EAST AFRICA METALS INC.
(an exploration stage company)

CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2016 and 2015

Expressed in Canadian dollars

April 28, 2017

Independent Auditor's Report

To the Shareholders of East Africa Metals Inc.

We have audited the accompanying consolidated financial statements of East Africa Metals Inc., which comprise the consolidated balance sheets as at December 31, 2016 and December 31, 2015 and the consolidated statements of operations, comprehensive (income) loss, changes in equity and cash flows for the years then ended, and the related notes, which comprise the significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

PricewaterhouseCoopers LLP
PricewaterhouseCoopers Place, 250 Howe Street, Suite 1400, Vancouver, British Columbia, Canada V6C 3S7
T: +1 604 806 7000, F: +1 604 806 7806

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of East Africa Metals Inc. as at December 31, 2016 and December 31, 2015 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of matter
Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about East Africa Metals Inc.'s ability to continue as a going concern as at December 31, 2016.

(signed) "PricewaterhouseCoopers LLP"

Chartered Professional Accountants

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

	December 31, 2016	December 31, 2015
Assets		
Current assets		
Cash and cash equivalents	$ 367,690	$ 2,319,653
Accounts receivable (Note 8)	550,925	660,779
Prepaid expenses and deposits	99,503	206,547
	1,018,118	3,186,979
Taxes recoverable (Note 8)	208,343	204,349
Mineral property interests (Note 10)	22,420,582	23,779,063
Property and equipment (Note 9)	1,244,250	1,657,705
	$ 24,891,293	$ 28,828,096
Liabilities and Equity		
Current liabilities		
Accounts payable and accrued liabilities	$ 914,194	$ 1,161,662
	914,194	1,161,662
Non-current liability		
Leasehold inducement (Note 19)	78,688	104,917
Total liabilities	992,882	1,266,579
Equity		
Share capital (Note 12(b))	40,328,702	38,209,582
Warrants (Note 12(e))	1,280,432	1,408,806
Contributed surplus (Note 12(d))	146,458,190	145,953,144
Accumulated other comprehensive income	4,530,842	5,106,630
Deficit	(172,874,525)	(167,703,138)
	19,723,641	22,975,024
Non-controlling interest (Notes 10 and 13)	4,174,770	4,586,493
	23,898,411	27,561,517
	$ 24,891,293	$ 28,828,096

Nature of operations and going concern (Note 1)
Tanzanian Definitive Agreement (Note 2)
Subsequent events (Notes 1, 2, 14 and 20)
Commitments (Note 19)

Approved on behalf of the Board

(signed) “David Parsons"

(signed) “Dr. Antony Harwood”

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

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

	Year ended December 31, 2016	Year ended December 31, 2015
Expenses		
Amortization (Note 9)	$ 70,057	$ 87,337
Directors and advisory board fees	71,151	78,319
Exploration and evaluation expenditure (Note 11)	2,764,717	6,903,698
Investor/shareholder communications and filing fees	581,315	299,703
Legal, audit and audit related fees	127,375	362,936
Management consulting fees and expenses	681,124	541,286
Office and administration	331,729	441,885
Rent and occupancy costs	150,731	141,680
Salaries and benefits	234,760	391,771
Share-based compensation (Note 12(d))	193,089	9,187
Write-off of mineral property interests (Note 10)	166,127	--
	5,372,175	9,257,802
Change in fair value of warrants derivative liability	--	(1,630)
Foreign exchange loss (gain)	48,196	(53,042)
Insurance recovery (Note 8)	--	(450,000)
Interest income	(553)	(29,200)
Net loss for the year	5,419,818	8,723,930
Net loss attributable to:		
Shareholders	5,171,387	8,050,740
Non-controlling interest	248,431	673,190
Loss per share, basic and diluted	$ 0.05	$ 0.08
Weighted average number of common shares used in the calculation of loss per share – basic and diluted	111,055,366	102,343,086

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

	Year ended December 31, 2016	Year ended December 31, 2015
Net loss for the year	$ 5,419,818	$ 8,723,930
Items that may be reclassified to statement of operations		
Currency translation adjustment		
Attributable to shareholders of Company	575,788	(3,263,289)
Attributable to shareholders of non-controlling interest	163,292	(884,935)
Comprehensive loss for the year	6,158,898	4,575,706
Attributable to shareholders of Company	5,747,175	4,787,451
Attributable to shareholders for non-controlling interest	411,723	(211,745)
	$ 6,158,898	$ 4,575,706

EAST AFRICA METALS INC.
(an exploration stage company)
Consolidated Statements of Changes in Equity
For the year ended December 31, 2016 and 2015
Expressed in Canadian dollars, unless otherwise stated

	Common Shares Without Par Value				Accumulated Other Comprehensive Income		Total Common Shareholders' Equity	Non-Controlling Interest	
	Shares	Amount	Warrants	Contributed Surplus		Deficit			Total Equity
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 (Note 12 (e))	--	(72,812)	15,194	--	--	--	(57,618)	--	(57,618)
Share issue costs	--	(9,579)	--	--	--	--	(9,579)	--	(9,579)
Share-based compensation (Note 12(d))	--	--	--	300,852	--	--	300,852	--	300,852
Shares issued on exercise of stock options (Notes 12(b) and (d))	2,479,500	297,181	--	(42,231)	--	--	254,950	--	254,950
Shares issued on exercise of warrants (Notes 12(b) and (e))	4,377,352	1,007,187	(222,950)	222,950	--	--	1,007,187	--	1,007,187
Expiry of warrants	--	--	(23,475)	23,475	--	--	--	--	--
Currency translation adjustment on foreign operations	--	--	--	--	(575,788)	--	(575,788)	(163,292)	(739,080)
Net loss for the year	--	--	--	--	--	(5,171,387)	(5,171,387)	(248,431)	(5,419,818)
Balance, December 31, 2016	119,656,513	$ 40,328,702	$ 1,280,432	$ 146,458,190	$ 4,530,842	$(172,874,525)	$ 19,723,641	$ 4,174,770	$ 23,898,411

