EAST AFRICA METALS INC.
(an exploration stage company)

CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2017 and 2016

Expressed in Canadian dollars

April 30, 2018

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. and its subsidiaries, which comprise the consolidated balance sheets as at December 31, 2017 and December 31, 2016 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 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. and its subsidiaries as at December 31, 2017 and December 31, 2016 and their financial performance and their 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, 2017.

(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, 2017	December 31, 2016
Assets		
Current assets		
Cash and cash equivalents	$ 2,268,310	$ 367,690
Accounts receivable (Note 8)	311,450	550,925
Prepaid expenses and deposits	110,318	99,503
	2,690,078	1,018,118
Non-current assets		
Taxes recoverable (Note 8)	--	208,343
Mineral property interests (Note 9)	20,906,067	22,420,582
Property and equipment (Note 11)	835,897	1,244,250
Total assets	$ 24,432,042	$ 24,891,293
Liabilities and Equity		
Current liabilities		
Accounts payable and accrued liabilities	$ 1,070,261	$ 914,194
Loan payable (Note 14(a)(vi))	621,200	--
	1,691,461	914,194
Non-current liability		
Leasehold inducement (Note 19)	52,456	78,688
Total liabilities	1,743,917	992,882
Equity		
Share capital (Notes 12(a) and (b)	48,894,803	40,328,702
Bonus shares obligation (Note 12(d))	295,000	--
Warrants (Note 12(e))	882,630	1,280,432
Contributed surplus (Note 12(d))	147,733,060	146,458,190
Accumulated other comprehensive income	3,311,074	4,530,842
Deficit	(181,998,823)	(172,874,525)
	19,117,744	19,723,641
Non-controlling interest (Notes 9 and 13)	3,570,381	4,174,770
	22,688,125	23,898,411
	$ 24,432,042	$ 24,891,293

Nature of operations and going concern (Note 1)
Tanzanian Definitive Agreement (Note 2)
Subsequent events (Notes 2, 5, 12, 14, and 19)
Commitments (Note 19)
Contingencies (Note 20)

Approved on behalf of the Board

(signed) “David Parsons"　　　　(signed) “Sean Waller”

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

	Years ended December 31, 2017	2016
Expenses		
Amortization (Note 11)	$ 54,672	$ 70,057
Directors and advisory board fees	93,894	71,151
Exploration and evaluation expenditure (Note 10)	5,564,863	2,764,717
Investor/shareholder communications and filing fees	750,076	581,315
Legal, audit and audit related fees	149,070	127,375
Management consulting fees and expenses	685,221	681,124
Office and administration	449,790	331,729
Rent and occupancy costs	269,825	150,731
Salaries and benefits	303,120	234,760
Share-based compensation (Note 12(d))	825,207	193,089
Write-off of mineral property interests (Note 9)	--	166,127
Write-off of property and equipment (Note 11)	54,519	--
	9,200,257	5,372,175
Foreign exchange loss	178,331	48,196
Interest expense (Notes 14(a)(v) and (vi))	31,080	--
Interest income	(30,183)	(553)
Net loss for the year	9,379,485	5,419,818
Net loss attributable to:		
Shareholders	9,124,298	5,171,387
Non-controlling interest	255,187	248,431
Loss per share, basic and diluted	$ 0.06	$ 0.05
Weighted average number of common shares used in the calculation of loss per share – basic and diluted	141,830,955	111,055,366

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

	Years ended December 31, 2017	2016
Net loss for the year	$ 9,379,485	$ 5,419,818
Items that may be reclassified to statement of operations		
Currency translation adjustment		
Attributable to shareholders of Company	1,219,768	575,788
Attributable to shareholders of non-controlling interest	349,202	163,292
Comprehensive loss for the year	10,948,455	6,158,898
Attributable to shareholders of Company	10,344,066	5,747,175
Attributable to shareholders for non-controlling interest	604,389	411,723
	$ 10,948,455	$ 6,158,898

EAST AFRICA METALS INC.

