

EAST AFRICA METALS INC.
(an exploration stage company)

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2016 and 2015

Expressed in Canadian dollars

(Unaudited – prepared by management)

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

EAST AFRICA METALS INC.

(an exploration stage company)

Condensed Interim Consolidated Balance Sheets - unaudited

Expressed in Canadian dollars, unless otherwise stated

	September 30, 2016	December 31, 2015
Assets		
Current assets		
Cash and cash equivalents	\$ 1,178,959	\$ 2,319,653
Accounts receivable (Note 8)	515,091	660,779
Prepaid expenses and deposits	128,876	206,547
	1,822,926	3,186,979
Taxes recoverable (Note 8)	199,817	204,349
Mineral property interests (Note 9)	22,049,055	23,779,063
Property and equipment (Note 11)	1,292,832	1,657,705
	\$ 25,364,630	\$ 28,828,096
Liabilities and Equity		
Current liabilities		
Accounts payable and accrued liabilities	\$ 346,815	\$ 1,161,662
	346,815	1,161,662
Non-current liability		
Leasehold inducement	85,245	104,917
Total liabilities	432,060	1,266,579
Equity		
Share capital (Note 12(b))	40,332,196	38,209,582
Warrant (Note 12(e))	1,303,912	1,408,806
Contributed surplus (Notes 12(d) and (e))	146,434,825	145,953,144
Accumulated other comprehensive income	4,095,586	5,106,630
Deficit	(171,403,502)	(167,703,138)
	20,763,017	22,975,024
Non-controlling interest (Note 9)	4,169,553	4,586,493
	24,932,570	27,561,517
	\$ 25,364,630	\$ 28,828,096
Nature of operations, and going concern (Note 1)		
Tanzanian Definitive Agreement (Note 2)		
Subsequent events (Notes 2, 5(f) and 16)		

Approved on behalf of the Board

(signed) "David Parsons"

(signed) "Dr. Antony Harwood"

EAST AFRICA METALS INC.

(an exploration stage company)

Condensed Interim Consolidated Statements of Operations – unaudited

Expressed in Canadian dollars, unless otherwise stated

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
Expenses				
Amortization (Note 11)	\$ 15,149	\$ 21,625	\$ 55,833	\$ 65,601
Directors and board fees	25,583	20,353	52,900	61,789
Exploration and evaluation expenditure (Note 10)	422,840	1,152,608	1,833,088	4,578,394
Investor/shareholder communications and filing fees	301,862	61,976	459,020	247,855
Legal, audit and audit related fees	42,883	29,697	75,148	303,771
Management and advisory consulting fees	244,819	168,601	561,870	404,326
Office and administration	79,510	100,559	267,552	352,127
Rent and occupancy costs	37,683	37,982	113,048	115,947
Salary and benefits	58,318	87,625	168,310	289,532
Share-based compensation (Note 12(d))	--	653	193,089	9,187
	1,228,647	1,681,679	3,779,858	6,428,529
Foreign exchange loss (gain)	2,672	(55,633)	51,575	(101,619)
Interest income	--	(2,131)	(553)	(29,143)
Net loss for the period	1,231,319	1,623,915	3,830,880	6,297,767
Net loss attributable to:				
Shareholders	1,185,323	1,435,447	3,700,364	5,706,867
Non-controlling interest	45,996	188,468	130,516	590,900
	1,231,319	1,623,915	3,830,880	6,297,767
Loss per share, basic and diluted	\$ 0.01	\$ 0.01	\$ 0.03	\$ 0.06
Weighted average number of common shares used in the calculation of loss per share – basic and diluted	115,492,468	102,249,661	108,168,779	102,249,661

Condensed Interim Consolidated Statements of Comprehensive Income (Loss) – unaudited
(Expressed in Canadian dollars)

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
Net loss for the period	\$ 1,231,319	\$ 1,623,915	\$ 3,830,880	\$ 6,297,767
Items that may be reclassified to statement of operations				
Currency translation adjustment				
Attributable to shareholders of Company	(289,319)	(1,250,926)	1,011,044	(2,569,005)
Attributable to shareholders of non-controlling interest	(79,185)	(338,532)	286,424	(692,892)
Comprehensive loss for the period	862,815	34,457	5,128,348	3,035,870
Attributable to shareholders of Company	896,004	184,519	4,711,408	3,137,860
Attributable to shareholders of non-controlling interest	(33,189)	(150,062)	416,940	(101,990)
	\$ 862,815	\$ 34,457	\$ 5,128,348	\$ 3,035,870

EAST AFRICA METALS INC.