	Common Shares Without Par Value				Accumulated Other Comprehensive Income		Total Common Shareholders' Equity	Non-Controlling Interest	
	Shares	Amount	Warrants	Contributed Surplus		Deficit			Total Equity
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
Shares issued for mineral property interest (Notes 10 and 12(b))	550,000	30,250	--	--	--	--	30,250	--	30,250
Share-based compensation (Note 12(d))	--	--	--	9,187	--	--	9,187	--	9,187
Warrants issued for mineral property	--	--	1,730	--	--	--	1,730	--	1,730
Currency translation adjustment on foreign operations	--	--	--	--	3,263,289	--	3,263,289	884,935	4,148,224
Net loss for the year	--	--	--	--	--	(8,050,740)	(8,050,740)	(673,190)	(8,723,930)
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

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

EAST AFRICA METALS INC.
(an exploration stage company)
Consolidated Statements of Cash Flows
Expressed in Canadian dollars, unless otherwise stated

	Year ended December 31, 2016	Year ended December 31, 2015
Cash flows provided by (used for) operating activities		
Loss for the year	$ (5,419,818)	$ (8,723,930)
Items not involving cash		
Amortization – administration (Note 9)	70,057	87,337
Amortization – exploration and evaluation (Note 9)	305,250	395,207
Amortization – leasehold inducement	(26,229)	(26,229)
Share based compensation – administration (Note 12(d))	193,089	9,187
Share based compensation – exploration and evaluation (Note 12(d))	107,763	--
Write-off of mineral property interests (Note 10)	166,127	--
Change in fair value of share purchase warrants and warrants derivative liability	--	(1,630)
Unrealized foreign exchange gain (loss)	30,690	(111,118)
Changes in operating assets and liabilities		
Accounts receivable and taxes recoverable	420,105	(182,108)
Prepaid expenses, deposits, materials and supplies	102,028	79,749
Accounts payable and accrued liabilities	(274,819)	300,624
	(4,325,757)	(8,172,911)
Cash flows provided by (used for) investing activities		
Mineral property interests acquisitions (Note 10)	(147,894)	(61,068)
Mineral property interests recovery (Notes 8 and 10)	82,512	--
Definitive Agreement deposit (Notes 2, 8 and 10)	264,517	133,030
Purchase of equipment (Note 9)	(8,713)	(334,782)
Redemption of short-term investments	--	8,312,157
	190,422	8,049,337
Cash flows provided by (used for) financing activities		
Private Placement (Note 12(b))	1,000,000	--
Share issue costs	(67,197)	--
Exercise of stock options (Notes 12(b) and (d))	254,950	--
Exercise of warrants(Notes 12(b) and (e))	1,007,187	--
	2,194,940	--
Effects of exchange rate changes on cash and cash equivalents	(11,568)	226,554
Increase (decrease) in cash and cash equivalents	(1,951,963)	102,980
Cash and cash equivalents, beginning of year	2,319,653	2,216,673
Cash and cash equivalents, end of year	$ 367,690	$ 2,319,653
Non-cash investing and financing activities		
Mineral property interest – common shares (Notes 10 and 12(b))	$ --	$ 30,250
Mineral property interest – warrants (Notes 10 and 12(e))	--	1,730
Fair value of finders' warrants (Note 12(e))	15,194	--
Fair value of exercised stock options	42,231	--
Exercise of warrants (Note 12 e))	222,950	--

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 audited consolidated financial statements ("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 year ended December 31, 2016, the Company incurred a net loss attributable to shareholders totaling $5,171,387 (2015 – $8,050,740) and as at December 31, 2016, had an accumulated deficit of $172,874,525 (2015 – $167,703,138) and working capital of $103,924 (2015 - $2,025,317).

Based on the Company's financial position at December 31, 2016, the available funds, including the subsequent financing receipts (refer to Note 20) 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, marketing program to strengthen market demand to exercise outstanding warrants, 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 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 December 31, 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;

(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;

2. Significant events and transactions (continued)

Tanzanian Definitive Agreement (continued)

(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. As at December 31, 2016, the Developer had not listed on the AIM and the Management Committee had not been established.

Subsequent to December 31, 2016, the Developer and the Company are in discussions for a further extension of the Tanzanian Effective Date of three (3) months. The Developer has indicated that first stage of financing for the development of the Tanzanian Assets is in its final stages. Pursuant to the Definitive Agreement, as at December 31, 2016, the Company recognized US$37,890 (CAD$50,873 − Note 8) in accounts receivable for the Tanzanian recoverable operating expenses and recognized US$200,000 (CAD$268,528 – Note 8) for the outstanding payments related to the first instalment of US$500,000. The instalments are recorded against mineral property interest until the transaction has closed.

The final payment of US$1,500,000 ("Balance Payment") is due no later than 12 months from the Tanzanian Effective Date or as negotiated with any further agreed upon extensions and the Developer has the option to terminate the Definitive Agreement before this date. The Balance Payment has not been recorded. 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 year ended December 31, 2016, the Company received a deposit instalment of US$200,000 (CAD$264,517) which is not refundable.

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 payments 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 and maintained per quarter by four years from the Tanzanian Effective Date or if the project is abandoned.

3. Statement of compliance and basis of preparation

These Financial Statements of the Company and its subsidiaries are prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). These Financial Statements were approved by the Board of Directors on April 28, 2017.

4. Significant accounting policies

(a) Basis of presentation

These Financial Statements have been prepared on an accrual basis and on an historical costs basis. The preparation of the 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 Financial Statements are disclosed in Note 5. These Financial Statements are prepared in Canadian dollars, with all amounts rounded to the nearest dollar, unless otherwise stated.

(b) Consolidation

These Financial Statements include the accounts of the Company and its wholly owned subsidiaries. Subsidiaries are all entities (including structured entities) over which the Company has control. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Company and are deconsolidated from the date that control ceases.

Expressed in Canadian dollars, unless otherwise stated

4. Significant accounting policies (continued)

(b) Consolidation (continued)

All intercompany transactions, balances and unrealized gains and losses from intercompany transactions in Canada are eliminated on consolidation, with the exception of any unrealized gains and losses with Harvest Mining PLC ("Harvest Project") which would then be eliminated on a pro-rata ownership basis. The functional currency of the Company and its subsidiaries in the British Virgin Islands ("BVI") is the Canadian dollar and the functional currency of its Tanzanian and Ethiopian subsidiaries is the US dollar ("USD").

