EAST AFRICA METALS INC.
(an exploration stage company)

UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2017 and 2016

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

	March 31, 2017	December 31, 2016
Assets		
Current assets		
Cash and cash equivalents	$ 3,261,892	$ 367,690
Accounts receivable (Note 7)	697,642	550,925
Prepaid expenses and deposits	81,146	99,503
	4,040,680	1,018,118
Taxes recoverable (Note 7)	211,789	208,343
Mineral property interests (Note 8)	22,190,853	22,420,582
Property and equipment (Note 10)	1,151,713	1,244,250
	$ 27,595,035	$ 24,891,293
Liabilities and Equity		
Current liabilities		
Accounts payable and accrued liabilities	$ 1,355,065	$ 914,194
	1,355,065	914,194
Non-current liability		
Leasehold inducement	72,131	78,688
Total liabilities	1,427,196	992,882
Equity		
Share capital (Note 11(b))	44,914,869	40,328,702
Warrants (Note 11(e))	1,851,253	1,280,432
Contributed surplus (Note 11(d))	146,463,692	146,458,190
Accumulated other comprehensive income	4,356,647	4,530,842
Deficit	(175,461,297)	(172,874,525)
	22,125,164	19,723,641
Non-controlling interest (Note 8)	4,042,675	4,174,770
	26,167,839	23,898,411
	$ 27,595,035	$ 24,891,293

Nature of operations and going concern (Note 1)
Tanzanian Definitive Agreement (Note 2)
Subsequent events (Notes 1, 2, and 15)

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 March 31, 2017	Three months ended March 31, 2016
Expenses		
Amortization (Note 10)	$ 13,556	$ 22,136
Directors and advisory board fees	18,250	13,067
Exploration and evaluation expenditure (Note 9)	1,897,410	923,258
Investor/shareholder communications and filing fees	247,729	30,346
Legal, audit and audit related fees	16,029	30,954
Management consulting fees and expenses	146,425	182,089
Office and administration	125,020	84,953
Rent and occupancy costs	63,508	37,682
Salaries and benefits	57,795	56,724
Share-based compensation (Note 11(d))	--	116,372
	2,585,722	1,497,581
Foreign exchange loss	72,890	45,405
Finance costs (Note 12(a)(v))	9,880	--
Interest and miscellaneous income	(460)	(553)
Net loss for the period	2,668,032	1,542,433
Net loss attributable to:		
Shareholders	2,586,772	1,496,543
Non-controlling interest	81,260	45,890
Loss per share, basic and diluted	$ 0.02	$ 0.01
Weighted average number of common shares used in the calculation of loss per share – basic and diluted	125,161,303	102,799,661

Consolidated Statements of Comprehensive (Income) Loss – unaudited

Expressed in Canadian dollars, unless otherwise stated

	Three months ended March 31, 2017	Three months ended March 31, 2016
Net loss for the period	$ 2,668,032	$ 1,542,433
Items that may be reclassified to statement of operations		
Currency translation adjustment		
Attributable to shareholders of Company	174,195	1,196,876
Attributable to shareholders of non-controlling interest	50,835	337,259
Comprehensive loss for the period	2,893,062	3,076,568
Attributable to shareholders of Company	2,760,967	2,693,419
Attributable to shareholders for non-controlling interest	132,095	383,149
	$ 2,893,062	$ 3,076,568

EAST AFRICA METALS INC.

(an exploration stage company)

Condensed Interim Consolidated Statements of Changes in Equity - unaudited

For the three months ended March 31, 2017 and 2016

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, 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
Private Placement (Notes 11(b) and (e))	20,000,000	4,579,603	620,397	--	--	--	5,200,000	--	5,200,000
Finders' fees (Note 11 (b))	--	(191,991)	(26,009)	--	--	--	(218,000)	--	(218,000)
Share issue costs	--	(22,898)	(3,102)	--	--	--	(26,000)	--	(26,000)
Shares issued on exercise of stock options (Notes 11(b) and (d))	150,000	34,696	--	(12,196)	--	--	22,500	--	22,500
Shares issued on exercise of warrants (Notes 11(b) and (e))	699,412	170,865	(20,465)	20,465	--	--	170,865	--	170,865
Shares issued on exercise of Tigray stock options (Notes 11(b) (d) and (e))	68,750	15,892	--	(2,767)	--	--	13,125	--	13,125
Currency translation adjustment on foreign operations	--	--	--	--	(174,195)	--	(174,195)	(50,835)	(225,030)
Net loss for the period	--	--	--	--	--	(2,586,772)	(2,586,772)	(81,260)	(2,668,032)
Balance, March 31, 2017	140,574,675	$44,914,869	$ 1,851,253	$146,463,692	$ 4,356,647	$(175,461,297)	$ 22,125,164	$ 4,042,675	$ 26,167,839

