000 lb)
Indicated	Oxide	25.9	290	0.06	2.55	10.5	0.02	-	24	98	-
	Sulphide	23.9	1,841	2.20	1.06	17.5	1.65	89,477	63	1,033	66,871
	Sub-Total Indicated		2,131					89,477	86	1,130	66,871
Inferred	Oxide	25.9	398	0.13	4.77	7.2	0.07	-	61	92	-
	Sulphide	23.9	2,583	1.09	0.96	20.6	1.42	62,187	80	1,712	77,101
	Underground Primary	63.9	939	0.69	0.84	15.2	2.92	14,198	25	459	60,358
	Sub-Total Inferred		3,920					76,385	166	2,264	137,459

For the footnotes to the initial mineral resource statement, mineral resource estimation methodology, data validation, and quality control please refer to either the Company's news release dated January 27, 2014 or the technical report that can be found on the company website www.eastafricametals.com

Harvest Project Path Forward

East Africa will continue to advance the Harvest Project through the preparation of the mining licence application and associated required reports for the Updated Terakimti Oxide Resource. Management is in on-going discussions with the key stakeholders for the timing of the submission of the application and receipt of the mining licence. In parallel with the mining licence application the Company has commenced discussions with a number of 3rd parties to provide funding for the development of the Updated Terakimti Oxide Resource. The funding may include and not limited to debt finance, gold streaming contracts, and/or an equity placement in East Africa.

In connection with the above objectives, the Company prepares to engage the detailed engineering studies and development plans for its Terakimti Gold Oxide Project. To facilitate this process on Mar 15, 2016, the Company announced the appointment of Sean I. Waller, P.Eng, to the Company's Board of Directors and Chairman of the Board's Project Development Committee. Mr. Waller is a mineral processing engineer, registered as a Professional Engineer in British Columbia. Mr. Waller has over 30 years of International minerals industry experience including company and project management, evaluation, design and operation. Mr. Waller was appointed to lead the Company's development of the technical project specifications required to advance the Company's Ethiopian assets toward commercial viability. Further to this on April 19, 2015, the Company announced Peter J. Hawley, Chris Zerga and Jay Melnyk as additions to the Project Development Committee.

Mr. Hawley, BSc, BEng, P.Geo, founder of Scorpio Mining Corporation, and has over 30 years of mining industry experience that spans grassroots exploration through to development and production and has worked extensively with a large number of intermediate and senior mining companies including Teck, Noranda, Placer Dome and Barrick Gold.

Mr. Zerga has worked in the mining industry for over 30 years and is currently employed by Scorpio Gold Corporation as its General Manager for their Mineral Ridge Gold property located in Silver Peak Nevada. Prior to holding this position Mr. Zerga held various positions ranging from Mill, Refinery, and Laboratory Manager and Metallurgical accountant for several companies including Newmont, Freeport McMoRan, Anglogold and Queenstake.

Mr. Melnyk, has more than 25 years of international and domestic mining engineering experience, predominantly in open-pit mines, with additional underground and exploration experience, Mr. Melnyk is recognized as an expert in pit optimization, pit phase design, mine scheduling, equipment selection, cost estimating, project management, resource modeling, and construction management. Mr. Melnyk has also provided extensive mine engineering expertise to Nevsun Resource Ltd.'s Bisha Au-Ag-Cu-Zn Mine in Eritrea.

Lihamat

On September 14, 2015, the Company announced the results from it its first pass RC drill program on the Lihamat gold prospect (“Lihamat”). Lihamat is located approximately 2.9 kilometers North East of the Terakimti Resource. A total of 354 metres of exploration RC drilling has been completed in three holes at Lihamat and one hole was completed at the nearby Adi Asgedom prospect. The drill holes tested mineralization below artisanal workings which have exploited high-grade gold-bearing quartz veins.

Results included drill hole LRC003 at Lihamat intersecting 4.0 metres grading 111.6 grams per tonne gold, from 24 metres drill depth, and 4.0 metres grading 4.45 grams per tonne gold from 56 metres drill depth. Resampling of metre split intervals revised these mineralization intersections to 2.0 metres grading 94.69 grams per tonne gold from 24 metres drill depth, and 9.0 metres grading 2.04 grams per tonne gold from 57.0 metres drill depth. The mineralization is interpreted to be related to zones of quartz veining with disseminated pyrite within intense silica alteration of a quartz porphyry intrusion. An initial table of intercept results, related maps and further information can be located on the Company’s news release dated September 14, 2015, or the Company’s updated website www.eastafricametals.com

ADYABO PROJECT - ETHIOPIA

The Adyabo Project is located 600 kilometres north of Ethiopia's capital city of Addis Ababa and comprises two exploration licences – West Shire and Adi Dairo - covering approximately 225 square kilometres. The licences are located adjacent to the Harvest Project in Ethiopia. The exploration licences each have a term of 10 years and each licence expires in 2017. The Ethiopian regulations allows for retentions to the exploration licence term once the term has reached 10 years.. Management believes there is precedence in the Ethiopian mining industry of the Ministry of Mines granting extensions to exploration licences that have reached their 10 year term. Prior to the Tigray Arrangement, Tigray completed the first phase of the option agreement, to acquire 55%, under which it may acquire up to an undivided 80% interest in the Adyabo Project in two phases. As at December 31, 2015, the Company had completed the second phase with the final second phase issuance of 550,000 East Africa Shares at a price of $0.055 per share and 400,000 East Africa Warrants during 2015 and has now acquired an undivided 80% interest in the Project.

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. Subsequent to December 31, 2015, the Company received confirmation from the optionor to convert its 20% interest to a 2.0% NSR. Upon the execution of the NSR agreement, the Company will hold a 100% undivided interest in the Adyabo Project, subject to the 2.0% NSR. The Company has the option to buy back 1.0% of the NSR (half the original NSR) for a cash payment of $5,000,000.

The concessions are considered prospective for VMS and orogenic (structurally controlled) gold deposits, and contain numerous alluvial, elluvial and bedrock gold workings as well as several large gold and gold-copper-arsenic anomalies defined by previous companies' stream-sediment sampling programs.

In Q4 of 2015, the company embarked on a diamond drill program designed to upgrade the key resource components at Adyabo. A total of 4,029 metres were drilled during the program. On January 11, 2016 the Company released initial results of this follow–up diamond drilling on the Adyabo resources, with the results from the Mato Bula Silica Hill area. Highlight intersections from the Mato Bula Silica Hill Resource infill drilling include;

- 19.50 metres at 21.67 grams per tonne gold including 8.6 metres at 46.81 grams per tonne gold, from 103.35 metres drill depth (WMD050 - Section 19920N).
- 20.69 metres at 18.37 grams per tonne gold including 10.67 metres at 34.23 grams per tonne gold, from 87.5 metres drill depth (WMD053 - Section 19880N).

The highlighted intersections are situated in adjacent proximity to former highest grade intercepts encountered at Silica Hill, and it is anticipated they will improve confidence in the refinement and definition of the existing resource. The diamond drill program continued until late January, 2016, with the later portion of the program having emphasis on upgrading the Da Tambuk portion of the resource.