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Condensed Interim Consolidated Statements of Changes in Equity - unaudited

For the three and nine months ended September 30, 2016 and 2015

Expressed in Canadian dollars, unless otherwise stated

	Common Shares Without Par Value		Warrants	Contributed Surplus	Accumulated Other Comprehensive Income	Deficit	Total Common Shareholders' Equity	Non- Controlling Interest	Total Equity
	Shares	Amount							
Balance, December 31, 2014	102,249,661	\$ 38,179,332	\$ 1,407,076	\$145,943,957	\$ 1,843,341	\$ (159,652,398)	\$ 27,721,308	\$ 4,374,748	\$ 32,096,056
Share-based compensation (Note 12(d))	--	--	--	9,187	--	--	9,187	--	9,187
Currency translation adjustment on foreign operations	--	--	--	--	2,569,005	--	2,569,005	692,892	3,261,897
Net loss for the period	--	--	--	--	--	(5,706,867)	(5,706,867)	(590,900)	(6,297,767)
Balance, September 30, 2015	102,249,661	\$ 38,179,332	\$ 1,407,076	\$ 145,953,144	\$ 4,412,346	\$ (165,359,265)	\$ 24,592,633	\$ 4,476,740	\$ 29,069,373
Balance, December 31, 2015	102,799,661	\$ 38,209,582	\$ 1,408,806	\$145,953,144	\$ 5,106,630	\$ (167,703,138)	\$ 22,975,024	\$ 4,586,493	\$ 27,561,517
Private Placement (Notes 12(b) and (e))	10,000,000	897,143	102,857	--	--	--	1,000,000	--	1,000,000
Finders' fees (Notes 12(b) and (e))	--	(72,812)	15,194	--	--	--	(57,618)	--	(57,618)
Share issue costs	--	(5,000)	--	--	--	--	(5,000)	--	(5,000)
Share-based compensation (Note 12(d))	--	--	--	300,852	--	--	300,852	--	300,852
Shares issued on exercise of stock options (Notes 12(b) and (d))	2,470,000	296,116	--	(42,116)	--	--	254,000	--	254,000
Shares issued on exercise of warrants (Notes 12(b) and (e))	4,377,264	1,007,167	(222,945)	222,945	--	--	1,007,167	--	1,007,167
Currency translation adjustment on foreign operations	--	--	--	--	(1,011,044)	--	(1,011,044)	(286,424)	(1,297,468)
Net loss for the period	--	--	--	--	--	(3,700,364)	(3,700,364)	(130,516)	(3,830,880)
Balance, September 30, 2016	119,646,925	\$ 40,332,196	\$ 1,303,912	\$146,434,825	\$ 4,095,586	\$ (171,403,502)	\$ 20,763,017	\$ 4,169,553	\$ 24,932,570

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

EAST AFRICA METALS INC.

(an exploration stage company)

Condensed Interim Consolidated Statements of Cash Flows - unaudited

Expressed in Canadian dollars, unless otherwise stated

	Nine months ended	
	September 30, 2016	September 30, 2015
Cash flows provided by (used for) operating activities		
Loss for the period	\$ (3,830,880)	\$ (6,297,767)
Items not involving cash		
Amortization – administration (Note 11)	55,833	65,601
Amortization – exploration and evaluation (Notes 10 and 11)	237,275	314,253
Amortization – leasehold inducement	(19,672)	(19,674)
Share based compensation – administration (Note 12(d))	193,089	9,187
Share based compensation – exploration (Notes 10 and 12(d))	107,763	--
Unrealized foreign exchange loss (gain)	35,053	(146,065)
Interest income	--	(7,767)
Changes in operating assets and liabilities		
Accounts receivable and taxes recoverable	436,021	227,653
Prepaid expenses, deposits, materials and supplies	71,936	(22,384)
Accounts payable and accrued liabilities	(833,902)	(395,779)
	(3,547,484)	(6,272,742)
Cash flows provided by (used for) financing activities		
Private placement (Note 12(b))	1,000,000	--
Share issue costs	(62,618)	--
Exercise of stock options (Notes 12(b) and (d))	254,000	--
Exercise of warrants (Notes 12(b) and (e))	1,007,167	--
	2,198,549	--
Cash flows provided by (used for) investing activities		
Mineral property interests acquisitions (Note 9)	(101,631)	(61,019)
Mineral property interests recovery (Notes 2, and 9)	62,487	--
Definitive Agreement instalment deposit (Notes 2 and 9)	264,517	--
Purchase of equipment	--	(321,591)
Redemption of short-term investments	--	7,371,774
	225,373	6,989,164
Effects of exchange rate changes on cash and cash equivalents	(17,132)	68,497
(Decrease)/increase in cash and cash equivalents	(1,140,694)	784,919
Cash and cash equivalents, beginning of period	2,319,653	2,216,673
Cash and cash equivalents, end of period	\$ 1,178,959	\$ 3,001,592
Non-cash financing activities		
Fair value of finders' warrants (Note 12(e))	\$ 15,194	\$ --
Fair value of exercised stock options	42,116	--
Exercise of warrants	222,945	--

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Notes to the Condensed Interim Consolidated Financial Statements – unaudited

For the three and nine months ended September 30, 2016 and 2015

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1. Nature of operations and going concern

East Africa Metals Inc. (“East Africa” or the “Company”) was incorporated on December 7, 2012, under the Canada Business Corporations Act. The address of the Company’s corporate office and principal place of business is Suite 700, 1055 West 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”.