	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
Share-based compensation (Note 11(d))	--	--	--	187,548	--	--	187,548	--	187,548
Currency translation adjustment on foreign operations	--	--	--	--	(1,196,876)	--	(1,196,876)	(337,259)	(1,534,135)
Net loss for the period	--	--	--	--	--	(1,496,543)	(1,496,543)	(45,890)	(1,542,433)
Balance, March 31, 2016	102,799,661	$38,209,582	$ 1,408,806	$146,140,692	$ 3,909,754	$ (169,199,681)	$ 20,469,153	$ 4,203,344	$ 24,672,497

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

	Three months ended March 31, 2017	2016
Cash flows provided by (used for) operating activities		
Loss for the period	$ (2,668,032)	$ (1,542,433)
Items not involving cash		
Amortization – administration (Note 10)	13,556	22,136
Amortization – exploration and evaluation (Note 10)	68,258	84,689
Amortization – leasehold inducement	(6,557)	(6,558)
Share based compensation – administration (Note 11(d))	--	116,372
Share based compensation – exploration and evaluation (Note 11(d))	--	71,176
Unrealized foreign exchange loss	65,776	38,534
Changes in operating assets and liabilities		
Accounts receivable and taxes recoverable	(144,579)	461,484
Prepaid expenses, deposits, materials and supplies	18,086	108,802
Accounts payable and accrued liabilities	232,168	(870,660)
	(2,421,324)	(1,516,458)
Cash flows provided by (used for) investing activities		
Mineral property interests acquisitions (Note 8)	(18,949)	(64,113)
Definitive Agreement deposit (Notes 2 and 8)	--	133,958
	(18,949)	69,845
Cash flows provided by (used for) financing activities		
Private Placement (Note 11(b))	5,200,000	--
Share issue costs	(26,000)	--
Proceeds from related party borrowings (Note 12(a)(v))	500,000	--
Repayment of related party borrowings (Note 12(a)(v))	(509,880)	--
Exercise of stock options (Notes 11(b) and (d))	22,500	--
Exercise of Tigray stock options (Notes 11(b) and (d))	13,125	--
Exercise of warrants (Notes 11(b) and (e))	170,865	--
	5,370,610	--
Effects of exchange rate changes on cash and cash equivalents	(36,135)	(33,763)
Increase (decrease) in cash and cash equivalents	2,894,202	(1,480,376)
Cash and cash equivalents, beginning of period	367,690	2,319,653
Cash and cash equivalents, end of period	$ 3,261,892	$ 839,277
Non-cash investing and financing activities		
Exercise of stock options – fair value	$ 14,963	$ --
Exercise of warrants – fair value	20,465	--

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 the Federal Democratic Republic of Ethiopia ("Ethiopia") and the United Republic of Tanzania ("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 three months ended ("period ended") March 31, 2017, the Company incurred a net loss attributable to shareholders totaling $2,586,772 (2016 – $1,496,543) and as at March 31, 2017, had an accumulated deficit of $175,461,297 (December 31, 2016 – $172,874,525) and working capital of $2,685,615 (December 31, 2016 - $103,924).

Based on the Company's financial position as at March 31, 2017, the available funds, including the funds from the warrant and stock option exercised subsequent to March 31, 2017 (Note 15), 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, strategic alliances, 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 March 31, 2017) 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;

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. As at March 31, 2017, the Developer had not listed on the AIM and the Management Committee had not been established.

Subsequent to March 31, 2017, 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 March 31, 2017, the Company had receivables of US$58,966 (CAD$78,423 − Note 7) for the Tanzanian recoverable operating expenses and US$200,000 (CAD$265,993 – Note 7) 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.

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 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, 2016.

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, 2016. These Interim Financial Statements were approved by the Board of Directors on May 30, 2017.

These Interim Financial Statements have been prepared on an accrual basis and are on an historical costs basis. The preparation of the 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 4. These Interim Financial Statements are prepared in Canadian dollars, with all amounts rounded to the nearest dollar, unless otherwise stated.