On March 22, 2016, East Africa announced the results for this final stage of the diamond drill program at Da Tambuk, with highlight intersections including;

- 8.14 metres at 26.84 grams per tonne gold including 4.14 metres at 52.42 grams per tonne gold**,** from 83.40 metres drill depth (ADD020 - Section 23640N).
- 25.15 metres at 3.81 grams per tonne gold including 9.00 metres at 7.68 grams per tonne gold, from 119.85 metres drill depth (ADD017 - Section 23720N).

A table of all Adyabo Project intercept results, related maps and further information can be located on the Company's respective news releases or on the Company's website www.eastafricametals.com.

Adyabo initial Mineral Resource Estimate

On May 5, 2015, the Company announced its initial NI 43-101 compliant gold, copper, silver and zinc mineral resource estimate for the Adyabo Project. This mineral resource estimate comprises mineralization from the Mato Bula trend, a greater than 8 kilometre long zone of alteration identified on the project in 2013. The resource includes mineralization from the Mato Bula, Mato Bula North, and Da Tambuk mineralized zones and hosts 885,000 gold equivalent ounces. This resource incorporates data from 10,266 metres of drilling in 47 diamond drill holes and 1,520 metres of trenching from 22 trenches. This resource further builds upon the metal asset base East Africa is defining and accumulating on the Adyabo and Harvest Projects in Ethiopia.

The initial mineral resource estimate was completed by David Thomas, P. Geo, of Fladgate Exploration Consulting Corporation, who is an independent "qualified person" under NI 43-101. For further information on mineral resource estimation methodology, data validation, and quality control refer to the Company's news release dated May 5, 2015, available on the Company's website at www.eastafricametals.com.

Table 3 Adyabo Initial Mineral Resource Estimate

Pit Constrained Resource Areas*										
	Cut-Off ($/t)	Tonnes	Gold Au g/t	Copper Cu %	Silver Ag g/t	Gold Eq* g/t	Gold Metal Au Ozs	Copper Metal Cu Mlbs	Silver Metal Ag Ozs	Gold Eq* Metal Au Ozs
Da Tambuk	23.9	910,000	6.02	0.09	1.2	6.14	175,000	1.9	36,000	179,000
Mato Bula	23.9	4,900,000	2.60	0.32	1.6	3.15	410,000	34.1	259,000	497,000
Mato Bula North	23.9	2,470,000	0.27	0.70	3.2	1.49	22,000	38.3	252,000	119,000
Sub-Total Pit Constrained	**23.9**	**8,280,000**	**2.28**	**0.41**	**2.1**	**2.98**	**608,000**	**74.4**	**547,000**	**794,000**
Underground Mineral Resource Area*										
			Gold	Copper	Silver	Gold Eq*	Gold Metal	Copper Metal	Silver Metal	Gold Eq* Metal
	Cut-Off ($/t)	Tonnes	Au g/t	Cu %	Ag g/t	g/t	Au Ozs	Cu Mlbs	Ag Ozs	Au Ozs
Da Tambuk	63.9	310,000	2.25	0.03	0.2	2.28	22,000	0.2	2,000	23,000
Mato Bula	63.9	710,000	2.11	0.47	4.3	2.93	48,000	7.3	98,000	67,000
Mato Bula North	63.9	15,000	0.75	0.79	2.6	2.10	400	0.3	1,000	1,000
Sub-Total Underground	**63.9**	**1,035,000**	**2.13**	**0.34**	**3.0**	**2.73**	**70,000**	**7.7**	**101,000**	**91,000**
Total Pit Constrained and Underground		**9,315,000**	**2.26**	**0.40**	**2.2**	**2.95**	**678,000**	**82.1**	**648,000**	**885,000**

** EQ = Equivalent and for the mineral resource statement, mineral resource estimation methodology, data validation, and quality control please refer to either the Company's news release dated May 5, 2015 or the technical report that can be found on the company website www.eastafricametals.com*

Table 4 Adyabo Pit Constrained and Underground Mineable Tonnage and Metal Sensitivity Analysis

A sensitivity analysis was completed on tonnage and contained metal, to assess project risk with respect to commodity price fluctuations (refer to Table 4). The analysis indicates that tonnage is much more sensitive to metal price fluctuations than the contained metal.

Metal Price Assumption	% Difference Tonnes	% Difference Au Metal	% Difference Cu Metal	% Difference Ag Metal
Low Case 2	7.4%	1.6%	3.7%	5.5%
Low Case 1	0.0%	0.0%	0.0%	0.0%
Base Case	-8.2%	-1.9%	-4.7%	-6.3%
Optimistic	-16.3%	-3.9%	-9.5%	-12.8%

Adyabo Metallurgy

Positive preliminary metallurgical results have been received from composites derived from key mineralized zones at Mato Bula, Silica Hill, and Da Tambuk. Conventional copper floatation was successful in producing encouraging saleable copper gold concentrates, with additional gold recovery realized from cyanidation of gold bearing flotation products.

The metallurgical work was conducted on three diamond drill hole composite samples derived from gold intervals at Mato Bula, Silica Hill, and Da Tambuk, and samples were tested at the Blue Coast Research metallurgical facility in Parksville, BC. Coarse reject diamond drill hole material was utilized from 6 drill holes at Da Tambuk (Da Tambuk composite), and 11 drill holes (7 for the Mato Bula Main composite and 4 for the Silica Hill composite) from Mato

Bula. A total of 151 samples were utilized for the composites, with composite grades averaging 11.1g/t Au and 0.3% Cu (Silica Hill), 6.6g/t Au and 0.99% Cu (Mato Bula Main), and 9.5g/t Au and 0.2% Cu (Da Tambuk).

Table 5 Adyabo Metallurgy Summary

Composite	Cu Recovery %	Cu Grade %	Au Recovery %	Py Scav Au Rec %	Cu Clnr 1 Tail Au Rec %	Au Extraction %	Au Recovery %
Da Tambuk	72	24	57	4	16	Not Tested	97*
Silica Hill	82	23	38	12	43	91	77
Mato Bula	93	27	83	8	3	52	85

*Da Tambuk whole mineralization leach test and pyrite scavenger concentrate test both returned gold recoveries of 97%.

The metallurgical work conducted to date is considered preliminary and more detailed testing will follow, to exploit opportunities that remain for more enhancements in overall metallurgical performance.

Adyabo Project Path Forward

East Africa will continue to advance the Adyabo Project through a resource update following the core deposit area infill drilling program that commenced in Q4 2015, with an update anticipated during Q2 2015. The company continues to assess cost effective methods of gold targeting and further resource upgrades along the highly prospective Mato Bula Trend. In addition, the company will continue building momentum in forwarding the project through on-going community relations work and socio economic studies, in accordance with application requirements for a Mining Licence.

Quality Control

The planning, execution and monitoring of the Company's quality control programs at the projects in Ethiopia are under the supervision of Jeff Heidema, P.Geo., the Company's Vice President Exploration. Mr. Heidema is a Qualified Person as defined by NI 43-101.