(an exploration stage company)

Consolidated Statements of Changes in Equity - For the years ended December 31, 2017 and 2016

Expressed in Canadian dollars, unless otherwise stated

	Common Shares Without Par Value		Bonus shares obligation	Warrants	Contributed Surplus	Accumulated Other Comprehensive Income	Deficit	Total Common Shareholders' Equity	Non-Controlling Interest	Total Equity
	Shares	Amount								
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		Bonus shares obligation	Warrants	Contributed Surplus	Accumulated Other Comprehensive Income	Deficit	Total Common Shareholders' Equity	Non-Controlling Interest	Total Equity
	Shares	Amount								
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 12(b) and (e))	7,700,000	1,792,770	--	209,230	--	--	--	2,002,000	--	2,002,000
Finders' fees (Note 12 (b))	--	(89,638)	--	(10,462)	--	--	--	(100,100)	--	(100,100)
Private Placement (Notes 12(b) and (e))	20,000,000	4,579,603	--	620,397	--	--	--	5,200,000	--	5,200,000
Finders' fees (Note 12 (b))	--	(191,991)	--	(26,009)	--	--	--	(218,000)	--	(218,000)
Share issue costs	--	(38,797)	--	(4,396)	--	--	--	(43,193)	--	(43,193)
Share-based compensation (Note 12(d))	--	--	--	--	161,457	--	--	161,457	--	161,457
Bonus shares issued (Note 12(d))	1,750,000	516,250	--	--	--	--	--	516,250	--	516,250
Bonus shares obligation (Note 12(d))	--	--	295,000	--	--	--	--	295,000	--	295,000
Shares issued on exercise of stock options (Notes 12(b) and (d))	676,222	121,095	--	--	(38,055)	--	--	83,040	--	83,040
Shares issued on exercise of Tigray stock options (Notes 12(b) and (d))	872,085	201,583	--	--	(35,094)	--	--	166,489	--	166,489
Shares issued on exercise of warrants (Notes 12(b) and (e))	7,183,591	1,675,226	--	(331,637)	331,637	--	--	1,675,226	--	1,675,226
Expiry of warrants (Note 12(e))	--	--	--	(854,925)	854,925	--	--	--	--	--
Currency translation adjustment on foreign operations	--	--	--	--	--	(1,219,768)	--	(1,219,768)	(349,202)	(1,568,970)
Net loss for the year	--	--	--	--	--	--	(9,124,298)	(9,124,298)	(255,187)	(9,379,485)
Balance, December 31, 2017	157,838,411	$ 48,894,803	$ 295,000	$ 882,630	$147,733,060	$ 3,311,074	$(181,998,823)	$ 19,117,744	$ 3,570,381	$ 22,688,125

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

	Year ended December 31, 2017	Year ended December 31, 2016
Cash flows provided by (used for) operating activities		
Loss for the year	$ (9,379,485)	$ (5,419,818)
Items not involving cash		
Amortization – administration (Note 11)	54,672	70,057
Amortization – exploration and evaluation (Notes 10 and 11)	254,994	305,250
Amortization – leasehold inducement	(26,232)	(26,229)
Share based compensation – administration (Note 12(d))	825,207	193,089
Share based compensation – exploration expenditure (Notes 10 and 12(d))	147,500	107,763
Write-off of property and equipment (Note 11)	54,519	--
Write-off of mineral property interests (Note 9)	--	166,127
Interest expense (Note 14(a)(vi))	21,200	--
Taxes recoverable provision – exploration and evaluation (Notes 8 and 10)	514,633	--
Unrealized foreign exchange loss	162,704	30,690
Changes in operating assets and liabilities		
Accounts receivable and taxes recoverable	(285,390)	420,105
Prepaid expenses, deposits, materials and supplies	(12,507)	102,028
Accounts payable and accrued liabilities	10,114	(274,819)
	(7,658,071)	(4,325,757)
Cash flows provided by (used for) investing activities		
Mineral property interests acquisitions (Note 9)	(90,117)	(147,894)
Mineral property interests recovery (Notes 2, 8 and 9)	--	82,512
Tanzanian Definitive Agreement deposit (Notes 2, 8 and 9)	254,162	264,517
Purchase of equipment (Note 11)	(8,190)	(8,713)
	155,855	190,422
Cash flows provided by (used for) financing activities		
Private Placement (Note 12(b))	7,202,000	1,000,000
Finders fees (Note 12(b))	(218,000)	--
Share issue costs	(43,193)	(67,197)
Proceeds from related party borrowings (Notes 14(a)(v) and (vi))	1,100,000	--
Repayment of related party borrowings (Note 14(a)(v))	(500,000)	--
Exercise of stock options (Notes 12(b) and (d))	83,040	254,950
Exercise of Tigray stock options (Notes 12(b) and (d))	166,489	--
Exercise of warrants (Notes 12(b) and (e))	1,675,226	1,007,187
	9,465,562	2,194,940
Effects of exchange rate changes on cash and cash equivalents	(62,726)	(11,568)
Increase (decrease) in cash and cash equivalents	1,900,620	(1,951,963)
Cash and cash equivalents, beginning of year	367,690	2,319,653
Cash and cash equivalents, end of year	$ 2,268,310	$ 367,690
Non-cash financing activities		
Fair value of finders' warrants (Note 12(e))	$ --	$ 15,194
Expiry of warrants (Note 12(e))	854,925	23,475