4. Significant accounting estimates and judgments

The preparation of these 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 these 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 resource, updated mineral resource work on the Adyabo Project, and 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 8). 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 Canaco Tanzania Limited ("CTL"), 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 March 31, 2017. 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 period end. Management has assessed that the assets in Tanzania should not be classified as held for sale as at March 31, 2017, 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 8) 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 licence application for the Terakimti Oxide Gold resource. The Ethiopian Ministry of Mines, Petroleum and Gas ("MOMPnG") continues to review the two exploration extension applications. Subsequent to March 31, 2017, the Company received a draft Model Agreement which set outs the conditions of the mining licence and once the Model Agreement is executed it will result in the issuance of a mining licence. If the MOMPnG does not approve the exploration licence extensions or finalize 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.

4. Significant accounting estimates and judgments (continued)

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

As at March 31, 2017, $211,789 (see Note 7) 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 payables 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 or receipt of other evidence indicating that collection is unlikely or the final amount of the VAT that the foreign government will approve for refund may have an impact on the statement of operations.

(f) Tanzanian Definitive Agreement receivable recoverability

With the execution of the Definitive Agreement, as at March 31, 2017, US$200,000 (CAD$265,993 – Notes 2 and 7) was due to the Company 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 March 31, 2017, the Developer and the Company are in discussions for a further extension of three (3) months. The Developer has indicated that the first stage of financing for the development of the Tanzanian Assets is in its final stages.

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 has been delayed to unforeseen circumstances and is now close to completion. The Company is in discussions with the Developer on the outstanding instalment payments 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. 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 purchase warrants

The Company uses the Black-Scholes option pricing model to calculate the fair value of share purchase warrants ("Warrants") issued in connection with the financing (Notes 11(b) and (e)). 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 the Warrants 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 Warrants at the date of grant. Forfeiture rate is expected to be zero as there has been no historical forfeiture experience. Warrants expected life is determined using the following factors: i) East Africa has submitted a mining licence application for the Terakimti Oxide Gold Resource; ii) the Company plans to submit a mining licence application for the Adyabo Project; and iii) management is continuing discussions with Shandong Tyan Home Co Ltd for potential financing for the development of the Terakimti Oxide Gold resource. A change in these judgments and estimates in future periods may have an impact on the statement of operations.

5. Adoption of new or revised IFRSs

The Company has adopted the following new and revised standards, along with any consequential amendments, effective January 1, 2017. These changes were made in accordance with the applicable transitional provisions.

(a) *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 has concluded there is no impact on the adoption of this standard.

6. IFRSs not yet effective

Certain new standards, interpretations, amendments and improvements to existing standards for adoption after January 1, 2018 or later 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) *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

7. Accounts receivable

	March 31, 2017	December 31, 2016
Current		
Tanzanian Definitive Agreement	$ 344,416	$ 319,401
Related parties and other receivables	106,156	90,024
Taxes recoverable	247,070	141,500
	697,642	550,925
Non-current		
Taxes recoverable	$ 211,789	$ 208,343

Non-current taxes receivable relates to VAT refund claim from the Tanzanian government. Refer to Note 4(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 4(f) for further details).

8. 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, 2016	$ 1,929,119	$ 2,175,344	$ 17,482,161	$ 833,958	$ 22,420,582
Property payments	4,785	--	--	--	4,785
Property payments recoveries	(5,982)	(13,116)	--	--	(19,098)
Foreign exchange	(23,432)	(21,040)	(166,658)	(4,286)	(215,416)
As at March 31, 2017	$ 1,904,490	$ 2,141,188	$ 17,315,503	$ 829,672	$ 22,190,853

	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	43,829	19,732	--	552	64,113
Property payments recoveries	(43,829)	(19,732)	--	--	(63,561)
Definitive Agreement deposit	(531,467)	--	--	--	(531,467)
Foreign exchange	(149,113)	(146,861)	(1,110,655)	(28,501)	(1,435,130)
As at March 31, 2016	$ 1,848,624	$ 2,235,960	$ 16,909,198	$ 819,236	$ 21,813,018

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. In 2016 the Company applied for a mining licence for the Terakimti Oxide Gold resource (refer to Note 4 (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 4 (d)). The Company has a 70% interest in the Harvest Project with the remaining 30% (non-controlling interest) held with Ezana Mining Development PLC.

Expressed in Canadian dollars, unless otherwise stated

8. 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 4(d)). The Company holds 100% interest in the Adyabo Project with the option to buy back 1.0% of the Net Smelter Return 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 & 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 CTL 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 March 31, 2017, 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.