Diamond drill core samples, RC samples, and rock samples have undergone preliminary preparation at the Acme Laboratories facility in Ankara, Turkey and are crushed to 80% passing 10-mesh and pulverized to 85% passing 200-mesh (Acme R200-1000 package, now PRP70-1KG). Analyses are conducted at Acme Laboratories in Vancouver, Canada, utilizing Aqua Regia digestion and both ICP-ES and ICP-MS (AQ270, AQ370) for base metal and silver analyses. Precious metal analyses are conducted via Fire Assay Fusion with AA finish, and gravimetric analyses for over-limit samples. Blanks and certified reference standards are inserted into the sample stream to monitor laboratory performance. Soil samples were collected using -60 mesh screening, with reference standards included in every 50 samples, and replicates included every 25 samples.

Preparation and analyses were conducted at Ultratrace in Perth, Australia, with Aqua Regia digestion, and ICP-MS finish for gold and silver. Initial core samples at Terakimti were prepared and analyzed at ALS in North Vancouver, Canada, with trace work done by ICP-MS, and Fire Assay analyses conducted on over-limit copper, zinc, lead and silver mineralization. Fire Assay was conducted for all gold analyses. Blanks and certified reference standards were inserted into the sample stream to monitor laboratory performance.

HANDENI PROPERTIES – TANZANIA

East Africa has operations in the Handeni gold district in eastern Tanzania. One of the Company's key properties is Handeni, located 173 kilometres northwest of Dar es Salaam and 35 kilometres south of the town of Handeni. The Handeni property consists of two contiguous mineral tenures (one PL, and one combined group of Primary Mining Licences ("PMLs") (PMLs together "Magambazi") totalling approximately 83.5 square kilometres. Subsequently two mining licences covering 9.9 square kilometers have been obtained within the property. Magambazi is owned 100% by Denwill Mining Services Ltd. ("Denwill"), a structured entity controlled by East Africa, and the Company has an option agreement to acquire a 100% interest upon payment of US$40,000. Denwill acquired Magambazi by the payment of US$1,800,000, and granted the vendors a 2.0% NSR royalty. As at the date of this MD&A, the option has not yet been exercised.

On June 10, 2015, East Africa signed a Definitive Agreement with the Developer who is to acquire and develop East Africa's Handeni properties and Other properties in Tanzania. Refer to the section "Proposed Transaction" for further information.

Where applicable, information within this MD&A which pertains to the Handeni property may reference work performed by Canaco Resources Inc. ("Canaco"). Pursuant to a corporate transaction, Canaco spun-out its mineral property interests to East Africa on April 4, 2013, including Handeni (refer to the Canaco's management information circular dated March 28, 2013, available on the Company's website at www.eastafricametals.com).

MAGAMBAZI PROJECT

Magambazi Initial Mineral Resource

On May 15, 2012, Canaco published an initial mineral resource estimate for Magambazi of its Handeni Properties 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 6 below summarizes the classification of mineral resources within the mineral resource block model.

Table 6 – 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. For information on mineral resource estimation methodology, data validation, and quality control refer to the Company's website at www.eastafricametals.com.

Mining Licence

East Africa's has received the permits for the Magambazi for project development and commercial mining operations. East Africa has completed the expansion of the Mining Licence footprint at Magambazi and has two mining licences (ML525/2014 and ML480/2012) covering 9.9 square kilometers.

Prior to submitting applications for the expanded Mining License, Canaco received an Environmental Impact Assessment ("EIA") certificate from the Tanzanian government for the entire Handeni property, including Magambazi on November 16, 2012. 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.

Path forward

The Company will continue to move forward with the Magambazi LOI and the Developer to advance the Magambazi Project. Refer to the "Proposed Transactions" for further information.

CURRENT COMPANY OBJECTIVES

Current objectives of the Company are to:

1. Complete the additional diamond drilling to upgrade and potentially expand the Adyabo resource through extension and infill drilling;
2. Works towards the submission of a mining licence application for the updated Terakimti Oxide Resources;
3. Assess new potential exploration opportunities in Ethiopia;
4. Continue to work with the Developer to meet the conditions of the Magambazi Definitive Agreement;
5. Continue to examine opportunities to raise capital including debt finance, equity financing, merger and acquisitions, strategic alliances, joint ventures and optioning its mineral properties for equity, cash and/or expenditure commitments.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The Company's operations are in one industry – the acquisition, exploration and development of gold, copper, and other precious and base metals. At December 31, 2015, East Africa has three geographic locations: Canada (head office), Ethiopia and Tanzania. Information discussed herein reflects the Company as a consolidated entity, consistent with our determination that the one industry in which we operate provides the most meaningful information for an exploration stage enterprise. For the year ended December 31, 2013 ("Fiscal 2013") the Company changed its year end from June 30 to December 31, effective December 31, 2013. Accordingly, the comparative Fiscal 2013 is a six month transitional fiscal period.

FINANCIAL POSITION

The following financial data is derived from the Company's Financial Statements as at December 31, 2015, 2014 and 2013:

	December 31, 2015	December 31, 2014	December 31, 2013
Total assets	$ 28,828,096	$ 33,304,825	$ 31,789,969
Total liabilities	1,266,579	1,208,769	786,540
Equity (before non-controlling interest)	22,975,024	27,721,308	31,003,429

<u>Total assets</u>

The $4,476,729 decrease represents a reduction in cash for related exploration and head office expenditure offset by the foreign exchange gains on the translation of United States Dollars ("USD") to Canadian Dollars ("CAD") of the foreign operations on balance sheet items. Notwithstanding periodic or one-time transactions and subject to changes in foreign exchange, total assets will generally remain constant from one period to the next, less the cost of expenditures on activities not capitalized such as mineral property interest and property and equipment. All direct costs associated with exploration of these properties are expensed as incurred. In addition, as at December 31, 2015, the Company recorded in accounts receivable the final insurance recovery of $450,000 in settlement of the East Africa's costs related to a BCSC Notice of Hearing. The funds were received subsequent to December 31, 2015. The increase in Fiscal 2014 over Fiscal 2013 relates to the acquisition of Tigray's mineral properties of $14.5 million and a corresponding $0.95 million foreign exchange translation. This increase is offset with the following items recognized as part of the Tigray Arrangement consideration: decrease in $2 million Tigray loan receivable, $1.1 million accounts receivable from Tigray and the cancellation of $0.95 million Tigray shares and warrants. The increase is further offset with $2.4 million write-off of Tanzania properties, and a decrease in cash of $7 million used in the corporate G&A and commencing exploration in Ethiopia. Refer to "Result of Operations" section for further details on the Tigray Arrangement.

<u>Total liabilities</u>

As at December 31, 2015, 2014, and, 2013 the Company's total liabilities are predominately comprised of trade payables and accruals. Included in total liabilities as at December 31, 2015, is the non-recurring Tanzanian severance payable of $358,498 as the Company prepares to hand over the Tanzanian Assets to the Developer. This one time item for Tanzania recorded in Fiscal 2015 was offset with non-recurring payables recorded Fiscal 2014 liabilities for construction costs of $197,000 for the new office and final payment of $72,000 for vehicles purchased for the Ethiopian operations. After factoring these non-recurring items the total liabilities remained consistent year on year. The increase in total liabilities for Fiscal 2014 compared to Fiscal 2013 is related to the acquisition of Tigray and the liabilities which were incurred from commencing exploration activities in Ethiopia

<u>Total equity</u>

The decrease of equity is predominately a result of the net loss for the year ended December 31, 2015, of $8,050,740 attributable to shareholders (December 31, 2014 - $10,441,622) offset by foreign exchange gains of $3,263,289 attributable to shareholders (December 31, 2014 - $1,319,351) on the translation of its foreign operations into Canadian dollars. Subsequent to December 31, 2015 the company granted 12 million stock options and 2.75 million bonus shares. Refer to the section "Other MD&A Requirements" for further information. In Fiscal 2014 equity increased compared to Fiscal 2013 through the issuance of equity instruments of approximately $6.0 million for the Tigray Arrangement and foreign exchange translation gains of approximately $1.3 million. This Fiscal 2014 increase was offset from the deficit for the Fiscal 2014 of approximately $10.5 million.