East Africa is a mineral exploration company focused on the identification, acquisition, exploration, development and/or sale of base and precious mineral resource properties in Ethiopia and Tanzania. The Company’s major mineral properties consist of two projects in Ethiopia, the Harvest Project and the Adyabo Project and one project in Tanzania, the Handeni Properties. The Company has not yet determined whether its properties contain mineral reserves that are economically recoverable. The continued operations of the Company and the recoverability of the amounts capitalized for mineral properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of such properties and upon future profitable production or proceeds from the disposition of such properties.

These unaudited condensed interim consolidated financial statements (“Interim Financial Statements”) are prepared on a going concern basis, which contemplates that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. For the nine months ended September 30, 2016, the Company incurred a net loss attributable to shareholders totaling \$3,700,364 (2015 – \$5,706,867) and as at September 30, 2016, had an accumulated deficit of \$171,403,502 (December 31, 2015 – \$167,703,138) and working capital of \$1,476,111 (December 31, 2015 - \$2,025,317). Subsequent to September 30, 2016, the Company announced the signing of a Letter of Intent with a listed public company in China to subscribe 20 million units of the Company at a price of \$0.26 per unit for gross proceeds of \$5,200,000 (Note 16).

Based on the Company’s financial position at September 30, 2016, 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 an absence of normal available financing due to the continued uncertainty in the Exchange and the mineral exploration industry. To address its financing requirements, the Company will seek financing through and not limited to the sale of non-strategic assets, debt financing, gold streaming contracts or similar hybrid instruments, 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 these Interim 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.

2. Significant events and transactions

Tanzanian Definitive Agreement

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 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\$300,000 paid as of September 30, 2016) in cash for a 100% interest in the Handeni Properties, which includes the Magambazi Project, all of "Tanzania - Other properties" owned by East Africa in Tanzania, 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;

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2. Significant events and transactions (continued)

Tanzanian Definitive Agreement (continued)

- (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 as per the Gold Purchase Agreement;
- (d) issue treasury shares of the Developer that is expected to represent 9.9% of the Developer's publicly listed 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. 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 2,400 ounces of gold is not delivered to East Africa. 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.

Pursuant to the Definitive Agreement, as at September 30, 2016, the Company recognized US\$64,134 (CAD\$84,121 – Note 8) in accounts receivable for the Tanzanian recoverable operating expenses and recognized US\$200,000 (CAD\$262,330 – Note 8) for the outstanding payments related to the first instalment of US\$500,000. The final payment of US\$1,500,000 (“Balance Payment”) is due no later than 12 months from the Tanzanian Effective Date and the Developer has the option to terminate the Definitive Agreement before this date. If the Definitive Agreement is terminated before the Balance Payment is completed the recoverable operating expenses will remain payable by the Developer to the Company. During the nine months ended September 30, 2016, the Company received a further deposit instalment of US\$200,000 (CAD\$264,517). Subsequent to September 30, 2016, the Developer provided a payment for recoverable operating expenses of US\$65,000 (CAD\$87,724) and the Company continues discussions with the Developer on the outstanding payments.

3. Statement of compliance

The Interim Financial Statements have been prepared in accordance with *IAS 34 – Interim Financial Reporting* as issued by the International Accounting Standards Board (“IASB”). Accordingly, certain disclosures included in the annual financial statements prepared in accordance with International Financial Reporting Standards (“IFRSs”) as issued by the IASB have been condensed or omitted. These Interim Financial Statements should be read in conjunction with the Company’s audited consolidated financial statements for the year ended December 31, 2015.

The accounting policies applied in the preparation of these Interim Financial Statements are consistent with those applied and disclosed in the Company’s audited consolidated financial statements for the year ended December 31, 2015. These Interim Financial Statements were approved by the Board of Directors on November 29, 2016.

4. Basis of preparation

These Interim Financial Statements have been prepared on an accrual basis and are on an historical costs basis, except for certain financial instruments, which are measured at fair value. The preparation of these Interim Financial Statements, in compliance with IFRS, requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company’s accounting policies. The areas involving a higher degree of judgment of complexity, or areas where assumptions and estimates are significant to the Interim Financial Statements are disclosed in Note 5. These Interim Financial Statements are prepared in Canadian dollars, with all amounts rounded to the nearest dollar, unless otherwise stated.

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Notes to the Condensed Interim Consolidated Financial Statements – unaudited

For the three and nine months ended September 30, 2016 and 2015

Expressed in Canadian dollars, unless otherwise stated

5. Significant accounting estimates and judgments

The preparation of the Interim 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 Interim Financial Statements is included in the notes to the Interim 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 sheet reported in future periods.

(a) Going Concern

These Interim 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 continued engineering and metallurgical work on the Terakimti oxide gold deposit, updated mineral resource work on the Adyabo Project, exploration and corporate requirements in the context of current economic conditions and today's capital market climate. Refer to Note 1 for further details.