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 minerals 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 (together the "Ethiopian Projects") 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 secure mining or exploration rights for it mineral property interest assets, 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 twelve months ended ("year ended") December 31, 2017, the Company incurred a net loss attributable to shareholders totaling $9,124,298 (2016 – $5,171,387) and as at December 31, 2017, had an accumulated deficit of $181,998,823 (December 31, 2016 – $172,874,525) and working capital of $998,617 (December 31, 2016 - $103,924).

Based on the Company's financial position as at December 31, 2017, the available funds are not considered adequate to meet requirements for the estimated operations, exploration expenditures, the Terakimti Oxide Gold Project development expenditures and the outcome of the arbitration (Note 2) 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 markets for mineral exploration companies. To address its financing requirements, the Company will seek financing through and not limited to the sale of non-strategic assets, debt financing, strategic alliances, gold streaming contracts or similar hybrid instruments, equity financing, optioning its mineral properties and a marketing program to increase the trading volume demand of the Company shares to increase the exercise of outstanding warrants. 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

Ethiopian Binding Memorandum of Understanding

On September 28, 2017, the Company executed a binding memorandum of understanding ("Ethiopian MOU") with Luck Winner Investment Limited ("LW") providing for project development financing of up to US$250,000,000 and a private placement of 52,100,000 units at a price of $0.26 per unit for aggregate gross proceeds of approximately CAD$13,550,000. During the year ended December 31, 2017, the Company issued 7,700,000 units for gross proceeds of $2,002,000 (Note 12(b)), to Luck Sky Resources Investments Limited ("LSR"), an affiliate of LW.

On March 29, 2018, the Company announced that further to and following the closing of the $2,002,000 financing with LSR on December 28, 2017, LW and East Africa have agreed to terminate the Ethiopian MOU. The remaining private placement of 44,400,000 units was not completed. Despite the best efforts of both parties, negotiations failed to define a viable transaction that would be in the best interests of East Africa shareholders and LW. The Company has initiated discussions with a number of interested parties for the project financing of the Terakimti Oxide Gold Project located on the Harvest Project and/or all the Ethiopian Projects.

2. Significant events and transactions (continued)

Tanzanian Definitive Agreement

On June 10, 2015, East Africa signed a binding agreement ("Tanzanian 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 (the "Tanzanian Assets"). On March 5, 2016, the "Tanzanian Effective Date", the Company completed the execution of the Tanzanian Definitive Agreement and the Gold Purchase Agreement with the Developer. The Tanzanian Definitive Agreement requires, among other things, the payment of US$2,000,000 in cash for a 100% interest in the Tanzanian Assets, including the Magambazi Project, camp, equipment and other assets within 12 months of the Tanzanian Effective Date.