The principal subsidiaries of East Africa and their geographic locations at December 31, 2016, were as follows:

Name of subsidiary	Principal Activity	Location	Proportion of ownership interest and/or voting power held
Canaco Resources (BC) 2009 Inc.	Holding company	Canada	100%
Canaco Tanzania Limited	Mineral exploration	Tanzania	100%
Canaco Resources Holdings Inc.	Holding company	BVI	100%
Canaco Tanzania Holdings Inc.	Holding company	BVI	100%
Tigray Resources Inc.	Holding company	Canada	100%
Tigray Resources Holdings Inc.	Holding company	BVI	100%
Tigray Ethiopia Holdings Inc.	Holding company	BVI	100%
Tigray Resources Incorporated PLC	Mineral exploration	Ethiopia	100%
Harvest Mining PLC	Mineral exploration	Ethiopia	70%
Denwill Mining Services Limited	Mineral exploration	Tanzania	100% (consolidated structured entity)

Structured entities are entities controlled by the Company that were designed so that voting or similar rights are not the dominant factor in deciding who controls the entity. Structured entities controlled by the Company were established under terms that impose strict limitations on the decision-making powers of the structured entities' management. As a result in the Company receiving the majority of the benefits related to the structured entities' operations, net assets being exposed to the majority of risks incident to the structured entities' activities, and retaining the majority of the residual or ownership risks related to the structured entities or their assets.

The Company accounts for Denwill Mining Services Limited ("Denwill") as a structured entity in accordance with IFRS 10 *Consolidated Financial Statements*. The Company has concluded that it controls this entity as the Company has the power to control the principal economic and strategic decisions on exploration activities. Refer to Note 5(b) for further information.

(c) Cash and cash equivalents

Cash is cash on deposit with banks and cash equivalents are money market investments with maturities on the date of acquisition of 90 days or less. Cash and cash equivalents are readily convertible to cash and are subject to insignificant changes in value.

(d) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. Loans are considered to be impaired when there is objective evidence that, as a result of one or more events that have occurred after the initial recognition of the loan, the estimated future cash flows of the loan have been affected. Loans are considered past due once the borrower has failed to make payments within 30 days of the contractual due date.

Alternatively, if there has been a specific event that gives rise to uncertainty as to the ultimate collectability of a loan, including those loans that are less than 30 days in arrears, the loan is deemed to be impaired. Objective evidence of an impairment of a loan could include significant financial difficulty of the borrower; breach of contract such as a default or delinquency in interest or principal payments; or it becomes probable that the borrower will enter bankruptcy or other financial reorganization.

4. Significant accounting policies (continued)

(e) Foreign currency translation

(i) Transactions and balances

Foreign currency transactions are translated into the functional currency of an entity using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses result from the settlement of foreign currency transactions and from the translation of monetary assets and liabilities denominated in currencies other than an operation's functional currency. These gains and losses are recognized in the consolidated statements of operations. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

(ii) Translation of foreign operations results into the presentation currency

The results and balance sheets of all the Company's subsidiaries with functional currencies different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each consolidated balance sheet presented are translated at the closing rate at the date of the consolidated balance sheet;
- Income and expenses are translated at monthly average exchange rates, unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions; and
- All resulting exchange differences are recognized as a currency translation adjustment in the statements of comprehensive income (loss).

The parent company has monetary items that are inter-company receivables from foreign operations. A monetary item for which settlement is neither planned nor likely to occur in the foreseeable future is in substance a part of the parent company's net investment in that foreign operation. On consolidation, such exchange differences are recognized in the statements of comprehensive income and accumulated other comprehensive income in the statement of equity. When a foreign operation is sold, such exchange differences are recognized in the consolidated statements of operations as part of the gain or loss on sale.

(f) Financial instruments

Financial assets and liabilities are initially recognized at fair value on the consolidated balance sheet when the Company becomes a party to the contractual provisions of the instrument. Measurement in subsequent periods depends on the financial instrument's classification. The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

- Cash and cash equivalents have been designated as loans and receivables.
- Receivables and short-term deposits have been designated as loans and receivables and are recorded at amortized cost, net of anticipated collection costs, if any.
- Accounts payable is initially recorded at fair value and subsequently measured at amortized cost.
- Held for trading financial instruments are measured at fair value. All gains and losses are included in the consolidated statements of operations in the period in which they arise.
- Available-for-sale are non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized in other comprehensive income ("OCI"). Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from OCI and recognized in the consolidated statements of operations.

4. Significant accounting policies (continued)

(f) Financial instruments (continued)

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.

(g) Impairment of financial assets

Financial assets, other than those at fair value through the consolidated statements of operations, are assessed for indicators of impairment at each reporting date. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

(h) Non-controlling interest

Non-controlling interest represents equity interests in subsidiaries owned by outside parties. The share of net assets of subsidiaries attributable to non-controlling interest is presented as a component of equity. The loss and each component of other comprehensive income are attributed to non-controlling interests where applicable.

(i) Mineral property interests

The Company capitalizes the direct costs of acquiring and maintaining mineral property interests. Option payments are considered acquisition costs if the Company has the intention of exercising the underlying option. From time to time, the Company acquires and disposes of mineral property interests pursuant to the terms of option agreements. Options are exercisable entirely at the discretion of the optionee, and accordingly, are recorded as mineral property costs (recoveries) when payments are made or received until the original cost is recovered and after which subsequent recoveries are charged to the consolidated statements of operations. Ownership in mineral property interests involves certain inherent risks due to the difficulties of determining and obtaining clear title to claims as well as the potential for problems arising from the frequently ambiguous conveyance history characteristics of many mineral properties.

(j) Exploration and evaluation expenditures (“Exploration Expenditures”)

The Company’s Exploration Expenditures are charged to the consolidated statements of operations in the period incurred until such time as it has been determined that a property has economically recoverable reserves, in which case subsequent exploration and development expenditures are capitalized. Exploration Expenditures may include salary costs of geologists, field employees and local management.