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

Denwill is consolidated as a structured entity and the purpose of which is for the benefit of the Company to acquire primary mining licenses (“PML”) in Magambazi, restricted to citizens of Tanzania (see Note 9). 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 was 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 two directors are directors of the Company's 100% owned Tanzanian subsidiary, 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 (see Note 2). Following the guidance under IFRS 5, “*Noncurrent assets held for sale and discontinued operations*”, management applied significant judgement to determine the classification of assets held for sale and whether an impairment assessment was required, as at September 30, 2016. 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 September 30, 2016.

(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 the 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.

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5. Significant accounting estimates and judgments (continued)

(d) Impairment Assessment – Tanzania (continued)

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 September 30, 2016, \$199,817 (Note 8) 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 a VAT refund, as the Company's foreign subsidiary had not generated taxable supplies. The foreign government has indicated that the VAT receivable may be carried forward and deducted against future VAT payable when the Company's foreign subsidiary starts making taxable supplies.

The Company's assessment of its ability to collect its foreign VAT accounts receivable required judgement on the Government's position. 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.

(f) Tanzanian Definitive Agreement receivable recoverability

With the execution of the Definitive Agreement, as at September 30, 2016, US\$200,000 (CAD\$262,330 – Notes 2 and 8) was due to the Company's for the outstanding instalments for the first payment of US\$500,000. Subsequent to September 30, 2016, the Company received an additional US\$65,000 (CAD\$87,724 – Note 2) instalment payment and the Company is in discussions with the Developer on the outstanding instalment payments.

The Company's assessment of its ability to collect its outstanding receivable required judgement on the ability of the Developer to complete the outstanding payments related to the first payment tranche of US\$500,000. The Developer has indicated to the Company that financing is close to finalizing and has been delayed to unforeseen circumstances. The Company is in discussions with the Developer on the outstanding instalment payments. The Developer is committed to completing the first instalment by providing further payments of US\$200,000 during the three months ended December 31, 2016. Management made a judgement with respect to the ability to receive the final installment payments from the Developer and concluded that a provision against outstanding receivables is not necessary based on the preceding facts. A change in this judgment in future periods may have an impact on statement of operations based on receipt of other evidence indicating that collection is unlikely.

(g) Valuation of share based compensation

The Company uses the Black-Scholes option pricing model to calculate the fair value of stock options granted. Option pricing models require the input of highly subjective assumptions including the expected price volatility, forfeiture rate and expected life. Historical price volatility, forfeiture rate and option expected life were used as a starting point for the development of future expectations. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options at the date of grant. The Company commenced trading on the Exchange on July 2013, which results in limited history to calculate the forfeiture rate and the expected life of the stock options based on the stock option term. As a result, management judged that estimated forfeiture rate to zero and the expected life of the stock options is between 1 year to 2.5 years based on 1) East Africa released a mineral resource at the Adyabo Project in Ethiopia (May 2015) to add to the mineral resources at Harvest and Magambazi Projects; 2) The Company has submitted its Terakimti oxide gold mining licence applications and plans to submit a mining licence application for the Adyabo Project; and 3) Management is continuing discussions with third parties for potential financing for the development of the Terakimti oxide gold deposit. A change in these judgments and estimates in future periods may have an impact on the statement of operations.

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6. Adoption of new or revised IFRSs

The Company has adopted the following new and revised standards, along with any consequential amendments, effective January 1, 2016. These changes were made in accordance with the applicable transitional provisions.

IFRS 10 Consolidated Financial Statements - 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 has concluded there was no significant impact of adopting this standard.

7. IFRSs not yet effective

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or International Financial Reporting Interpretations Committee. 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, and is available for early adoption. In addition, the credit risk 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 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 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, which 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.

(c) *IAS 7 Statements of Cash Flows* (“IAS 7”) - amendment

In January 2016 the IASB issued amendments to *IAS 7, Statements of Cash Flows*, effective for annual periods beginning on or after January 1, 2017. The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The Company is in the process of determining the extent of the impact of adopting this standard.

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8. Accounts receivable

	September 30, 2016	December 31, 2015
Current		
Insurance recoverable	\$ --	\$ 450,000
Tanzanian Definitive Agreement	346,451	82,433
Related parties and other receivables	73,044	26,397
Taxes recoverable	95,596	101,949
	515,091	660,779
Non-current		
Taxes recoverable	\$ 199,817	\$ 204,349

Non-current taxes receivable relates to VAT refund claim from the Tanzanian government. Refer to Note 5(e) for further details. The Tanzanian Definitive Agreement receivable relates to outstanding instalment payments and recoverable operating expenses for the Tanzanian Assets (refer to Notes 2 and 5(f) for further details). Insurance recoverable relates to the British Columbia Securities Commission hearing costs, which are covered under the Company's insurance policy. The recovery was received during the nine months ended September 30, 2016.