Pursuant to the Tanzanian Definitive Agreement, as at December 31, 2017, the Company had received the first instalment of US$500,000 and had receivables of US$103,258 (CAD$129,542 − Note 8) for the Tanzanian recoverable operating expenses and the Developer's 50% share of professional fees. The instalments are recorded against mineral property interest until the transaction has closed. On January 16, 2018, the Company completed the following updated terms ("Addendum") for the Definitive Agreement and agreed with the Developer to assign the rights and obligations of the Tanzanian Definitive Agreement, the Gold Purchase Agreement and Addendum to the Developer's new entity incorporated in Hong Kong:

- pay US$438,972 (paid subsequent to December 31, 2017) to settle outstanding payables owed to East Africa, including property payments (Note 9), and provide advance payments towards the final purchase of assets;
- pay US$500,000 to East Africa on the delivery of documents for Tanzanian Government approval;
- pay deposit of US$750,000 in a trust account when the documents to the Tanzanian Government have been submitted and the amount will be released when Tanzanian Government approvals are received;
- Under an interim Management Agreement, the Developer and East Africa's Tanzanian subsidiaries will enter into Shareholders and Directors agreement providing the rights and obligations to the Developer of the day to day operations until the transaction has been approved by the Tanzanian Government;
- Both the Company and the Developer have the right to offer to exchange the gold stream to a net smelter return royalty; and
- The Developer has provided a completion guarantee under which, if the Developer fails to produce 10,000 ounces a quarter for two consecutive quarters commencing in 2020, the Developer will pay East Africa an advanced cash payment equivalent to 85% of the forecasted revenue to East Africa.

On April 6, 2018, the Company announced that it had commenced the arbitration process with the view to terminate the Tanzanian Definitive Agreement and Addendum as a result of the failure of Developer to adhere to the terms of the Definitive Agreement and Addendum and the Company may submit a claim for damages (see Note 20). The Company believes this failure represents an immediate threat to the Company's Tanzanian mining and exploration licenses. Under the Tanzanian Definitive Agreement, on termination the payments received are non-refundable.

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 30, 2018.

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.

Expressed in Canadian dollars, unless otherwise stated

4. Significant accounting policies (continued)

(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.

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, 2017, 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.

4. Significant accounting policies (continued)

(d) Loans and receivables (continued)

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.

(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 date 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.

4. Significant accounting policies (continued)

(f) Financial instruments (continued)

- 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.

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 and costs to maintain mining licenses or equivalent rights. 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, obtaining the rights to mining licenses and exploration licenses during the renewal and/or approval process, 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")

Exploration Expenditures are the costs incurred in the initial search for mineral deposits with economic potential or in the process of obtaining more information about existing mineral deposits. Exploration expenditures typically include costs associated with prospecting, sampling, mapping, diamond drilling and other work involved in searching for mineral resources.

Evaluation Expenditures are costs incurred to establish the technical and commercial viability of developing mineral deposits identified through exploration activities or by acquisition. Evaluation expenditures include the cost of: (i) further defining the volume and grade of deposits through drilling, trenching and sampling activities in an ore body; (ii) determining the optimal methods of extraction and metallurgical and treatment processes; (iii) studies related to surveying, transportation and infrastructure requirements; (iv) permitting activities; and (v) economic evaluations to determine whether development of mineralized material is commercially justified including preliminary economic assessments, pre-feasibility and final feasibility studies.

4. Significant accounting policies (continued)

(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

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.

4. Significant accounting policies (continued)

(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, in 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.

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, the 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.

4. Significant accounting policies (continued)

(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.

(s) Provisions and contingencies

Judgments are made as to whether a past event has led to a liability that should be recognized in the financial statements or disclosed as a contingent liability. Quantifying any such liability often involves judgments and estimations. These judgments are based on a number of factors including the nature of the claims or dispute, the legal process and potential amount payable, legal advice received, previous experience, and the probability of a loss being realized. By their nature, contingencies will only be resolved when one or more uncertain future events occur or fail to occur. The assessment of the existence and potential amount of contingencies inherently involves the exercise of significant judgement and the use of estimates regarding the outcome of future events. Please refer to Note 20 for contingencies.