RESULTS OF OPERATIONS

The selected period information and summary of financial results in this MD&A should be read in conjunction with the Company's Financial Statements for the periods ended December 31, 2015, 2014 and 2013. The following financial data are derived from the Company`s Financial Statements for the periods ended December 31, 2015, 2014 and 2013 respectively:

	Years ended December 31,		
	2015	2014	2013
Revenue	$ Nil	$ Nil	$ Nil
Exploration and evaluation expenditures	6,903,698	5,272,245	1,380,771
Other expenditures*	1,820,232	5,378,958	967,158
Net loss for the period	8,723,930	10,651,203	2,347,929
Net loss for the period and attributable to shareholders	8,050,740	10,441,622	2,347,929
Basic and diluted loss per share and attributable to shareholders	$ 0.08	$ 0.12	$ 0.03
Weighted average number of common shares used in the calculation of loss per share – basic and diluted	102,343,086	89,646,641	67,305,842
Distributions or Dividends	$ Nil	$ Nil	$ Nil

* Non-GAAP measure - Other expenditures represents all other expenditures, other than Exploration and Evaluation expenditures, disclosed in the statement of operations and includes non-cash items.

In Fiscal 2014, the Company completed the Tigray Arrangement in which East Africa acquired all of the issued and outstanding common shares of Tigray on the basis of 0.55 of an East Africa Share and 0.40 of an East Africa Warrant (together 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. This represents the significant variation for the three most recent completed financial years. The total accounting 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

For accounting purposes, Tigray is not considered a business under IFRS 3 "Business Combinations" as at the time of the acquisition it was 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 allocation of the consideration to the assets and liabilities acquired is as follows:

Allocation of assets and liabilities	**CAD**
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

For further details of the Tigray Arrangement, please see Tigray's management information circular dated March 28, 2014, and East Africa's news release on May 7, 2014, each of which is available on SEDAR at www.sedar.com.

LOSS FOR THE YEAR ENDED DECEMBER 31, 2015 ("FISCAL 2015"), COMPARED TO THE YEAR ENDED DECEMBER 31, 2014 ("FISCAL 2014")

The loss for Fiscal 2015 is $8,723,930 compared to a loss for Fiscal 2014 of $10,651,203. The significant items contributing to the Fiscal 2015 loss includes exploration costs of $6,903,698 (Fiscal 2014 – $5,272,245), management consulting fees of $541,286 (Fiscal 2014 – $567,561), insurance recovery $450,000 (Fiscal 2014 − $Nil), office and administration of $441,885 (Fiscal 2014 − $513,331), salary and benefits of $391,771 (Fiscal 2014 - $421,353), legal, audit and audit related expenses of $362,936 (Fiscal 2014 – $195,516), change in fair value of share purchase warrants of $Nil (Fiscal 2014 – decrease of $388,630), project generation of $Nil (Fiscal 2014 − $377,204), and write-off of mineral property interests of $Nil (Fiscal 2014 – $2,375,466). Significant balances and movements are discussed below.

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

Exploration Expenditures incurred costs of $6,903,698 in Fiscal 2015 compared to $5,272,245 in Fiscal 2014. A summary of East Africa's Exploration Expenditures are as follows:

	Year ended December 31, 2015			Year ended December 31, 2014		
	Tanzania	**Ethiopia**	**Total**	**Tanzania**	**Ethiopia**	**Total**
Exploration Expenditures						
Amortization	$ 295,082	$ 100,125	$ 395,207	$ 308,008	$ 42,099	$ 350,107
Camp and administration costs	1,537,294	892,656	2,429,950	918,232	660,428	1,578,660
Drilling	--	2,739,197	2,739,197	--	2,059,290	2,059,290
Geochemistry	7,071	88,869	95,940	15,435	193,666	209,101
Geology	10,375	386,206	396,581	12,604	517,542	530,146
Preliminary resource and engineering studies	--	292,334	292,334	--	12,839	12,839
Project management and consulting	72,886	--	72,886	46,403	--	46,403
Technical services	107,824	373,779	481,603	270,605	215,094	485,699
Total for the period	2,030,532	4,873,166	6,903,698	1,571,287	3,700,958	5,272,245
Balance at the beginning of the year	67,355,519	3,700,958	71,056,477	65,784,232	--	65,784,232
Cumulative balance at the end of the year	$ 69,386,051	$ 8,574,124	$ 77,960,175	$ 67,355,519	$ 3,700,958	$71,056,477

Significant expenditure on the Ethiopian Projects relates to the two drill programs undertaken during Fiscal 2015. The first program the Company incurred expenditure of $1,020,617 on the Harvest Project for RC drilling and related expenditure to define a gold oxide resource on the Terakimti VMS deposit. On the second drill program, the Company incurred diamond drilling and related expenditure of $1,432,393 on the Adyabo Project for infill drilling to update the initial Mineral Resource Estimate. The other factor for the increase in drilling expenditure compared to Fiscal 2014 is a result of the number of months of activity. The Fiscal 2014 expenditure, as a result of the Tigray acquisition, represents approximately eight months of activity and the current year represents twelve months of activity.

For Fiscal 2015, the Company expended $201,306 (Fiscal 2014 − $Nil) on the Terakimti Oxide Resource estimate for metallurgical work and incurred $91,028 (Fiscal 2014 − $Nil) for the preparation of an update to the initial Adyabo Mineral Resource Estimate (see "Description of The Business": "Harvest Project – Ethiopia" and "Adyabo Project - Ethiopia" for further details on the drill programs and Mineral Resource Estimates). Camp and administration costs for Fiscal 2015 of $2,429,950 (Fiscal 2014 − $1,578,660) represents in-country expenses such as camp, salary, legal, accounting, office costs, and project management expenses to manage and oversee the foreign operations. A predominate portion of the increase from the prior year is 1) Twelve months of activity in Fiscal 2015 compared to approximately 8 months of activity in Fiscal 2014 as a result of the Tigray acquisition and 2) severance and related costs of $358,498 for the Tanzanian operations in preparation for the handover of the operations to the Developer.

In addition, the decrease in geology costs of $133,565 is a result of the Company transitioning the Harvest Project from exploration activities to resource estimation and engineering activities. The Company moved from a reliance on expat geological contractors and engaged in-country geologists to assist with the on-going work during this transition stage.