9. Mineral property interests

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

	Tanzania, Handeni properties	Tanzania, other properties	Ethiopia Harvest Project	Ethiopia Adyabo Project	Total
Acquisition costs					
As at December 31, 2015	\$ 2,529,204	\$ 2,382,821	\$ 18,019,853	\$ 847,185	\$ 23,779,063
Property payments	69,431	47,881	64	550	117,926
Property payments recoveries	(69,431)	(31,586)	--	--	(101,017)
Definitive Agreement deposit	(531,467)	--	--	--	(531,467)
Foreign exchange	(125,659)	(124,251)	(941,355)	(24,185)	(1,215,450)
As at September 30, 2016	\$ 1,872,078	\$ 2,274,865	\$ 17,078,562	\$ 823,550	\$ 22,049,055

	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	275	151	61,019
Foreign exchange	301,485	299,845	2,270,691	58,038	2,930,059
As at September 30, 2015	\$ 2,575,816	\$ 2,297,733	\$ 17,375,354	\$ 798,401	\$ 23,047,304

Harvest Project

The Harvest Project in Ethiopia consists of three primary exploration concessions on the Harvest exploration licence. The three primary concessions are known as Hamlo, Terakimti, and Igub. The exploration licence has a term of 10 years and expires in 2017. The Ethiopian regulations allows for retention extensions to the exploration licence term. The Company has a 70% interest in the Harvest Project with the remaining 30% (non-controlling interest) held with Ezana Mining Development PLC.

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9. Mineral property interests (continued)

Adyabo Project

The Adyabo Project consists of two exploration licences, West Shire and Adi Dairo, located in the Tigray National Regional State of Ethiopia. The exploration licences have a term of 10 years and expires in 2017. The Ethiopian regulations allows for retention extension to the exploration licence term. The Company has an undivided 80% interest in the Property. Once the Company has received government approval on a positive feasibility study, the Company shall issue 550,000 East Africa common shares and 400,000 East Africa share purchase warrants to the optionor, and on commencement of commercial production, the Company shall issue 275,000 East Africa common shares and 200,000 East Africa share purchase 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. The Company has received confirmation from the optionor to convert its 20% interest to a 2.0% NSR. Upon the execution of a NSR agreement, the Company will hold a 100% undivided interest in the Adyabo Project, subject to the 2.0% NSR.

Tanzania – Handeni Properties & Other Properties

As identified in Note 2 the Company has entered into a Definitive Agreement to sell and develop the Tanzania Handeni Properties and Other Properties. The properties are located in the Handeni district, Tanga Region of Tanzania. The Company has two mining licenses covering the Magambazi resource. In 2010, the Magambazi agreement was restructured and transferred from the original optionor, Magambazi Mines Company Limited, to Denwill for US\$1,800,000, subject to the 2% NSR. The Magambazi Project is owned 100% by 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. As at September 30, 2016, the option has not yet been exercised. The Company’s “Other Properties” consists of three claims and are located in the Handeni district, Tanga Region of Tanzania.

10. Exploration and evaluation expenditure (“exploration expenditure”)

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

	Tanzania, Handeni properties	Tanzania, other properties	Ethiopia Harvest Project	Ethiopia Adyabo Project	Three months ended September 30, 2016	Nine months ended September 30, 2016
Exploration expenditure						
Amortization	\$ 49,520	\$ --	\$ 8,070	\$ 18,146	\$ 75,736	\$ 237,275
Camp and administration costs	79,191	--	61,233	70,962	211,386	804,755
Drilling	--	--	1,588	7,479	9,067	202,824
Geochemistry	729	--	2,262	2,907	5,898	68,782
Geology	--	--	2,470	30,356	32,826	110,261
Preliminary resource and engineering studies	--	--	22,743	--	22,743	121,835
Property management and consulting	6,850	--	--	--	6,850	20,462
Share-based compensation	--	--	--	--	--	107,763
Technical services	85	--	20,410	37,839	58,334	159,131
Total for the period	\$ 136,375	\$ --	\$ 118,776	\$ 167,689	\$ 422,840	\$ 1,833,088
Cumulative exploration expenditure as at December 31, 2015						77,960,175
Cumulative exploration expenditure as at September 30, 2016						\$ 79,793,263

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10. Exploration and evaluation expenditure (“exploration expenditure”) (continued)

	Tanzania, Handeni properties	Tanzania, other properties	Ethiopia Harvest Project	Ethiopia Adyabo Project	Three months ended September 30, 2015	Nine months ended September 30, 2015
Exploration expenditure						
Amortization	\$ 69,694	\$ --	\$ 5,780	\$ 17,003	\$ 92,477	\$ 314,253
Camp and administration costs	266,633	--	73,303	112,737	452,673	1,498,968
Drilling	--	--	291,284	10,133	301,417	1,723,854
Geochemistry	2,435	--	14,549	9,698	26,682	83,123
Geology	2,234	--	4,155	71,903	78,292	333,000
Preliminary resource and engineering studies	--	--	35,308	665	35,973	217,549
Property management and consulting	13,745	--	--	--	13,745	39,683
Technical services	31,098	--	90,846	29,405	151,349	367,964
Total for the period	\$ 385,839	\$ --	\$ 515,225	\$ 251,544	\$ 1,152,608	\$ 4,578,394
Cumulative exploration expenditure as at December 31, 2014						71,056,477
Cumulative exploration expenditure as at September 30, 2015						\$ 75,634,871