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 and disclosures of contingencies. 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 these 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 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 Project, development funding for the Terakimti Oxide Gold Project, updated mineral resource work on the Adyabo Project, and exploration and corporate requirements in the context of current economic conditions and capital market climate. Management has judged the Company's ability to raise additional capital/funding and continue as a going concern, and has concluded that the going concern basis of accounting is appropriate. Refer to Note 1 for further details.

(b) Investment in structured entity – 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 (Handeni Properties), restricted to citizens of Tanzania (see Note 9). During the year ended June 30, 2011, the Company provided funds to Denwill for the payments for the Magambazi PMLs. Concurrently, during the year ended June 30, 2011, the Company and Denwill entered into an agreement whereby the Company was granted an option to acquire all of the issued and outstanding shares of Denwill for US$40,000, which has not yet been exercised. The Company has assessed it has control over Denwill as 1) Denwill's two directors are directors of the Company's 100% owned Tanzanian subsidiary 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.

5. Significant accounting estimates and judgments (continued)

(c) Contingencies - International Arbitration

An amount recognized as a provision, including legal, contractual, constructive and other exposures or obligations, is the best estimate of the consideration required to settle the related liability, including any related interest charges, taking into account the risks and uncertainties surrounding the obligation. In addition, contingencies will only be resolved when one or more future events occur or fail to occur. An assessment of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events. The Company assesses its liabilities and contingencies based upon the best information available, relevant tax laws and other appropriate requirements.

As identified in Note 2, subsequent to December 31, 2017, the Company signed an Addendum with the Developer and received a payment of US$438,972 to settle outstanding payables owed to East Africa and provide advance payments towards the final purchase of the Tanzanian Assets. The receivable of CAD$129,542 (Note 8) at December 31, 2017, has been collected. The Tanzanian Definitive Agreement provides that on termination all payments are non-refundable. The Company has judged that payments collected to date are not refundable. The results of the arbitration may deem otherwise.

(d) Measurement uncertainty – Ethiopian and Tanzanian Mineral Property Interests assets

<u>Ethiopia</u>

The Company's exploration licenses at the Harvest and the Adyabo Projects expired during the year ended December 31, 2017. In December 2017, the Company received a mining license for the Terakimti Oxide Gold Project, which is part of the Harvest Project. The Company has submitted two mining license applications for the Adyabo Project in December 2017, and the Ethiopian Ministry of Mines, Petroleum and Natural Gas ("MoMPNG") has begun the evaluation process. The Company is in on-going discussions with the MoMPNG, including the submission of proposed work programs, to extend the mining area of the received Terakimti Oxide Gold Project mining license and proposed Adyabo mining license areas to include the remaining prospective resource targets within the Harvest and Adyabo Project exploration areas (the "Resource Target Extensions").

Management identified the absence of exploration licenses and the MoMPNG's current assessment of the Adyabo mining licenses as an indicator of impairment and performed an impairment assessment on its Adyabo Projects. As the Company has received a mining license for the Terakimti Oxide Gold Project, management has judged there are no impairment indicators on the Harvest Project. Management identified two CGUs: 1) Adi Dairo (Da Tambuk mining license application); and 2) West Shire (Mato Bula mining license application). Adi Dairo and West Shire are part of the Adyabo Project. Management's impairment assessment identified that the carrying amount did not exceed the recoverable amount for each of the Adyabo CGUs. Management used the fair value less costs of disposal adjusted by the 5% free-carried government interest to the recoverable amount. In estimating the fair value less costs of disposal, the Company used a market approach. The Company's market approach calculated a fair value of comparable companies ("Peer") using an average of Peer's enterprise value to ounces for each CGU. The Peer enterprise value inputs include the Peer market capitalization, cash and liabilities. The Peer's enterprise value and the gold equivalent ounces of its properties are used to calculate an enterprise value / ounce (EV/ounce) value.

In estimating fair value less costs of disposal, management's judgement was involved in identifying the Peer group. Management assumptions included criteria that would identify the Peer characteristics similar to the Company and its Adyabo Assets. The criteria included market capitalization, continent of operations (Africa), commodity, stage of development and amount of mineral resources. The Company concluded there is no impairment to the Adyabo Project Mineral Property interests carrying amount.