<u>Management consulting fees</u>

In Fiscal 2015, the Company paid management consulting fees and expenses of $541,286 compared to $567,561 in Fiscal 2014, a decrease of $26,275. In Fiscal 2015, $250,000 (Fiscal 2014 − $229,167) was paid to a management company for services provided for consulting fees rendered by an officer of the Company and $60,000 (Fiscal 2014 − $52,500) was paid to a related party for Chinese translation and administration services. A significant portion of the remaining expenditure for Fiscal 2015 relates to the CEO travel costs to Africa, Europe and China in relation to operational, corporate and finance meetings.

Insurance recovery

In Fiscal 2015, the Company recorded the final insurance settlement of $450,000 (Fiscal 2014 − $Nil) related to the British Columbia Securities Commission hearing costs which are covered under the Company's insurance policy. The funds were collected subsequent to December 31, 2015.

Office and administration

Office and administration costs totalled $441,885 in Fiscal 2015, compared to $513,331 in Fiscal 2014. Costs for office and administration include office expenses, travel expense for corporate head office staff, network services and insurance. The decrease of $71,446 is related to savings gained from moving to a smaller office and the Company's objective to reduce head office costs.

Salaries and benefits

In Fiscal 2015, the Company incurred salaries and benefits of $391,771 compared to $421,353 in Fiscal 2014, a decrease of $29,582. The decrease is related to the reduction in administration staff which is aligned with the Company's objective to reduce head office costs.

Legal, audit and audit related expenses

In Fiscal 2015, the Company incurred legal, audit and audit related expenses of $362,936 compared to $195,516 in Fiscal 2014, an increase of $167,420. The factors for the increase of $245,317 relates to the Harpreet Sangha claim, foreign country tax and legal advice and the services for the Tanzanian Definitive Agreement. During the year ended December 31, 2015, $10,000 was paid to Harpreet Sangha in settlement of the dispute.

Change in fair value of share purchase warrants

In comparison from Fiscal 2015 to Fiscal 2014 the Company did not hold a loan receivable and associated warrants from Tigray in Fiscal 2015. In Fiscal 2014 the Company recorded a change in fair value of other assets (share purchase warrants) with loan receivable of $388,630. This amount was a result of the Company receiving 8,000,000 share purchase warrants in connection with a loan of $2,000,000 provided to Tigray on December 4, 2013. These share purchase warrants were voluntarily cancelled immediately prior to the completion of the Tigray Arrangement in May 2014.

Project generation

Project generation costs totalled $Nil in Fiscal 2015, compared to $377,204 in Fiscal 2014. The Fiscal 2014 costs were related to allocation of wages and internal costs, financial advisors, lawyers and other experts for the research, analysis and evaluation for the Tigray Arrangement and potential joint-venture partners for the Magambazi Project.

Write-off of mineral property interests

The Company concluded no write-offs of mineral property interest were required in Fiscal 2015. In Fiscal 2014, the Company wrote off $2,375,466 mineral property interests as a result of termination of option agreements and abandonment of prospecting licences ("PLs") within Tanzania - Other properties.

LOSS FOR THE YEAR ENDED DECEMBER 31, 2014 ("FISCAL 2014"), COMPARED TO THE YEAR ENDED DECEMBER 31, 2013 ("FISCAL 2013")

The below variations represent the significant variations between Fiscal 2014 and 2013:

Exploration and evaluation expenditure ("Exploration Expenditures")

Exploration Expenditures incurred costs of $5,272,245 in Fiscal 2014 compared to $1,380,771 in Fiscal 2013. With the addition of the Tigray projects the Company incurred new Exploration Expenditures of $3,700,958 for the period from May 7, 2014 to December 31, 2014. In addition, a portion of the increase is due to the full twelve months for Fiscal 2014 compared to the transitional six month period for Fiscal 2013.

The significant expenditure on the Ethiopian Projects was for two drill programs that were undertaken during the period from May 2014 to December 2014 on the Ethiopian Projects. The Company incurred $2,059,290 in drilling and related costs for a diamond drill program on the Adyabo Project and a RC drill program on the Harvest Project The new Exploration Expenditures on the Ethiopian Projects were offset with reduced exploration activity at Magambazi as the Company continues to explore strategic opportunities including identifying a joint venture partner or potential buyers of Magambazi.

Write-off of mineral property interests

In Fiscal 2014 the Company decided to discontinue its exploration program for non-strategic claims on the Handeni and Tanzania Other Properties as exploration results to date indicate that there is no commercial viable mineral resource. As a result, the Company wrote off $2,375,466 mineral property interests, compared to $31,205 in Fiscal 2013. The impairment of Handeni and Other Properties for Fiscal 2014 was $659,432 and $1,716,034 respectively.

Management consulting fees and expenses

In Fiscal 2014, the Company paid management consulting fees and expenses of $567,561 compared to $115,984 in Fiscal 2013, an increase of $451,577. In Fiscal 2014, $229,167 (Fiscal 2013 – $93,750) was paid to a management company for services provided for consulting fees rendered by an officer of the Company and $120,000 (Fiscal 2013 – $Nil) was paid to an advisor for services provided on Ethiopian business practice and regulations. In addition, a portion of the increase is due to the full twelve months for Fiscal 2014 compared to the transitional six month period for Fiscal 2013.

Change in fair value of other assets

In Fiscal 2014, the Company recognized a decrease in the fair value of the 12,000,000 Tigray share purchases warrants of $543,609 (Fiscal 2013 – increase of $369,627). 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 of $2,000,000 provided to Tigray in December 2013. The significant driver in the decrease in the fair value of $913,236 is related to the decrease in Tigray's share price from $0.14 to $0.10 since December 31, 2013, until the completion of the Tigray Arrangement. In Fiscal 2014, the Company recognized finance income of $229,280 on the loan (Fiscal 2013 – $47,620).

Office and administration

Office and administration costs totalled $513,331 in Fiscal 2014, compared to $130,836 in Fiscal 2013, an increase of $382,495. Costs for office and administration include office expenses, travel expense for corporate head office staff, network services and insurance. The increase is attributable to moving expenses for a new Vancouver office premise and higher travel expenses for overseas trips for the Ethiopian projects. The remaining increase is primarily due to the full twelve months for Fiscal 2014 compared to the transitional six month period for Fiscal 2013.

SUMMARY OF QUARTERLY RESULTS

Quarter ended	Revenue	Loss(1)	Loss per share, basic
Fiscal 2015			
December 31, 2015	Nil	2,426,163	0.02
September 30, 2015	Nil	1,623,915	0.01
June 30, 2015	Nil	1,833,038	0.02
March 31, 2015	Nil	2,840,814	0.03
Fiscal 2014			
December 31, 2014	Nil	5,543,878(2)	0.05
September 30, 2014	Nil	1,799,713	0.02
June 30, 2014	Nil	2,006,250	0.02
March 31, 2014	Nil	1,301,362	0.02

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

(2) In Q4 2014, the increase is primarily due to the expenditures on the acquired Ethiopian Projects and the write-down of mineral property interests.

LOSS FOR THE THREE MONTHS ENDED DECEMBER 31, 2015 ("Q4 2015"), COMPARED TO THE THREE MONTHS ENDED DECEMBER 31, 2014 ("Q4 2014")

The loss for Q4 2015 is $2,426,163 compared to a loss for Q4 2014 of $5,543,878. The significant items contributing to the Q4 2015 loss includes exploration costs of $2,325,304 (Q4 2014 – $2,175,552), insurance recovery of $450,000 (Q4 2014 − $Nil), management consulting fees of $136,960 (Q4 2014 – $206,380), salary and benefits of $102,239 (Q4 2014 - $110,250), and write-off of mineral property interests of $Nil (Q4 2014 - $2,370,528). Significant balances and changes are discussed below.