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

	Tanzania, Handeni & Other Properties	Ethiopia Harvest Project	Ethiopia Adyabo Project	Three months ended March 31, 2017
Exploration expenditures				
Amortization	$ 46,471	$ 5,456	$ 16,331	$ 68,258
Camp and administration costs	102,856	93,902	168,219	364,977
Drilling	--	105,617	1,021,256	1,126,873
Geochemistry	628	4,533	4,359	9,520
Geology	--	4,076	184,771	188,847
Geophysics	--	--	3,098	3,098
Preliminary resource and engineering studies	--	59,089	--	59,089
Project management and consulting	6,946	--	--	6,946
Technical services	374	19,893	49,535	69,802
Total for the period	157,275	292,566	1,447,569	1,897,410
Cumulative Exploration Expenditures as at December 31, 2016	70,027,814	3,815,608	6,881,470	80,724,892
Cumulative Exploration Expenditures as at March 31, 2017	$ 70,185,089	$ 4,108,174	$ 8,329,039	$ 82,622,302

Expressed in Canadian dollars, unless otherwise stated

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

	Tanzania, Handeni & Other Properties	Ethiopia Harvest Project	Ethiopia Adyabo Project	Three months ended March 31, 2016
Exploration expenditures				
Amortization	$ 59,440	$ 5,925	$ 19,324	$ 84,689
Camp and administration costs	105,492	106,149	180,708	392,349
Drilling	--	2,529	190,066	192,595
Geochemistry	721	2,586	51,831	55,138
Geology	1,704	6,171	48,287	56,162
Preliminary resource and engineering studies	--	--	7,682	7,682
Project management and consulting	11,064	--	--	11,064
Share-based compensation	--	35,588	35,588	71,176
Technical services	--	17,515	34,888	52,403
Total for the period	178,421	176,463	568,374	923,258
Cumulative Exploration expenditures as at December 31, 2015	69,386,051	2,940,539	5,633,585	77,960,175
Cumulative Exploration expenditures as at March 31, 2016	$ 69,564,472	$ 3,117,002	$ 6,201,959	$ 78,883,433

10. 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, 2016	$ 2,091,536	$ 1,185,068	$ 509,819	$ 566,154	$ 163,910	$ 4,516,487
Disposals	--	(4,139)	--	--	--	(4,139)
Foreign exchange	(20,284)	(8,864)	(1,229)	(971)	(1,563)	(32,911)
As at March 31, 2017	$ 2,071,252	$ 1,172,065	$ 508,590	$ 565,183	$ 162,347	$ 4,479,437

	Buildings and roads	Office and field equipment	Computers and software	Leasehold improvements	Vehicles	Total
Accumulated amortization						
As at December 31, 2016	$ 1,332,232	$ 917,586	$ 493,288	$ 451,861	$ 77,270	$3,272,237
Amortization	--	2,230	1,932	9,394	--	13,556
Exploration amortization	44,301	14,961	166	--	8,830	68,258
Disposals	--	(4,139)	--	--	--	(4,139)
Foreign exchange	(12,469)	(6,853)	(1,206)	(971)	(689)	(22,188)
As at March 31, 2017	$ 1,364,064	$ 923,785	$ 494,180	$ 460,284	$ 85,411	$ 3,327,724
As at March 31, 2017	$ 707,188	$ 248,280	$ 14,410	$ 104,899	$ 76,936	$ 1,151,713
As at December 31, 2016	759,304	267,482	16,531	114,293	86,640	1,244,250

Expressed in Canadian dollars, unless otherwise stated

10. Property and equipment (continued)

	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
Foreign exchange	(135,173)	(59,060)	(8,176)	(6,474)	(10,413)	(219,296)
As at March 31, 2016	$ 2,021,810	$ 1,154,496	$ 496,915	$ 562,815	$ 158,539	$ 4,394,575

	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	--	10,832	1,910	9,394	--	22,136
Exploration amortization	53,582	19,975	1,384	--	9,748	84,689
Foreign exchange	(75,707)	(41,922)	(7,740)	(6,474)	(3,084)	(134,927)
As at March 31, 2016	$ 1,150,928	$ 827,585	$ 481,190	$ 420,340	$ 48,021	$ 2,928,064
As at March 31, 2016	$ 870,882	$ 326,911	$ 15,725	$ 142,475	$ 110,518	$ 1,466,511
As at December 31, 2015	983,930	374,856	19,455	151,869	127,595	1,657,705

11. Share capital

As at March 31, 2017, the Company's share capital consisted of the following:

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

(b) Issued and outstanding: 140,574,675 (December 31, 2016 – 119,656,513) common shares.