Management judged that its rights to the develop the Adyabo Project and/or obtain Resource Target Extensions have not been denied based on the recently issued mining license for the nearby Terakimti Oxide Gold Project, ongoing discussions with the MoMPNG, MoMPNG's comments on the mining license applications and updates on the environmental studies.

If the MoMPNG does not approve the Resource Target Extensions (or similar rights) or finalize the mining license applications for the Adyabo Project, the Company may lose title to these assets. If this were to occur, it would represent a trigger for an impairment assessment on the Adyabo Mineral Property Interest assets.

5. Significant accounting estimates and judgments (continued)

(d) Measurement uncertainty – Ethiopian and Tanzanian Mineral Property Interests assets (continued)

Tanzania

In July 2017, three new Tanzanian Parliamentary bills were passed, which enacted changes to the legal and regulatory framework governing the natural resources sector in Tanzania. All of the legislation is now in force with the Tanzanian authorities in the process of implementing the legislation.

These changes include, among others:

- the right for the Government of Tanzania ("TanGov") to renegotiate existing mineral development agreements at its discretion;
- the provision to the TanGov of a non-dilutive, free-carried interest of not less than 16% in all mining projects;
- the right for the TanGov to acquire up to 50%, which includes the 16% carried free interest, of any mining asset commensurate with the value of tax benefits provided to the owner of that asset by the TanGov;
- an increase in the rate of royalties from 4% to 6% on revenues from gold, copper, silver and platinum group metals;
- requirements for local beneficiation and procurement; and
- constraints on the use of off-shore bank accounts.

Management identified the change in regulations as an indicator of impairment and performed an impairment assessment on its Tanzanian Assets. Management impairment assessment identified that the carrying amount did not exceed the recoverable amount of the Tanzanian Assets adjusted for the TanGov's non-dilutive not less than 16% free-carried interest. Management used the fair value less costs of disposal adjusted by the 16% free-carried interest to the recoverable amount. In estimating the fair value less costs of disposal, the Company used a market approach. The Company's market approach calculated a fair value of Peer companies using an average of Peer's enterprise value to ounces. The Peer enterprise value inputs include the Peer market capitalization, cash and liabilities. The Peer's enterprise value and the gold equivalent ounces of its properties are used to calculate an enterprise value / ounce (EV/ounce) value.

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

The Company judged there is no impairment to the Company's Tanzanian Mineral Property interests with the new changes to the legal and regulatory framework. The Company continues to monitor the impact of the new legal and regulatory changes on its Tanzanian Assets.

(e) Value Added Tax ("VAT") - taxes receivable recoverability

As at December 31, 2017, $514,633 (see Note 8) was due to the Company's foreign subsidiaries in Tanzania and Ethiopia from the foreign governments for VAT. The Company is due refunds of certain taxes based on consumption, of which the timing of realization is uncertain. If these recoverable taxes are not collected, it could reduce the carrying value of these assets. Given limited methods available to recover these taxes and the length of time it takes to recover the taxes, management has recorded a provision for 100% of the taxes recoverable with the corresponding amount recorded in Exploration Expenditures.

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, 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.

Expressed in Canadian dollars, unless otherwise stated

7. 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 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. The Company is in the process of determining the extent of the impact of adopting this standard.

(b) *IFRS 16 Leases ("IFRS 16")*

In January 2016, the IASB announced its new leasing standard, *IFRS 16*. The new standard will eliminate the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. The new standard will present a single on-balance sheet accounting model that is similar to current finance lease accounting. The new standard will take effect for fiscal years starting on or after January 1, 2019. The Company expects the new standard to result in some leases, which are currently accounted for under the operating lease method, being added to the balance sheet. The Company has elected not to early adopt and continues to assess the impact of adoption.