11. Property and equipment

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

	Buildings and roads	Office and field equipment	Computers and software	Leasehold improvements	Vehicles	Total
Cost						
As at December 31, 2015	\$ 2,156,983	\$ 1,213,556	\$ 505,091	\$ 569,289	\$ 168,952	\$ 4,613,871
Additions	--	--	1,499	--	--	1,499
Foreign exchange	(114,572)	(50,059)	(6,929)	(5,488)	(8,827)	(185,875)
As at September 30, 2016	\$ 2,042,411	\$ 1,163,497	\$ 499,661	\$ 563,801	\$ 160,125	\$ 4,429,495
Accumulated amortization						
As at December 31, 2015	\$ 1,173,053	\$ 838,700	\$ 485,636	\$ 417,420	\$ 41,357	\$ 2,956,166
Amortization	--	22,779	4,872	28,182	--	55,833
Exploration amortization	146,991	57,978	4,400	--	27,906	237,275
Foreign exchange	(62,445)	(35,701)	(6,592)	(5,488)	(2,385)	(112,611)
As at September 30, 2016	\$ 1,257,599	\$ 883,756	\$ 488,316	\$ 440,114	\$ 66,878	\$ 3,136,663
As at September 30, 2016	\$ 784,812	\$ 279,741	\$ 11,345	\$ 123,687	\$ 93,247	\$ 1,292,832
As at December 31, 2015	983,930	374,856	19,455	151,869	127,595	1,657,705

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11. Property and equipment (continued)

	Buildings and roads	Office furniture and field equipment	Computers and software	Leasehold improvements	Vehicles	Total
Cost						
As at December 31, 2014	\$ 1,802,174	\$ 1,036,038	\$ 464,797	\$ 552,295	\$ 141,619	\$ 3,996,923
Additions	--	15,921	18,523	--	--	34,444
Foreign exchange	276,368	115,842	17,027	13,237	21,290	443,764
As at September 30, 2015	\$ 2,078,542	\$ 1,167,801	\$ 500,347	\$ 565,532	\$ 162,909	\$ 4,475,131
Accumulated amortization						
As at December 31, 2014	\$ 769,099	\$ 585,583	\$ 448,341	\$ 364,415	\$ --	\$ 2,167,438
Amortization	--	30,634	7,959	27,008	--	65,601
Exploration amortization	182,861	95,472	8,125	--	27,795	314,253
Foreign exchange	126,464	75,139	15,265	13,237	1,648	231,753
As at September 30, 2015	\$ 1,078,424	\$ 786,828	\$ 479,690	\$ 404,660	\$ 29,443	\$ 2,779,045
Net book value						
As at September 30, 2015	\$ 1,000,118	\$ 380,973	\$ 20,657	\$ 160,872	\$ 133,466	\$ 1,696,086
As at December 31, 2014	1,033,075	450,455	16,456	187,880	141,619	1,829,485

12. Share capital

As at September 30, 2016, the Company's share capital consisted of the following:

- Authorized: Unlimited common shares without par value.
- Issued and outstanding: 119,646,925 (December 31, 2015 – 102,799,661) common shares.

On May 31, 2016, the Company completed the Non-brokered Private Placement ("Private Placement") of 10,000,000 Units (the "Units") at a price of \$0.10 per unit for gross proceeds of \$1,000,000. Each Unit consists of one common share of the Company and one-half of one non-transferable common share purchase warrant (a "Warrant"). Each whole Warrant will entitle the holder thereof to purchase one common share at an exercise price of \$0.25 for a period of 24 months from the date of closing.

For the nine months ended September 30, 2016, the Company issued 4,377,264 common shares for proceeds of \$1,007,167 on the exercise of warrants and 2,470,000 common shares for proceeds of \$254,000 on the exercise of stock options.

- Escrowed shares

As at September 30, 2016, 675,045 (December 31, 2015 – 675,045) common shares are held in escrow. The release of these shares is based on the future exploration expenditure, discovery of an ore deposit and achieving commercial mineral production.

- Share-based compensation

The Company has established a stock option plan whereby the Board of Directors may grant stock options to directors, officers, employees or consultants in order to more closely align the grant-recipients' interests with those of shareholders. Pursuant to the stock option plan, the Company has been authorized by its shareholders to grant stock options of up to twenty percent (20%) of the number of common shares issued and outstanding. Stock options granted are subject to a maximum term of ten years from the date of grant. The exercise price of a stock option must be determined in accordance with the share purchase option plan. Stock options vest at the time the stock options are granted unless determined otherwise by the Board of Directors, other than stock options granted to consultants performing investor relations activities, which vest in stages over twelve months with no more than one quarter vesting in any three-month period.

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12. Share capital (continued)

(d) Share-based compensation (continued)

The value of 13,500,000 stock options granted during the nine months ended September 30, 2016, which vested on the grant date, totaled \$300,852 (2015 – \$9,187) of which \$193,089 (2015 – \$9,187) was recorded as share-based compensation expense and \$107,763 (2015 – \$Nil) was recognized as share-based compensation expense within exploration expenditure. The stock options were valued using the Black-Scholes model based on the following assumptions: expected dividend yield of 0%, expected volatility of 88.80% to 118.45%, risk-free rate of 0.48% to 0.63% and expected life of 1.00 year to 2.50 years.