(k) Property and equipment (“Fixed Assets”)

Property and equipment are stated at cost as at the date of acquisition or completion and are available for their intended use. Residual values, method of amortization (depreciation) and useful lives of the assets are reviewed annually and adjusted if expectations differ from previous estimates. Amortization (depreciation) related to property and equipment used in exploration and evaluation activities are classified within Exploration Expenditures. The Company amortizes (depreciates) property and equipment using the straight-line method over their useful lives as follows:

• Buildings and roads	5-10 years
• Office and field equipment	5-10 years
• Computer equipment and software	2-4 years
• Vehicles	4 years
• Leasehold improvements	over the term of the lease

4. Significant accounting policies (continued)

(k) Property and equipment (continued)

Gains and losses on disposals of property and equipment are determined by comparing the proceeds with the carrying amount of the asset and are included as part of other gains and losses in the consolidated statements of operations.

(l) Impairment of non-financial assets

(i) Impairment

The Company's mineral property interests and Fixed Assets are reviewed for indications of impairment at each reporting period. If indication of impairment exists, the asset's recoverable amount is estimated.

The Company performs an impairment test when events or circumstances occur which indicate the assets may not be recoverable. The recoverable amount is the greater of the asset's fair value less costs to sell and value in use. Impairment tests are performed on a project by project basis with each project representing a cash-generating unit. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount and recognized in the consolidated statements of operations.

(ii) Reversal of impairment

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(m) Share-based compensation

The Company grants stock options to directors, officers, employees and service providers. Each tranche in an award is considered a separate award with its own vesting period and fair values. The Company applies the fair-value method of accounting for share-based compensation. The fair value is calculated using the Black-Scholes option-pricing model.

Share-based compensation for employees and others providing similar services are determined based on the grant date fair value. Share-based compensation for non-employees is determined based on the fair value of the goods or services received or option granted measured at the date on which the Company obtains such goods or services.

Share-based compensation expense is recognized over each tranche's vesting period, in the consolidated statements of operations or capitalized as appropriate, based on the number of awards that vest less the estimated forfeitures. The number of forfeitures likely to occur is estimated on grant date. If and when stock options are exercised, the applicable amounts of contributed surplus are transferred to share capital.

(n) Income tax

Income tax on the consolidated statement of operations for the years presented comprises current and deferred tax. Income tax is recognized in the consolidated statements of operations except to the extent that it relates to items recognized directly in equity, which case the income tax is also recognized in equity. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, adjusted for any adjustment to tax payable in respect of previous years.

In general, deferred tax is recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Financial Statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except, in the case of subsidiaries, where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

4. Significant accounting policies (continued)

(n) Income tax (continued)

Deferred income tax assets and liabilities are presented as non-current. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities, when they relate to income taxes levied by the same taxation authority and when the Company intends to settle its current tax assets and liabilities on a net basis.

(o) Loss per share

Basic loss per share is computed by dividing loss attributable to common shareholders by the weighted average number of common shares outstanding during the year. The diluted loss per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on earnings per share. The dilutive effect of outstanding options and their equivalents are reflected in diluted earnings per share by application of the treasury method. In this method, whereby all 'in the money" options and warrants are assumed to have been exercised at the beginning of the year and the proceeds from the exercise are assumed to have been used to purchase common shares at the average market price during the year. If the Company incurs losses, basic and diluted loss per share is the same as the exercise of options and warrants is considered anti-dilutive.

(p) Share capital

(i) The proceeds from the exercise of stock options and warrants, in addition to the estimated fair value attributable to these equity instruments, are recorded as share capital when exercised. Warrants issued are recorded at the estimated fair value using the Black-Scholes pricing model.

(ii) Share capital issued for non-monetary consideration is recorded at an amount based on estimated fair market value reduced by an estimate of transaction costs incurred when issuing shares for cash.

(iii) On unit offerings, the Company prorates the proceeds between the relative fair values of the shares issued and the Black-Scholes value of the warrants issued.

(q) Comprehensive income (loss)

Comprehensive income (loss) is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders. It includes items that are not included in the consolidated statements of operations such as unrealized gains or losses on available-for-sale investments, gains or losses on certain derivative instruments and foreign currency gains or losses related to a translation of foreign operations. The Company's comprehensive income (loss) and cumulative translation adjustments are presented in the consolidated statements of comprehensive income (loss) and the consolidated statements of changes in equity.

(r) Operating lease and lease inducements

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments under an operating lease are charged to the consolidated statement of operations loss on a straight-line basis over the period of the lease. Related expenses, such as maintenance and insurance expenses are charged to the consolidated statement of operations as incurred. Leasehold inducements are amortized to rent expense on a straight-line basis over the term of the lease.

5. Significant accounting estimates and judgments

The preparation of these Financial Statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

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

5. Significant accounting estimates and judgments (continued)

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 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 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 10). 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) Tanzanian Assets

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, *"Non-current assets held for sale and discontinued operations",* management applied significant judgement to determine the classification of these assets, and whether an impairment assessment was required, as at December 31, 2016. In concluding its judgement, management evaluated the existence of a potential buyer, the continued commitment of the Company to sell the assets, the likelihood of shareholders' and regulatory approval as well as the likelihood of completing the transaction within one year from the year-end. Management has assessed that the assets in Tanzania should not be classified as held for sale as at December 31, 2016, given the uncertainty around timing of completion of the sale, which is contingent on in-country government approvals.

(d) Measurement uncertainty – Ethiopian Mineral Property Interest assets

The Company's exploration licence at the Harvest Project and one of its exploration licences (Adi Dairo – See Note 10) at the Adyabo Project expired in January 2017. In January 2017, the Company applied for a 2-year extension for these exploration licenses. During 2016 the Company submitted a mining application for the Terakimti Oxide Gold resource. Subsequent to December 31, 2016, the Ethiopian Ministry of Mines, Petroleum and Gas ("MOMPnG") continues to review the three applications. If the MOMPnG does not approve either the exploration licence extensions or the mining licence application the Company may lose title to its Ethiopian mineral property interest assets. If this were to occur, it would represent a trigger for an impairment assessment on the Ethiopian Mineral Property Interest assets.