8. Accounts receivable

	December 31, 2017	December 31, 2016
Current		
Tanzanian Definitive Agreement (Note 2)	$ 129,542	$ 319,401
Related parties and other receivables	93,830	90,024
Taxes recoverable	88,078	141,500
	311,450	550,925
Non-current		
Taxes recoverable	514,633	208,343
Taxes recoverable provision (Note 5(e))	(514,633)	--
	$ --	$ 208,343

Non-current taxes receivable relates to VAT refund claim from foreign governments. The Company recorded a provision against its recoverable taxes given limited methods available to recover such taxes and the length of time it will take to recover such taxes. The Company continues to pursue approval of VAT refund claims from the various foreign governments. Refer to Note 5(e) for further details. The Tanzanian Definitive Agreement receivable relates to outstanding instalment payments, recoverable operating expenses and share of professional fees for the Tanzanian Assets (Refer to Notes 2 and 5(c) for further details).

Expressed in Canadian dollars, unless otherwise stated

9. Mineral property interests

Details of the Company's mineral property interest 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	48,274	17,727	732	185	66,918
Property payments recoveries	(49,099)	(46,771)	--	--	(95,870)
Foreign exchange	(161,939)	(145,697)	(1,148,392)	(29,535)	(1,485,563)
As at December 31, 2017	$ 1,766,355	$ 2,000,603	$ 16,334,501	$ 804,608	$ 20,906,067

	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)
Tanzanian 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

Harvest Project

The Harvest Project in Ethiopia consists of three primary exploration concessions on the Harvest Project exploration license. The three primary concessions are known as Hamlo, Terakimti, and Igub. The exploration licenses had terms of 10 years and expired in January 2017. In December 2017, the Company received a mining license for the Terakimti Oxide Gold Project (Refer to Note 5(d)) which includes the requirement to complete construction within 2 years. In the event there are unforeseen delays with the development, the mining proclamations allow for retention periods extensions. The mining license has a term of 6 years with the ability for renewal of up to 10 years on the approval of the MoMPNG and is due to expire in December 2023.

The Company has submitted a Resource Target Extensions or similar rights applications for the remaining prospective targets within the Harvest Project exploration area. The Company has a 70% interest in the Harvest Project with the remaining 30% (non-controlling interest) held with Ezana Mining Development PLC ("Ezana").

Adyabo Project

The Adyabo Project consists of two exploration licenses, West Shire and Adi Dairo, with terms of 10 years and the licenses expired in 2017. The Company has submitted two mining license applications, Da Tambuk and Mato Bula Mining Licenses, for the Adyabo Project. The Company has submitted a Resource Target Extensions (or similar rights) applications for the remaining prospective targets within the Adyabo Project exploration area. 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 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 Warrants to the optionor. These 600,000 issuable East Africa Warrants in addition to 1,040,000 East Africa Warrants issued on the anniversary dates to the optionor expired in May 2017 (Note 12(e)).

Expressed in Canadian dollars, unless otherwise stated

9. Mineral property interests (continued)

Tanzania – Handeni & Other Properties

As identified in Note 2, the Company has entered into a Tanzanian Definitive Agreement and completed an Addendum with the updated terms to develop the Tanzania Handeni Properties and Other Properties. The properties are located in the Handeni district, Tanga Region of Tanzania. The Company's Handeni Properties are comprises of two mining licenses covering the Magambazi Project with CTL holding one mining license and Denwill holding the second mining license. 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, 2017, the option has not yet been exercised. The Company's "Other Properties" consists of two claims and are located in the Handeni district, Tanga Region of Tanzania.

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

	Tanzania, Handeni Properties	Tanzania other properties	Ethiopia Harvest Project	Ethiopia Adyabo Project	Year ended December 31, 2017
Exploration expenditures					
Amortization	$ 173,042	$ --	$ 20,357	$ 61,595	$ 254,994
Camp and administration costs	377,452	--	289,104	499,191	1,165,747
Drilling	--	--	129,434	1,948,841	2,078,275
Geochemistry	2,955	--	10,547	32,439	45,941
Geology	--	--	12,446	353,408	365,854
Geophysics	--	--	--	118,339	118,339
Preliminary resource and engineering studies	--	--	231,282	301,330	532,612
Project management and consulting	28,178	--	--	--	28,178
Provision for taxes recoverable	204,185	--	56,506	253,942	514,633
Share-based compensation	--	--	147,500	--	147,500
Technical services	442	--	88,294	224,054	312,790
Total for the year	786,254	--	985,470	3,793,139	5,564,863
Cumulative Exploration Expenditures as at December 31, 2016	68,472,264	1,555,550	3,815,608	6,881,470	80,724,892
Cumulative Exploration Expenditures as at December 31, 2017	$ 69,258,518	$ 1,555,550	$ 4,801,078	$10,674,609	$ 86,289,755