During the nine months ended September 30, 2016, 2,470,000 options were exercised with a weighted average exercise price of \$0.10. The related weighted average share price at the time of exercise was \$0.25 per share.

As at September 30, 2016, there were 3,425,000 (December 31, 2015 – 3,750,000) Tigray Resources Inc. stock options outstanding that on exercise would be exchanged for 1,883,750 East Africa Shares (December 31, 2015 – 2,062,500) and 1,370,000 (December 31, 2015 – 1,500,000) East Africa Warrants.

Details of stock options activity during the periods ended September 30, 2016 and 2015 are as follows:

	Number of options outstanding	Weighted average exercise price
Balance, December 31, 2015	4,750,000	\$ 0.14
Issued	13,500,000	0.11
Exercised	(2,470,000)	0.10
Outstanding and exercisable, September 30, 2016	15,780,000	0.12
Outstanding and exercisable, December 31, 2015	4,750,000	\$ 0.14

	Number of options outstanding	Weighted average exercise price
Balance, December 31, 2014	5,900,000	\$ 0.14
Expired and forfeited	(1,000,000)	0.14
Balance, September 30, 2015	4,900,000	0.14
Outstanding and exercisable as at September 30, 2015	4,900,000	0.14
Outstanding and exercisable as at December 31, 2014	4,900,000	\$ 0.14

The following table summarizes information about the stock options outstanding and exercisable at September 30, 2016:

Options outstanding			Options exercisable		
Number outstanding	Weighted average exercise price	Weighted average remaining life	Expiry date	Number exercisable	Weighted average exercise price
4,400,000	\$ 0.14	1.88 years	August 19, 2018	4,400,000	\$ 0.14
150,000	0.14	2.62 years	May 16, 2019	150,000	0.14
8,730,000	0.10	4.30 years	January 15, 2021	8,730,000	0.10
1,000,000	0.10	4.48 years	March 23, 2021	1,000,000	0.10
600,000	0.15	4.58 years	April 29, 2021	600,000	0.15
900,000	0.16	1.71 years	June 15, 2018	900,000	0.16
15,780,000	\$ 0.12	3.48 years		15,780,000	\$ 0.12

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12. Share capital (continued)

(e) Share-purchase warrants

On May 31, 2016, the Company completed the Private Placement of 10,000,000 Units and issued 5,000,000 Warrants. The Warrants were valued at \$102,857. The Company paid a finders' fees of 6% or \$57,618, and issued 57,618 finders' warrants valued at \$15,194. Each finders' warrant entitles the holder to acquire one common share of the Company at a price of \$0.25 per share for a period of 24 months from the date of closing. The fair value of the Warrants was estimated using the Black-Scholes model based on the following assumptions: expected dividend yield of 0%, expected volatility of 114.35%, risk-free rate of 0.61% and expected life of 1.00 year.

If at any time after the date that is four months after the date of issuance of the Warrants, the Company's common shares have a closing price on the Exchange (or such other exchange on which the common shares may be traded at such time) of \$0.30 per share or greater for a period of 10 consecutive trading days, the Company will be entitled to accelerate the expiry date of the Warrants upon 20 days' notice given by news release, and the Warrants will then expire on the 20th day after the date of such notice.

During the nine months ended September 30, 2016, 4,377,264 warrants were exercised with a weighted average exercise price of \$0.23. The related weighted average share price at the time of exercise was \$0.35 per share.

As at September 30, 2016, there are 1,370,000 East Africa Warrants (December 31, 2015 – 1,500,000) that can be issued on the exercise of outstanding 3,425,000 Tigray Resources Inc. stock options (December 31, 2015 – 3,750,000).

Details of share-purchase warrants activity during the periods ended September 30, 2016 and 2015 are as follows:

	Number of warrants outstanding	Weighted average exercise price
Balance, December 31, 2015	26,491,867	\$ 0.23
Private Placement	5,000,000	0.25
Finders' warrants	576,180	0.25
Exercised	(4,377,264)	0.23
Outstanding and exercisable, September 30, 2016	27,690,783	0.23
Outstanding and exercisable, December 31, 2015	26,491,867	\$ 0.23

	Number of warrants outstanding	Weighted average exercise price
Outstanding and exercisable, September 30, 2015 and December 31, 2014	26,091,867	\$ 0.23

The following table summarizes information about the warrants outstanding and exercisable at September 30, 2016:

Warrants outstanding and exercisable	Weighted average exercise price	Weighted average remaining contractual life	Expiry date
22,134,403	\$ 0.23	0.60 years	May 7, 2017
5,556,380	0.25	1.67 years	May 31, 2018
27,690,783	\$ 0.23	0.81 years	

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13. Related party transactions