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

At December 31, 2016, $208,343 (see 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 currently qualify for a VAT refund, as the Company's foreign subsidiary has 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.

5. Significant accounting estimates and judgments (continued)

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

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 or the final amount of VAT that the foreign government will approve for refund.

(f) Tanzanian Definitive Agreement receivable recoverability

With the execution of the Definitive Agreement, as at December 31, 2016, US$200,000 (CAD$268,528 – Notes 2 and 8) was due to the Company's for the outstanding instalments for the first payment of US$500,000, which was due on March 17, 2016. As identified in Note 2 subsequent to December 31, 2016, the Developer and the Company are in discussions for a further extension of three (3) months. The Developer has indicated that first stage of financing for the development of the Tanzanian Assets is in its final phases.

The Company's assessment of its ability to collect its outstanding receivable required judgement on the ability of the Developer to raise money to complete the outstanding payments related to the first payment tranche of US$500,000 and the outstanding recoverable operating expenses. 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 and the recoverable operating expenses. The Developer is committed to completing the first instalment by providing further payments of US$200,000 and payments for recoverable operating expenses of US$214,990, during the year ended December 31, 2016. Management made a judgement with respect to the ability to receive the outstanding receivables 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 revised the 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.

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 that are applicable to the Company are as follows:

(a) *IFRS 2 Share-based Payments ("IFRS 2")*

In June 2016, the IASB issued amendments to IFRS 2, classifying how to account for certain types of share-based payment transactions, including the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, accounting for share-based payment transactions with a net settlement feature for withholding tax obligations, and accounting for modifications to the terms and conditions of a share-based payment that changes the classification of the share-based payment transaction from cash-settled to equity-settled. IFRS 2 is effective for annual periods beginning on or after January 1, 2018. The Company is in the process of determining the extent of the impact of adopting this standard.

(b) *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 has elected not to early adopt and continues to assess the impact of adoption.

(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 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 has elected not to early adopt and continues to assess the impact of adoption.

(d) *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.

(e) *IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration ("IFRIC 22")*

On December 8, 2016, the IASB issued IFRIC 22, which addresses the exchange rate to use in transactions that involve advance consideration paid or received in a foreign currency. The standard provides guidance on how to determine the date of the transaction for the purpose of determining the spot exchange rate used to translate the asset, expense or income on initial recognition that relates to, and is recognized on the de-recognition of, a non-monetary prepayment asset or a non-monetary defined income liability. It is effective January 1, 2018. The Company is in the process of determining the extent of the impact of adopting this standard.

Expressed in Canadian dollars, unless otherwise stated

8. Accounts receivable

	December 31, 2016	December 31, 2015
Current		
Insurance recoverable	$ --	$ 450,000
Tanzanian Definitive Agreement	319,401	--
Related parties and other receivables	90,024	108,830
Taxes recoverable	141,500	101,949
	550,925	660,779
Non-current		
Taxes recoverable	$ 208,343	$ 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 were covered under the Company's insurance policy. The recovery was received during the year ended December 31, 2016.

9. 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	--	82	8,631	--	--	8,713
Foreign exchange	(65,447)	(28,570)	(3,903)	(3,135)	(5,042)	(106,097)
As at December 31, 2016	$ 2,091,536	$ 1,185,068	$ 509,819	$ 566,154	$ 163,910	$ 4,516,487

	Buildings and roads	Office and field equipment	Computers and software	Leasehold improvements	Vehicles	Total
Accumulated amortization						
As at December 31, 2015	$ 1,173,053	$ 838,700	$ 485,636	$ 417,420	$ 41,357	$ 2,956,166
Amortization	--	25,789	6,692	37,576	--	70,057
Exploration amortization	192,487	71,452	4,644	--	36,667	305,250
Foreign exchange	(33,308)	(18,355)	(3,684)	(3,135)	(754)	(59,236)
As at December 31, 2016	$ 1,332,232	$ 917,586	$ 493,288	$ 451,861	$ 77,270	$3,272,237

	Buildings and roads	Office 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	--	27,930	19,706	--	--	47,636
Foreign exchange	354,809	149,588	20,588	16,994	27,333	569,312
As at December 31, 2015	$ 2,156,983	$ 1,213,556	$ 505,091	$ 569,289	$ 168,952	$ 4,613,871

Expressed in Canadian dollars, unless otherwise stated

9. Property and equipment (continued)

	Buildings and roads	Office and field equipment	Computers and software	Leasehold improvements	Vehicles	Total
Accumulated amortization						
As at December 31, 2014	$ 769,099	$ 585,583	$ 448,341	$ 364,415	$ --	$ 2,167,438
Amortization	--	41,206	10,121	36,010	--	87,337
Exploration amortization	236,059	113,369	7,571	--	38,208	395,207
Foreign exchange	167,895	98,542	19,603	16,995	3,149	306,184
As at December 31, 2015	$ 1,173,053	$ 838,700	$ 485,636	$ 417,420	$ 41,357	$ 2,956,166

	Buildings and roads	Office and field equipment	Computers and software	Leasehold improvements	Vehicles	Total
Net book value						
As at December 31, 2016	$ 759,304	$ 267,482	$ 16,531	$ 114,293	$ 86,640	$ 1,244,250
As at December 31, 2015	983,930	374,856	19,455	151,869	127,595	1,657,705

10. 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	109,177	61,302	64	550	171,093
Property payments recoveries	(107,977)	(31,565)	--	--	(139,542)
Definitive Agreement deposit (refer to Note 2)	(531,467)	--	--	--	(531,467)
Write-off	--	(166,127)	--	--	(166,127)
Foreign exchange	(69,818)	(71,087)	(537,756)	(13,777)	(692,438)
As at December 31, 2016	$ 1,929,119	$ 2,175,344	$ 17,482,161	$ 833,958	$ 22,420,582

	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 (refer to Note 2)	(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

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. During the year, the Company applied for a mining licence for the Terakimti gold oxide cap (refer to Note 5 (d)). The exploration licence has a term of 10 years and expired in January 2017 which the Company has applied for an extension (refer to Note 5 (d)). The Company has a 70% interest in the Harvest Project with the remaining 30% (non-controlling interest) held with Ezana Mining Development PLC ("Ezana").