Exploration and evaluation expenditure ("Exploration Expenditures")

Exploration Expenditures incurred costs of $2,325,304 in Q4 2015 compared to $2,175,552 in Q4 2014. Significant diamond infill drilling expenditure of $960,695 was incurred on the Adyabo Project in preparation for an update to the initial Mineral Resource Estimate.

In addition, the Company incurred $74,785 (Q4 2014 − $12,839) on the Terakimti Oxide Resource estimate for metallurgical work (see "Description of The Business": "Harvest Project – Ethiopia" for further details on the drill programs and Mineral Resource Estimates). Camp and administration costs of $930,982 (Q4 2014 − $475,098) represents in-country expenses such as salary, legal, accounting, office costs, and project management expenses to manage the foreign operations. Included in Camp and Administration are severance and related costs for Tanzania of $358,498. Severance costs were a result for preparation for the handover of the operations to the Developer.

The decrease in Geology costs of $162,268 is a result of the Company transitioning the Harvest Project from exploration activities to resource estimation and engineering activities. The Company moved from a reliance on expat geological contractors and engaged in-country geologists to assist the on-going work during this transition stage.

A summary of East Africa's Exploration Expenditures are as follows:

	Three months ended December 31, 2015			Three months ended December 31, 2014		
	Tanzania	Ethiopia	Total	Tanzania	Ethiopia	Total
Exploration Expenditures						
Amortization	$ 59,114	$ 21,840	$ 80,954	$ 77,335	$ 17,016	$ 94,351
Camp and administration costs	673,483	257,499	930,982	170,032	305,066	475,098
Drilling	--	1,015,343	1,015,343	--	1,160,940	1,160,940
Geochemistry	479	12,338	12,817	827	47,270	48,097
Geology	1,658	61,923	63,581	1,950	223,899	225,849
Preliminary resource and engineering studies	--	74,785	74,785	--	12,839	12,839
Project management and consulting	33,203	--	33,203	11,929	--	11,929
Technical services	26,367	87,272	113,639	55,794	90,656	146,450
Total for the period	794,304	1,531,000	2,325,304	317,867	1,857,686	2,175,553
Balance at the beginning of the period	68,591,747	7,043,124	75,634,871	67,037,652	1,843,272	68,880,924
Cumulative balance at the end of the period	$ 69,386,051	$ 8,574,124	$ 77,960,175	$ 67,355,519	$ 3,700,958	$ 71,056,477

Insurance recovery

In Q4 2015, the Company recorded final insurance settlement of $450,000 (Q4 2014 − $Nil) related to the British Columbia Securities Commission hearing costs which are covered under the Company's insurance policy.

Management consulting fees

In Q4 2015, the Company paid management consulting fees and expenses of $136,960 compared to $206,380 in Q4 2014, a decrease of $69,420. In Q4 2015, $62,500 (Q4 2014 − $77,500) was paid to a management company for services provided for consulting fees rendered by an officer of the Company and $15,000 (Q4 2014 − $15,000) was paid to a related party for Chinese translation and administration services. The decrease is attributable to a reduction in fees paid to an advisor for business advice related to Ethiopian government and business matters from $60,000 in Q4 2014 to $15,000 in Q4 2015.

Salaries and benefits

In Q4 2015, the Company incurred salaries and benefits of $102,239 compared to $110,250 in Q4 2014. The decrease is related to the reduction in administration staff which is aligned with the Company's objective to reduce head office costs.

Write-off of mineral property interests

The Company concluded no write-offs of mineral property interest were required in Q4 2015. In Q4 2014, the Company wrote off $2,370,528 mineral property interests as a result of the termination of option agreements and abandonment of PLs within Tanzania Other properties.

LIQUIDITY

As at December 31, 2015, the Company had cash and cash equivalents of $2,319,653, short-term investments of $Nil, other current assets of $867,326 and current liabilities of $1,161,662, compared to cash and cash equivalents of $2,216,673, short-term investments of $8,220,825, other current assets of $981,616 and current liabilities of $1,077,623 as at December 31, 2014.

As at December 31, 2015 and 2014 the Company had the following commitments:

		December 31, 2015		December 31, 2014
No later than 1 year	$	342,572	$	762,668
Later than 1 year and no later than 5 years		899,890		1,221,891
Later than 5 years		--		--
	$	1,242,462	$	1,984,559

The Company entered into a five (5) year operating lease for office premises commencing on January 1, 2015. The monthly lease payment and building operating costs before estimated rent recoveries is approximately $24,000. Pursuant to the lease agreement, the Company is entitled to leasehold inducement of $131,146. On inception, the leasehold inducement amount is included in accounts receivable with a corresponding deferred credit amortized on a straight-line basis over the term of the lease.

As at December 31, 2015, with the Company's working capital being $2,025,317 (December 31, 2014 - $10,341,491), the Company estimates that it does not have available funds to meet requirements for the coming twelve months based on current planned expenditures for operations, exploration and development of its mineral property interests. Planned expenditures includes and not limited to the mining licence application and associated costs for the Terakimti Oxide Resources and in-fill drilling and associated costs to update the Adyabo initial resource in preparation for a mining licence application. The Company is currently assessing the costs for the required documents applicable for the Terakimti Oxide Resource and Adyabo mining licence applications. These uncertainties cast significant doubt on the ability of the Company to continue as a going concern.

The Company's approximate normal monthly administration costs are $180,000. The planned drill program for the next twelve months is budgeted for approximately $1,430,000. The site and camp costs are approximately $250,000 monthly to maintain the normal operations in Ethiopia and Tanzania. These balances are non-GAAP financial measures and have been determined on past historical costs adjusted for and non-cash, one-off items and budgeted operations. The monthly administration costs represent head office costs adjusted for non-cash and one-off items. The site and camp costs includes expenses for geologists, administrative staff and costs of operating the Ethiopian offices and warehouses.

The Financial Statements for the year ended December 31, 2015, were prepared on a going concern basis which contemplates the realization of assets and the settlement of liabilities in the normal course of operations.

The Company has commenced discussions with a number of interested parties to provide the funding for the development of the Terakimti resource on the receipt of mining licence, on-going exploration and general administration costs. Funding options discussions include and not limited to the sale of non-strategic assets, debt finance, gold streaming contracts and/or equity placements. In addition, the Company has executed the Definitive Agreement with the Developer subsequent to the year ended December 31, 2015 for the sale of the Tanzanian Assets and received instalment payments of US$200,000. The ability of the Company to carry out its planned business objectives is dependent on its ability to raise adequate capital funds from the sale of non-strategic assets, debt financing, equity financings or by other form of financing including joint venture arrangements, optioning of its mineral properties for cash and/or expenditure commitments. If adequate financing is not available, the Company may be required to delay, reduce the scope of, or eliminate one or more exploration and/or development activities or relinquish rights to certain of its interests. There is no assurance that the Company will be able to obtain adequate financing in the future or that such financing will be on terms acceptable to the Company.