On March 07, 2017, the Company completed the non-brokered Private Placement ("Private Placement") of 20,000,000 Units (the "Units') at a price of $0.26 per Unit for gross proceeds of $5,200,000. Each Unit consists of one common share of the Company and one-half of one non-transferable Warrant. Each whole Warrant will entitle the holder thereof to purchase one common share at an exercise price of $0.45 for a period of 18 months from the date of closing (Note 11(e)). The Company recorded a finders' fee of 4% of the Private Placement for $218,000.

For the three months ended March 31, 2017, the Company issued 699,412 common shares for proceeds of $170,865 on the exercise of warrants, 150,000 common shares for proceeds of $22,500 on the exercise of stock options, and 68,750 common shares for proceeds of $13,125 on the exercise of Tigray Resources Inc. ("Tigray") stock options (Note 11(d)).

(c) Escrowed shares

As at March 31, 2017, 675,045 (December 31, 2016 – 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

11. Share capital (continued)

(d) Share-based compensation (continued)

During the three months ended March 31, 2017, 150,000 options (2016 – Nil) were exercised with a weighted average exercise price of $0.15. The weighted average of the Company's share price at the time of exercise was $0.26 per share.

For the three months ended March 31, 2017, the Company did not grant stock options.

For the three months ended March 31, 2016, the Company granted 12,000,000 stock options, which vested on the grant date, with a fair value of $187,548 of which $116,372 was recorded in the statement of operations and $71,176 was recognized within exploration expenditure.

As at March 31, 2017, there were 3,000,000 (December 31, 2016 – 3,125,000) Tigray stock options outstanding that on exercise would be exchanged for 1,650,000 East Africa shares (December 31, 2016 – 1,718,750) and 1,200,000 East Africa warrants (December 31, 2016 – 1,250,000) (Note 11(e)). During the three months ended March 31, 2017, 125,000 Tigray stock options were exercised with an exercise price of $0.105. Under the terms of the East Africa's acquisition of Tigray in the year ended December 31, 2014 ("Tigray Arrangement"), the exercised stock options were exchanged for 68,750 East Africa common shares at the exchange ratio of 0.55. The weighted average of the Company's share price at the time of exercise was $0.25 per share.

Details of stock options activity during the three months ended March 31, 2017 and 2016 are as follows:

	Number of options outstanding	Weighted average exercise price
Balance, December 31, 2016	15,770,500	$ 0.12
Exercised	(150,000)	0.15
Expired	(600,000)	0.14
Outstanding and exercisable, March 31, 2017	15,020,500	0.11
Outstanding and exercisable, December 31, 2016	15,770,500	$ 0.12

	Number of options outstanding	Weighted average exercise price
Balance, December 31, 2015	4,750,000	$ 0.14
Issued	12,000,000	0.10
Outstanding and exercisable, March 31, 2016	16,750,000	$ 0.11
Outstanding and exercisable, December 31, 2015	4,750,000	$ 0.14

The following table summarizes information about the stock options outstanding and exercisable at March 31, 2017:

Options outstanding				Options exercisable	
Number outstanding	Weighted average exercise price	Weighted average remaining life	Expiry date	Number exercisable	Weighted average exercise price
3,800,000	$ 0.14	1.39 years	August 19, 2018	3,800,000	$ 0.14
150,000	0.14	2.13 years	May 16, 2019	150,000	0.14
8,720,500	0.10	3.80 years	January 15, 2021	8,720,500	0.10
1,000,000	0.10	3.98 years	March 23, 2021	1,000,000	0.10
450,000	0.15	4.08 years	April 29, 2021	450,000	0.15
900,000	0.16	1.21 years	June 15, 2018	900,000	0.16
15,020,500	$ 0.11	3.04 years		15,020,500	$ 0.11

Expressed in Canadian dollars, unless otherwise stated

11. Share capital (continued)

(e) Warrants

On March 07, 2017, the Company completed the Private Placement of 20,000,000 Units and issued 10,000,000 Warrants. The fair value of the 10,000,000 Warrants was $620,397. 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 105.95%, risk-free rate of 0.79% 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 $0.65 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 three months ended March 31, 2017, 699,412 warrants were exercised with a weighted average exercise price of $0.24. The related weighted average share price at the time of exercise was $0.27 per share.