Expressed in Canadian dollars, unless otherwise stated

10. 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 the Adi Dairo licence expired in January 2017, which the Company applied for an extension (refer to Note 5(d)). The Company has an undivided 80% interest in the Property. During the year ended December 31, 2016, the optionor elected to convert the remaining 20% interest into a 2.0% net smelter royalty ("NSR"). The Company now holds 100% interest in the Adyabo Project with the option to buy back 1.0% of the NSR for a cash payment of $5,000,000. 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.

Tanzania – Handeni Properties & Other Properties

As identified in Note 2 the Company has entered into a Definitive Agreement to 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 with Canaco Tanzania Limited holding one mining licence and Denwill holding the second mining licence. The Company has an option agreement to acquire 100% interest of Denwill, a structured entity controlled by East Africa, upon payment of US$40,000. As at December 31, 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. During the year ended December 31, 2016, the Company recorded an impairment charge of $166,127 as a result of the Company's decision to abandon certain Prospecting Licences judged to have insignificant prospective value to the Developer.

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

	Tanzania, Handeni Properties	Tanzania other properties	Ethiopia Harvest Project	Ethiopia Adyabo Project	Year ended December 31, 2016
Exploration expenditures					
Amortization	$ 209,800	$ --	$ 23,305	$ 72,145	$ 305,250
Camp and administration costs	398,613	--	311,751	411,030	1,121,394
Drilling	--	--	275,008	336,121	611,129
Geochemistry	2,910	--	12,995	62,511	78,416
Geology	1,704	--	12,327	152,188	166,219
Preliminary resource and engineering studies	--	--	114,861	22,399	137,260
Project management and consulting	27,467	--	--	--	27,467
Share-based compensation	--	--	53,881	53,882	107,763
Technical services	1,269	--	70,941	137,609	209,819
Total for the year	641,763	--	875,069	1,247,885	2,764,717
Cumulative Exploration Expenditures as at December 31, 2015	67,830,501	1,555,550	2,940,539	5,633,585	77,960,175
Cumulative Exploration Expenditures as at December 31, 2016	$68,472,264	$ 1,555,550	$ 3,815,608	$ 6,881,470	$ 80,724,892

Expressed in Canadian dollars, unless otherwise stated

11. Exploration and evaluation expenditure ("exploration expenditure") (continued)

	Tanzania, Handeni Properties	Tanzania other properties	Ethiopia Harvest Project	Ethiopia Adyabo Project	Year ended December 31, 2015
Exploration expenditures					
Amortization	$ 295,082	$ --	$ 31,200	$ 68,925	$ 395,207
Camp and administration costs	1,537,294	--	304,342	588,314	2,429,950
Drilling	--	--	1,263,905	1,475,292	2,739,197
Geochemistry	7,071	--	51,047	37,822	95,940
Geology	10,375	--	176,806	209,400	396,581
Preliminary resource and engineering studies	--	--	201,306	91,028	292,334
Project management and consulting	72,886	--	--	--	72,886
Technical services	105,980	1,844	208,006	165,773	481,603
Total for the year	2,028,688	1,844	2,236,612	2,636,554	6,903,698
Cumulative Exploration Expenditures as at December 31, 2014	65,801,813	1,553,706	703,927	2,997,031	71,056,477
Cumulative Exploration Expenditures as at December 31, 2015	$67,830,501	$ 1,555,550	$ 2,940,539	$ 5,633,585	$ 77,960,175

12. Share capital

As at December 31, 2016, the Company's share capital consisted of the following:

(a) Authorized: Unlimited common shares without par value.

(b) Issued and outstanding: 119,656,513 (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 (Note 12(e)).

For the year ended December 31, 2016, the Company issued 4,377,352 common shares for proceeds of $1,007,187 on the exercise of warrants and 2,479,500 common shares for proceeds of $254,950 on the exercise of stock options.

On October 30, 2015, the Company issued 550,000 common shares and 400,000 warrants at a fair value of $30,250 and $1,730 respectively pursuant to the option agreement to acquire an additional 25% interest in the Adyabo Project (Notes 10 and 12(e)).

(c) Escrowed shares

As at December 31, 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.

(d) 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.

Expressed in Canadian dollars, unless otherwise stated

12. Share capital (continued)

(d) Share-based compensation (continued)

The value of 13,500,000 stock options granted during the year ended December 31, 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 year ended December 31, 2016, 2,479,500 options (2015 – Nil) 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 December 31, 2016, there were 3,125,000 (December 31, 2015 – 3,750,000) Tigray Resources Inc. ("Tigray") stock options outstanding that on exercise would be exchanged for 1,718,750 East Africa Shares (December 31, 2015 – 2,062,500) and 1,250,000 East Africa Warrants (December 31, 2015 – 1,500,000) (Note 12(e)).

Details of stock options activity during the years ended December 31, 2016 and 2015 are as follows:

	Number of options outstanding	Weighted average exercise price
Balance, December 31, 2014	5,900,000	$ 0.14
Expired and forfeited	(1,150,000)	0.14
Outstanding and exercisable, December 31, 2015	4,750,000	0.14
Granted	13,500,000	0.11
Exercised	(2,479,500)	0.10
Outstanding and exercisable, December 31, 2016	15,770,500	$ 0.12

The following table summarizes information about the stock options outstanding and exercisable at December 31, 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	1.63 years	August 19, 2018	4,400,000	$ 0.14
150,000	0.14	2.37 years	May 16, 2019	150,000	0.14
8,720,500	0.10	4.04 years	January 15, 2021	8,720,500	0.10
1,000,000	0.10	4.23 years	March 23, 2021	1,000,000	0.10
600,000	0.15	4.33 years	April 29, 2021	600,000	0.15
900,000	0.16	1.45 years	June 15, 2018	900,000	0.16
15,770,500	$ 0.12	3.23 years		15,770,500	$ 0.12

(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 576,180 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.