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.

The Company has commenced discussion with a number of interested parties in providing capital funding to advance the Company's Harvest Project. Refer to the sections "Corporate Developments and Outlook" and "Liquidity" for further information. Additional planned exploration programs and any future development programs will result in a decrease to the Company's current liquidity. In obtaining the required capital to pursue the Company's business plan, capital may be generated from, or a combination of, debt financing, 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 development of mineral assets, therefore it 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 year ended December 31, 2015, the Company expended $93,048 (Fiscal 2014 – $357,117) on maintenance payments of mineral property interests and $47,636 on property, plant and equipment (Fiscal 2014 - $435,053) which have been capitalized. Mineral property capital expenditures and acquisitions for Fiscal 2015 are summarized as follows:

	Tanzania, Handeni properties	Tanzania, other properties	Ethiopia Harvest Project	Ethiopia Adyabo Project	Total
Acquisition costs					
As at December 31, 2014	$ 2,225,053	$ 1,986,573	$ 15,104,388	$ 740,212	$ 20,056,226
Property payments	49,278	11,315	309	166	61,068
Shares and warrants issued	--	--	--	31,980	31,980
Definitive Agreement deposit	(133,030)	--	--	--	(133,030)
Foreign exchange	387,903	384,933	2,915,156	74,827	3,762,819
As at December 31, 2015	$ 2,529,204	$ 2,382,821	$ 18,019,853	$ 847,185	$ 23,779,063

FINANCIAL INSTRUMENTS

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. 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, and accounts receivable are representative of their respective fair values due to the short-term nature of these instruments. The fair value of accounts payable may be less than the carrying value as a result of the Company's credit and liquidity risk. As at December 31, 2015, the classifications of the financial instruments are shown in the table below:

	Loans and receivables	Other financial liabilities	Total carrying value
As at December 31, 2015			
Cash and cash equivalents	$ 2,319,653	$ --	$ 2,319,653
Insurance receivable and related parties	558,830	--	558,830
Accounts payable	--	(992,640)	(992,640)
	$ 2,878,483	$ (992,640)	$ 1,885,843

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 – include inputs other than quoted prices 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 – include inputs for the asset or liability that are not based on observable market data.

Management of financial risk

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

Currency risk

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company operates in Canada, Ethiopia and Tanzania and the Company's functional currency is the Canadian dollar and for its foreign operations the functional currency is the USD. The Company's expenses are incurred in Euros ("EUR"), Australian dollars ("AUD"), USDs, Tanzanian shillings ("TSH") and Ethiopian BIRR ("ETB"). A significant change in the currency exchange rates between the functional currencies relative to these currencies could have an effect on the Company's statement of operations. The Company has not hedged its exposure to currency fluctuations.

As at December 31, 2015, the Company is exposed to currency risk through the following assets and liabilities dominated in EUR, AUD, USD, TSH and ETB:

	EUR	AUD	USD	TSH	ETB
As at December 31, 2015					
Cash and cash equivalents	€ --	$ --	$ 866,226	53,196,972	3,849,872
Accounts receivable	--	--	59,558	--	284,930
Accounts payable	(11,314)	(2,776)	(12,679)	(359,996)	(520,402)
	€ (11,314)	$ (2,776)	$ 913,105	52,836,976	3,614,400

A 10% depreciation or appreciation of the Canadian dollar against these currencies may result in a decrease/increase of approximately $151,808 (Fiscal 2014 – $161,728) in the Company's statements of operations per annum.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company's interest rate risk arises from the interest rate impact on cash and cash equivalent and short term investments. The Company earns interest on its cash and cash equivalents and short term investments based on current market interest rates, which during the year ended December 31, 2015, ranged between 0.2% and 1.75% (Fiscal 2014 – 1.4% and 1.9%). Based on the amount of cash and cash equivalents as at December 31, 2015, and assuming that all other variables remain constant, a 0.5% change in the applicable interest rate would result in an insignificant increase/decrease 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 and receivables. Cash and cash equivalents consist of Guaranteed Investment Certificates 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, insurance receivable, receivables from related parties, tax receivables and other accounts receivable represents the Company's maximum exposure to credit risk. As at the date of this MD&A, a foreign government had concluded that the Company's foreign subsidiary does not qualify for VAT refund (taxes recoverable), as the Company's foreign subsidiary had not generated taxable supplies. The Company's foreign subsidiary professional advisors have advised in their opinion the foreign government's conclusion is not consistent with the foreign country regulations. The Company has commenced correspondence with the foreign government on this matter. As a result, Taxes Recoverable could be exposed to the credit risk associated with the potential rejection of the Foreign Government to grant the taxes recoverable. Refer to the section "Critical Accounting Estimates" for further details on management judgments and assumptions.

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 for exploration stage enterprises.

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 concerning the expected timing of expenditures from continuing operations. The Company ensures that sufficient funds are raised from private placements or other sources to meet its operating requirements, after taking into account existing cash.

The Company manages liquidity risk through the management of its capital resources as described in the section "Capital Resources". As at December 31, 2015, the Company had cash and cash equivalents and short-term investments of $2,319,653 (December 31, 2014 - $10,437,498) to settle current liabilities of $1,161,662 (December 31, 2014 – $1,077,623). The Company estimates that it does not have available funds to meet requirements for the coming twelve months based on current planned expenditures for operations, exploration and development of its mineral property interests. See the "Liquidity" section of this MD&A for further discussion on the Company's ability to operate as a going concern.

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 year ended and as at December 31, 2015, the Company had recorded the following significant related party transactions:

For the year ended December 31, 2015, the Company incurred reimbursable goods and services for True North Gems Inc. and Nickel North Exploration Corp. totaling $228,268 (Fiscal 2014 – $695,759) for shared office, administration and exploration expenses.

For the year ended December 31, 2015, the Company incurred management consulting fees of $310,000 (Fiscal 2014 – $281,667). Of this amount $250,000 (Fiscal 2014 – $229,167) were paid to a privately held company controlled by the CEO for management services.

Fees, salaries and benefits, which can include share-based compensation, paid to directors and senior key management totalled $620,902 for the year ended December 31, 2015 (Fiscal 2014 – $565,953). Senior key management includes the CEO, VP of Exploration, and the CFO.

CRITICAL ACCOUNTING ESTIMATES

The details of the Company's accounting policies are presented in Note 4 of the Financial Statements for the year ended December 31, 2015. The Company's Financial Statements are prepared in accordance with IFRS. The preparation of these Financial Statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the Financial Statements is included in the notes to the Financial Statements where applicable. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The Company has identified the following critical accounting policies under which significant 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 sheets reported in future periods.

(a) Going Concern

These Financial Statements have been prepared on the assumption that the Company is able to continue as a going concern. The Company has estimated its development, exploration and operational expenditure for the coming 12 months from historical and projected costs of its development, exploration and corporate programs. The Company's expected commitments is based on management's best estimates of operating conditions for its preparation of its mining licence application for the Harvest Project, on-going drill programs, exploration and corporate requirements in the context of current economic conditions and today's capital market climate.

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

Denwill is consolidated as a structured entity and the purpose of which is for the benefit of the Company to acquire PMLs 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 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 1) Denwill's three directors are directors of the Company's 100% owned Canaco Tanzanian Limited, 2) the Company provides funds for the payments of PML's and 3) has the power to direct the exploration activities, which affects the risks and rewards from the Magambazi Project.