(a) Related parties

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2016	2015	2016	2015
Services rendered and expenses incurred (vi):				
Services and related expenses (i)	\$ 38,172	\$ 49,284	\$ 112,015	\$ 178,677
Management fees (ii)	73,750	77,500	221,875	232,500
Balances receivable from (vi):				
Reimbursement of shared costs (iii)	\$ 68,284	\$ 8,491		
	68,284	8,491		
Balances payable to (vi):				
Services rendered (i)	(11,452)	(15,136)		
Directors and officers (iv)	(120,527)	(2,231)		
	\$ (131,979)	\$ (17,367)		

Related parties' transactions:

- (i) Geological, administration services and related expenses were paid to a director and related parties with directors in common.
- (ii) Management fees were paid or accrued to a privately held company for the services of an officer of the Company and consulting fees to a company with directors in common.
- (iii) The Company shares office premises with two other companies that have directors in common and expenses were reimbursed at cost.
- (iv) Director fees and salaries paid or accrued to directors and officers of the Company.
- (v) SinoTech (Hong Kong) Corporation Limited, a related party with directors in common, exercised 3,500,000 warrants with an exercise price of \$0.23 for total proceeds of \$805,000 in common, for a 32.10% interest in the Company outstanding shares at the time of exercise.
- (vi) These transactions were in the normal course of business, which are recorded at their exchanged amounts and was established and agreed to by the related parties. The balances payable are included in accounts payable and accrued liabilities and the balances receivable are included in accounts receivable.

(b) Key management personnel

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

Details of key management personnel compensation is as follows:

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2016	2015	2016	2015
Directors fees, key management personnel fees and salaries and short-term benefits	\$ 151,526	\$ 152,304	\$ 445,346	\$ 461,335
Stock based compensation	--	--	148,151	--
	\$ 151,526	\$ 152,304	\$ 593,497	\$ 461,335

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14. Financial instruments

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. As at September 30, 2016, the Company did not have any financial assets and liabilities classified within the three levels of the hierarchy.

The three levels of the fair value hierarchy are:

- Level 1 – Valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – Valuation based on directly or indirectly observable inputs (other than Level 1 inputs) such as quoted interest or currency exchange rates; and
- Level 3 – Valuation based on significant inputs that are not based on observable market data such as discounted cash flow methodologies based on internal cash flow forecasts.

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 (See Note 1). As at September 30, 2016 and 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 September 30, 2016			
Cash and cash equivalents	\$ 1,178,959	\$ --	\$ 1,178,959
Tanzanian Definitive Agreement and related parties	419,496	--	419,496
Accounts payable	--	(214,772)	(214,772)
	\$ 1,598,455	\$ (214,772)	\$ 1,383,683

	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 recoverable and related parties	558,830	--	558,830
Accounts payable	--	(992,640)	(992,640)
	\$ 2,878,483	\$ (992,640)	\$ 1,885,843

15. Geographical segment information

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

	Canada	Tanzania	Ethiopia	Total
For the three months ended September 30, 2016				
Net loss for the period	\$ 805,987	\$ 135,638	\$ 289,694	\$ 1,231,319
For the nine months ended September 30, 2016				
Net loss for the period	1,981,638	452,157	1,397,085	3,830,880
As at September 30, 2016				
Total non-current assets	791,490	4,938,316	17,811,898	23,541,704

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15. Geographical segment information (continued)

	Canada	Tanzania	Ethiopia	Total
For the three months ended September 30, 2015				
Net loss for the period	\$ 361,466	\$ 391,996	\$ 870,453	\$ 1,623,915
For the nine months ended September 30, 2015				
Net loss for the period	1,647,382	1,299,566	3,350,819	6,297,767
As at September 30, 2015				
Total non-current assets	826,122	5,700,480	18,216,788	24,743,390

16. Subsequent events

Subsequent to September 30, 2016, the Company announced the signing of a Letter of Intent with a listed public company (the “Purchaser”) in China to subscribe 20 million units of the Company at a price of \$0.26 per unit for gross proceeds of \$5,200,000. Each unit will consist of one common share and one half share Warrant. The Warrants will entitle the holder to purchase one common share at an exercise price of \$0.45 and will expire 18 months from closing. If at any time after the date that is four months from the date the Warrants are issued, the Company's common shares have a closing price of \$0.65 or greater for a period of 10 consecutive trading days, the Company will be entitled to accelerate the expiry date of the Warrants upon 20 days' notice given and the Warrants will then expire on the 20th day after the date of such notice. As a result of this placement the Purchaser will own approximately 14.3% of the outstanding shares of the Company. The Letter of Intent is subject to certain conditions including and not limited to the Purchaser completing its due diligence review of the Company, execution of definitive agreements and receipt of approval of the Exchange.

Under the Letter of Intent, the Purchaser also agreed to provide US\$10,000,000 debt financing for the development of the Terakimti Oxide Gold Project, which is non-binding. Alternatively, the Purchaser can choose to identify a third party to provide or participate in the debt financing. The debt financing is subject to a number of conditions, including and not limited to receiving a mining permit from the Minister of Mines, Petroleum and Natural Gas, Ethiopia.