Expressed in Canadian dollars, unless otherwise stated

12. Share capital (continued)

(e) Share-purchase warrants (continued)

During the year ended December 31, 2016, 4,377,352 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 December 31, 2016, there are 1,250,000 East Africa Warrants (December 31, 2015 – 1,500,000) that can be issued on the exercise of outstanding 3,125,000 Tigray stock options (December 31, 2015 – 3,750,000).

Details of share-purchase warrants activity during the years ended December 31, 2016 and 2015 are as follows:

	Number of warrants outstanding	Weighted average exercise price
Balance, December 31, 2014	26,091,867	$ 0.23
Issued on mineral property interests (Note 10)	400,000	0.23
Outstanding and exercisable, December 31, 2015	26,491,867	0.23
Private Placement	5,000,000	0.25
Finders' warrants	576,180	0.25
Exercised	(4,377,352)	0.23
Outstanding and exercisable, December 31, 2016	27,690,695	$ 0.23

The following table summarizes information about the warrants outstanding and exercisable at December 31, 2016:

Warrants outstanding and exercisable	Weighted average exercise price	Weighted average remaining contractual life	Expiry date
22,134,315	$ 0.23	0.35 years	May 7, 2017
5,556,380	0.25	1.41 years	May 31, 2018
27,690,695	$ 0.23	0.56 years	

13. Non-controlling interest

On May 7, 2014, East Africa acquired Tigray, which included a non-controlling interest in the Ethiopian subsidiary Harvest Mining PLC, which operates in the Tigray State of Ethiopia. The Company has a 70% interest in Harvest Mining PLC with the remaining 30% held with Ezana, an Ethiopian company. The non-controlling interest is carried at 30% until the completion of the feasibility study. The Company is responsible for all exploration costs until completion of a feasibility study. Subsequent to the completion of a feasibility study, any approved contributions by the Company for which Ezana elects not to contribute or elects to contribute less than its equity interest could increase the Company's interest.

The below summarized financial information of Harvest Mining PLC is before inter-company eliminations:

	December 31, 2016	December 31, 2015
Balance sheets		
Current assets	$ 266,055	$ 195,228
Non-current assets	17,612,877	18,178,660
Current liabilities	(256,942)	(47,734)
Non-current liabilities	(13,753,938)	(13,085,692)
Statements of operations		
Net loss for the year	$ 828,104	$ 2,243,968
Comprehensive income (loss) for the year	1,372,411	(705,815)
Statements of cash flows		
Net cash used for operating activities	$ (613,840)	$ (2,171,995)
Net cash used for investing activities	(296)	(1,317)
Net cash provided by financing activities	677,851	2,138,954
Increase (decrease) in cash and cash equivalents	$ 63,715	$ (34,358)

Expressed in Canadian dollars, unless otherwise stated

13. Non-controlling interest (continued)

Changes to non-controlling interest		
Balance, January 1, 2016	$	4,586,493
Non-controlling interests' share of net loss		(248,431)
Non-controlling interests' share of comprehensive loss		(163,292)
Balance, December 31, 2016	$	4,174,770
Balance, January 1, 2015	$	4,374,748
Non-controlling interests' share of net loss		(673,190)
Non-controlling interests' share of comprehensive income		884,935
Balance, December 31, 2015	$	4,586,493

14. Related party transactions

(a) Related parties

		Year ended December 31, 2016		**Year ended December 31, 2015**
Services rendered and expenses incurred (vi):				
Services and related expenses (i)	$	151,874	$	228,268
Management and consulting fees (ii)		295,625		310,000

		December 31, 2016		**December 31, 2015**
Balances receivable from (vi):				
Reimbursement of shared costs (iii)	$	90,136	$	8,491
		90,136		8,491
Balances payable to (vi):				
Services rendered (i)		(11,452)		(15,136)
Directors and officers (iv)		(169,680)		(2,231)
	$	(181,132)	$	(17,367)

Related parties transactions:

(i) Geological and administration services and related expenses were paid to a director and related parties with directors in common.

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

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

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

(v) Subsequent to year ended December 31, 2016, SinoTech (Hong Kong) Corporation Limited (“SinoTech”), a related party with directors in common, granted a short–term unsecured loan to the Company in the amount of $500,000 at an interest rate of 12% per annum. The loan and all accrued and unpaid interest was payable on the earlier of 10 business days after the Company’s closing of the Private Placement announced in November 2016 or 90 days from the Company’s receipt of the loan proceeds. The principal and interest of $509,880 was repaid on closing of the Private Placement.

(vi) These transactions were in the normal course of business that is 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.

Expressed in Canadian dollars, unless otherwise stated

14. Related party transactions (continued)

(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:

	Year ended December 31, 2016	Year ended December 31, 2015
Directors fees, key management personnel salaries and short-term benefits	$ 602,128	$ 642,802
Stock based compensation	148,151	--
	$ 750,279	$ 642,802

During the year ended December 31, 2016, the Company approved the grant of up to 2,750,000 bonus common shares to certain officers at a deemed issue price of $0.10 per common share, 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.

15. 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 (refer to Note 4(f)). Financial assets and financial liabilities are measured on an ongoing basis at amortized cost. The book values of cash and cash equivalents, short-term investments, 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 December 31, 2016 and 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, 2016			
Cash and cash equivalents	$ 367,690	$ --	$ 367,690
Accounts receivable and related parties	409,425	--	409,425
Accounts payable	--	(592,958)	(592,958)
	$ 777,115	$ (592,958)	$ 184,157

	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	--	(889,781)	(889,781)
	$ 2,878,483	$ (889,781)	$ 1,988,702

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.