During the three months ended March 31, 2017, 50,000 East Africa warrants with an exercise price of $0.23 and expiry of May 7, 2017, were issued on the exercise of 125,000 Tigray stock options at the exchange ratio of 0.40. As at March 31, 2017, there are 1,200,000 East Africa warrants (December 31, 2016 – 1,250,000) that can be issued on the exercise of outstanding 3,000,000 Tigray stock options (December 31, 2016 – 3,125,000).

Details of share-purchase warrants activity during the three months ended March 31, 2017 and 2016 are as follows:

	Number of warrants outstanding	Weighted average exercise price
Balance, December 31, 2016	27,690,695	$ 0.23
Issued	10,050,000	0.45
Exercised	(699,412)	0.24
Outstanding and exercisable, March 31, 2017	37,041,283	0.29
Outstanding and exercisable, December 31, 2016	27,690,695	$ 0.23

	Number of warrants outstanding	Weighted average exercise price
Outstanding and exercisable, March 31, 2016 and December 31, 2015	26,491,867	$ 0.23

The following table summarizes information about the warrants outstanding and exercisable at March 31, 2017:

Warrants outstanding and exercisable	Weighted average exercise price	Weighted average remaining contractual life	Expiry date
21,984,903	$ 0.23	0.10 years	May 7, 2017
5,056,380	0.25	1.17 years	May 31, 2018
10,000,000	0.45	1.44 years	September 7, 2018
37,041,283	$ 0.29	0.61 years	

12. Related party transactions

(a) Related parties

	Three months ended March 31, 2017	Three months ended March 31, 2016
Services rendered and expenses incurred (vi):		
Services and related expenses (i)	$ 23,200	$ 28,635
Management and consulting fees (ii)	75,000	74,375

Expressed in Canadian dollars, unless otherwise stated

12. Related party transactions (continued)

(a) Related parties (continued)

	March 31, 2017	December 31, 2016
Balances receivable from (vi):		
Reimbursement of shared costs (iii)	$ 92,236	$ 90,136
	92,236	90,136
Balances payable to (vi):		
Services rendered (i)	(12,702)	(11,452)
Directors and officers (iv)	(117,331)	(169,680)
	$ (130,033)	$ (181,132)

Related parties transactions:

(i) Geological and administration services 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 and reimbursable expenses to directors and officers of the Company.

(v) During the three-months ended March 31, 2017, SinoTech (Hong Kong) Corporation Limited, a related party with directors in common, granted a short–term unsecured loan to the Company in the amount of $500,000 with 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. During the period ended March 31, 2017, the Company repaid the principal and interest of $509,880.

(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.

(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 March 31, 2017	Three months ended March 31, 2016
Directors fees, key management personnel salaries and short-term benefits	$ 159,532	$ 136,817
Stock based compensation	--	148,151
	$ 159,532	$ 284,968

In 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.

Expressed in Canadian dollars, unless otherwise stated

13. 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 March 31, 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 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 March 31, 2017 and December 31, 2016, the classifications of the financial instruments are shown in the table below:

	Loans and receivables	Other financial liabilities	Total carrying value
As at March 31, 2017			
Cash and cash equivalents	$ 3,261,892	$ --	$ 3,261,892
Accounts receivable and related parties	450,570	--	450,570
Accounts payable	--	(700,606)	(700,606)
	$ 3,712,462	$ (700,606)	$ 3,011,856

	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

14. 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 period ended March 31, 2017				
Net loss	$ 683,700	$ 178,115	$ 1,806,217	$ 2,668,032
As at March 31, 2017				
Total non-current assets	770,664	4,765,903	18,017,788	23,554,355

	Canada	Tanzania	Ethiopia	Total
For the period ended March 31, 2016				
Net loss	$ 674,840	$ 183,940	$ 683,653	$ 1,542,433
As at March 31, 2016				
Total non-current assets	823,690	4,961,440	17,685,420	23,470,550

15. Subsequent events

a) Subsequent to March 31, 2017, 6,334,179 East Africa warrants were exercised with a weighted average exercise price of $0.23 for proceeds of $1,466,861. In addition, 1,385,609 Tigray stock options were exercised with an exercise price of $0.105 for proceeds of $145,488 and 762,085 East Arica shares were issued based on the Tigray Arrangement exchange ratio of 0.55. On May 8, 2017, 16,624,968 East Africa warrants expired unexercised.