(c) Asset held for sale

The Company has announced the proposed sale of its assets in Tanzania to a third party. Following the guidance under IFRS 5, *"Noncurrent assets held for sale and discontinued operations",* management applied significant judgement to determine the classification of asset held for sale and whether impairment was required as at December 31, 2015. In concluding its judgement, management evaluated the duration of time for which the disposal group has been classified as an asset held for sale, the good standing of the exploration licenses, the continued commitment of the Company to actively sell the assets, the likelihood of shareholders' and regulatory approval and the recoverable amount through the sale. There is no assurance that the Company will complete the sale within one year and obtain in-country approvals. Management has assessed that the assets in Tanzania should not be classified as held for sale as at December 31, 2015.

(d) Impairment Assessment - Tanzania

Management identified the Definitive Agreement to sell the Tanzanian Assets as an indicator of impairment and performed an impairment assessment on its Tanzanian Assets. Management impairment assessment identified that the carrying amount did not exceed the recoverable amount of the Tanzanian Assets. Management used the fair value less costs of disposal to calculate the recoverable amount. In estimating the fair value less costs of disposal, the Company used a market approach. The Company's market approach calculated a fair value of comparable companies ("Peer") using an average of Peer's enterprise value to ounces. The Peer enterprise value inputs include the Peer market capitalization, cash, short-term assets and liabilities. The Peer's enterprise value and the gold equivalent ounces of its properties are used to calculate an enterprise value / ounce (EV/ounce) value.

In estimating fair value less costs of disposal, management's judgement was involved in identifying the Peer group. Management assumptions included criteria that would identify the Peer characteristics similar to the Company and its Tanzanian Assets. The criteria included market capitalization, continent of operations (Africa), commodity, stage of development and amount of mineral resources.

(e) Tanzanian Value Added Tax ("VAT") receivable recoverability

At December 31, 2015, $204,349 was due to the Company's foreign subsidiary from the foreign government for VAT. The foreign government has concluded that the Company's foreign subsidiary does not qualify for VAT refund, as the Company's foreign subsidiary had not generated taxable supplies. The Company's foreign subsidiary professional advisors have advised in their opinion the foreign government's conclusion is not consistent with the foreign country regulations. The Company has commenced correspondence with the foreign government on this matter.

The Company's assessment of its ability to collect its foreign VAT accounts receivable required judgement on the Government's position. The Company's foreign advisors have indicated that the VAT receivable should be recoverable. Management made a judgement with respect to the ability to receive payment from the foreign government and concluded that a provision against outstanding receivables is not necessary. In addition, management determined that in accordance to the foreign government's position the government should pay the VAT receivable no later than when the Company's foreign subsidiary generates taxable supplies. A change in this judgment in future periods may have an impact on statement of operations or receipt of other evidence indicating that collection is unlikely.

CHANGE IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

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. 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.

(b) IFRS 10 amendment

Sale or contribution of assets between an investor and its associate *IFRS 10, Consolidated Financial Statements* ("IFRS 10") has been amended to address an inconsistency between IFRS 10 and *IAS 28, Investments in Associates and Joint Ventures*. The main consequence of the amendment is that a full gain or loss is recognized when the transaction involves a business combination, and whereas a partial gain is recognized when the transaction involves assets that do not constitute a business. The amendment is effective for years beginning January 1, 2016. The Company is in the process of determining the extent of the impact of adopting this standard.

(c) *IFRS 16 Leases ("IFRS 16")*

In January 2016, the IASB announced its new leasing standard, *IFRS 16*. The new standard will eliminate the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. The new standard will, instead, present a single on-balance sheet accounting model that is similar to current finance lease accounting. The new standard will take effect for fiscal years starting on or after January 1, 2019. The Company expects the new standard to result in some leases that are currently accounted for under the operating lease method being added to the balance sheet. The Company is in the process of determining the extent of 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.

NON-GAAP FINANCIAL MEASURES – OTHER EXPENDITURES AND MONTHLY EXPENDITURES

We use the non-GAAP financial measures of other expenditures and the liquidity monthly expenditures balances to manage, evaluate operating performance and prepare our MD&A. We believe that, in addition to conventional measures prepared in accordance with GAAP, certain investors use this information to evaluate our performance. Accordingly, it is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP. Where Non-GAAP financial measures cannot be matched to the Financial Statements disclosures additional disclosure and/or reconciliation may be provided within the Non-GAAP disclosure if deemed necessary.

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 $2,319,653 and working capital of $2,025,317 as at December 31, 2015. The Company estimates that it does not have available funds to meet requirements for the coming twelve months based on current planned expenditures for operations, exploration and development of its mineral property interests. See the "Liquidity" section of this MD&A for further discussion on the Company's ability to operate as a going concern.

Currency Risk

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 and Ethiopia 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, Harvest and Adyabo Projects 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.

Globally, environmental legislation is evolving towards stricter standards and enforcement, more stringent environmental impact assessments of new mining projects and increasing liability exposure for companies and their directors and officers. There is no assurance that future environmental regulations will not adversely affect the Company's operations

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. These factors include, but are not limited to, Government regulations, taxes, royalties, land tenure, land use, environmental protection and reclamation and closure obligations. All or some of these factors may 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. 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.

Commercial Viability

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, import of specialized equipment and services and reclamation and closure obligations all have an impact on the economic viability of a mineral deposit. Other potential impacts could include the location of the mineral deposit. These unique environments could limit or reduce production possibilities or if conditions are right for potential natural disasters, such as severe weather, could negatively impact facilities, equipment and the safety of its workers dramatically.

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.

Foreign Countries and Political Policy Risk

The Company has interests in exploration properties that are located in the developing countries of Tanzania and Ethiopia. The Company's mineral exploration 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 and/or Ethiopia 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, direct and indirect 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. 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.

OTHER MD&A REQUIREMENTS

Additional Disclosure for Venture Issuers without Significant Revenue

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

Outstanding Shares

Subsequent to December 31, 2015, the company issued 11 million stock options to certain directors, officers, employees and consultants pursuant to the Company's Stock Option Plan. The options have an exercise price of $0.10 per share and an expiry date of January 15, 2021.In addition, the Company has granted an aggregate of 1 million stock options to a director pursuant to the Company's Stock Option Plan. The options have an exercise price of $0.10 per share and an expiry date of March 23, 2021.

The Company's Board of Directors has also approved of the grant of up to 2,750,000 bonus common shares to certain officers of the Company, subject to a vesting schedule of the later of July 1, 2016 or the date a mining license for the Company's Harvest project is issued. The shares have a deemed issue price of $0.10 per common share, and represents 2.7% of the Company's current number of outstanding common shares. The shares are also subject to the Exchange Hold Period, a voluntary hold period expiring March 1, 2017, shareholder approval and approval of the TSX Venture Exchange.

As at April 28, 2016, the Company has 102,799,661 common shares issued and outstanding.

As at April 28, 2016, the Company has 26,491,867 warrants issued and outstanding.

As at April 28, 2016, the Company had 18,812,500 options outstanding and exercisable.

APPROVAL

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