Expressed in Canadian dollars, unless otherwise stated

15. Financial instruments (continued)

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, 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 results of operations. The Company has not hedged its exposure to currency fluctuations. As at December 31, 2016 and 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, 2016					
Cash and cash equivalents	€ --	$ --	$ 8,849	1,722,547	938,897
Accounts receivable	--	--	237,890	--	4,496
Accounts payable	--	4,328	(14,027)	(359,996)	(456,790)
	€ --	$ 4,328	$ 232,712	1,362,551	486,603

	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

Based on the above net exposure as at December 31, 2016, and assuming that all other variables remain constant, a 10% depreciation or appreciation of the Canadian dollar against these currencies would result in an insignificant decrease/increase (December 31, 2015 – $151,808) in the Company's consolidated statements of operations.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company's interest rate risk arises from the interest rate impact on cash and cash equivalent. The Company earns interest on its cash and cash equivalents based on current market interest rates, which during the year ended December 31, 2016, at approximately 0.19% (year ended December 31, 2015 – 0.20% to 1.75%).

Based on the amount of cash and cash equivalents as at December 31, 2016, 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 Tanzanian Definitive Agreement receivable and trade receivables from related parties. The carrying amount of cash and cash equivalents, Tanzanian Definitive Agreement receivable, receivables from related parties and other accounts receivable represents the Company's maximum exposure to credit risk.

As at December 31, 2015, 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 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. As a result, taxes recoverable could be exposed to the credit risk associated with the potential future rejection of the Foreign Government to grant the taxes recoverable in part or whole.

Expressed in Canadian dollars, unless otherwise stated

15. Financial instruments (continued)

Credit risk (continued)

In addition, the Company's assessment of its ability to collect its outstanding receivable from the Developer requires judgement to assess the ability of the Developer to complete the outstanding payments related to the first payment tranche of US$500,000 and the recoverable operating expenses. Management made a judgement with respect to the ability to receive the outstanding receivables from the Developer and concluded that a provision against outstanding receivables is not necessary based on the preceding facts. As a result, the first instalment receivable could be exposed to the credit risk associated with the unfulfilled payments and recoverable operating expenses from the Developer.

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 structure as described in Note 16. As at December 31, 2016, the Company had cash and cash equivalents of $367,690 (December 31, 2015 - $2,319,653) to settle current liabilities of $914,194 (December 31, 2015 – $1,161,662). 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 Note 1).

16. Management of capital

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to pursue the development of its mineral properties and to maintain a flexible capital structure, which optimizes the cost of capital at an acceptable risk.

In the management of capital, the Company includes the components of equity attributable to common shareholders. The Company manages the capital structure and adjusts it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may attempt to issue new shares, issue debt and acquire or dispose of assets. In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The Board of Directors approves the annual and updated budgets. The Company's investment policy is to limit investments to guaranteed investment certificates, banker's acceptance notes, investment savings accounts or money market funds with high quality financial institutions in Canada, selected concerning the expected timing of expenditures from continuing operations.

17. Income tax

The provision for income taxes differs from the amount calculated using the Canadian federal and provincial statutory income tax rates as at December 31, 2016 of 26.00% (December 31, 2015 – 26.00%) as follows:

	December 31, 2016	December 31, 2015
Expected tax recovery	$ (1,409,153)	$ (2,268,222)
Stock based compensation and other permanent differences	1,021,174	(88,981)
Tax rate differences	(9,190)	(26,796)
Tax impact of restructuring	381,498	141,236
Unrecognized tax assets	15,671	2,242,763
Income tax expense	$ --	$ --

Expressed in Canadian dollars, unless otherwise stated

17. Income tax (continued)

As at December 31, 2016, no deferred tax assets are recognized on the following temporary differences, as it is not probable that sufficient future taxable profit will be available to utilize such differences:

	December 31, 2016	December 31, 2015
Non-capital loss carry forwards – Canada	$ 9,244,000	$ 7,041,000
Non-capital loss carry forwards – Tanzania	19,179,000	15,320,000
Non-capital loss carry forwards – Ethiopia	10,339,000	18,750,000
Financing and other costs	521,000	493,000
Unamortized capital costs in excess of net book value	513,000	439,000
Mineral properties	79,017,000	81,193,000
Total unrecognized deferred tax assets	$ 118,813,000	$ 123,236,000

At December 31, 2016, the Company has accumulated non-capital losses of approximately $9,244,000 (December 31, 2015 – $7,041,000) which may be carried forward to apply against future year's income for Canadian income tax purposes subject to final determination by taxation authorities, expiring as follows:

Year	$
2030	249,000
2031	992,000
2032	1,467,000
2033	1,111,000
2034	1,739,000
2035	1,576,000
2036	2,110,000
Total	9,244,000

18. Geographical segment information

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

	Canada	Tanzania	Ethiopia	Total
For the year ended December 31, 2016				
Net loss	$ 2,463,327	$ 812,241	$ 2,144,250	$ 5,419,818
As at December 31, 2016				
Total non-current assets	784,220	4,875,637	18,213,318	23,873,175

	Canada	Tanzania	Ethiopia	Total
For the year ended December 31, 2015				
Net loss	$ 1,694,410	$ 2,152,090	$ 4,877,430	$ 8,723,930
As at December 31, 2015				
Total non-current assets	712,796	6,056,103	18,872,218	25,641,117

Expressed in Canadian dollars, unless otherwise stated

19. Commitments and leasehold inducement

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. As at December 31, 2016 and 2015, the Company had the following commitments:

	December 31, 2016	December 31, 2015
No later than 1 year	$ 307,933	$ 342,572
Later than 1 year and no later than 5 years	619,922	899,890
Later than 5 years	--	--
	$ 927,855	$ 1,242,462

20. Subsequent events

a) On November 2, 2016, the Company announced the signing of a Letter of Intent with a listed public company (the "Purchaser") in China to subscribe for 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 owns 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. On March 7, 2017, the Company announced the closing of the Private Placement. The Company paid finders' fees in connection with the subscription in an aggregate amount of $218,000 in cash.

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.

b) Subsequent to December 31, 2016, 1,605,075 warrants and 218,750 stock options were exercised for gross proceeds of $419,798 with a weighted average exercise price of $0.24 and $0.165 respectively. In addition, the Company granted 1,000,000 stock options to certain directors pursuant to the Company's Stock Option Plan. The stock options have an exercise price of $0.285 per share and an expiry date of April 25, 2022.