	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. 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
Additions	--	3,636	4,554	--	--	8,190
Disposals	(79,858)	(479,691)	(107,988)	--	--	(667,537)
Foreign exchange	(149,729)	(51,055)	(8,612)	(6,695)	(10,767)	(226,858)
As at December 31, 2017	$ 1,861,949	$ 657,958	$ 397,773	$ 559,459	$ 153,143	$ 3,630,282

	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	--	8,919	8,177	37,576	--	54,672
Exploration amortization	173,310	47,624	1,119	--	32,941	254,994
Disposals	(50,257)	(454,839)	(107,922)	--	--	(613,018)
Foreign exchange	(102,506)	(50,772)	(8,350)	(6,694)	(6,178)	(174,500)
As at December 31, 2017	$ 1,352,779	$ 468,518	$ 386,312	$ 482,743	$ 104,033	$ 2,794,385

	Buildings and roads	Office and field equipment	Computers and software	Leasehold improvements	Vehicles	Total
Net book value						
As at December 31, 2017	$ 509,170	$ 189,440	$ 11,461	$ 76,716	$ 49,110	$ 835,897
As at December 31, 2016	759,304	267,482	16,531	114,293	86,640	1,244,250

	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
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

12. Share capital

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

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

(b) Issued and outstanding: 157,838,411 (December 31, 2016 – 119,656,513) common shares.

On December 28, 2017, the Company completed a non-brokered Private Placement ("Private Placement") of 7,700,000 Units (the "Units") at a price of $0.26 per Unit for gross proceeds of $2,002,000. 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 24 months from the date of closing (Note 12(e)). The Company accrued a finders' fee of 5% of the Private Placement for $100,100.

On March 07, 2017, the Company completed a Private Placement of 20,000,000 Units (the "Unit A') at a price of $0.26 per Unit A for gross proceeds of $5,200,000. Each Unit A 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 12(e)). The Company recorded and paid a finders' fee of 4% of the Private Placement for $218,000.

For the year ended December 31, 2017, the Company issued 7,183,591 common shares (2016 – 4,377,352) for proceeds of $1,675,226 (2016 – $1,007,187) on the exercise of Warrants, 676,222 common shares (2016 – 2,479,500) for proceeds of $83,040 (2016 – $254,950) on the exercise of stock options, and 872,085 common shares (2016 – Nil) for proceeds of $166,489 (2016 – $Nil) on the exercise of Tigray Resources Inc. ("Tigray") stock options (Notes 12(d) and (e)).

On May 31, 2016, the Company completed the Private Placement of 10,000,000 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 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)).

(c) Escrowed shares

As at December 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

East Africa 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 employees and/or consultants performing investor relations activities, which vest in stages over twelve months with no more than one quarter vesting in any three-month period.

In 2016, the Company's board of directors and shareholders approved the grant of up to 2,750,000 bonus shares to certain officers, subject to the grant of mining license for the Harvest Project. During the year ended December 31, 2017, the Company issued 1,750,000 bonus shares following the receipt of the mining license (Note 9) and recorded share-based compensation of $516,250. The Company also recorded share-based compensation of $295,000 with a credit to bonus shares obligation for 1,000,000 bonus shares yet to be issued. Of the 2017 share-based compensation expense of $811,250, $147,500 was recognized within exploration expenditure and $663,750 was recognized as share-based compensation on the consolidated statement of operations. Subsequent to the year ended December 31, 2017, the Company issued additional 250,000 bonus shares with a hold period expiring May 27, 2018. The Company has yet to issue the remaining 750,000 bonus shares.

Expressed in Canadian dollars, unless otherwise stated

12. Share capital (continued)

(d) Share-based compensation (continued)

During the year ended December 31, 2017, 676,222 options (2016 – 2,479,500) were exercised with a weighted average exercise price of $0.12 (2016 – $0.10). The weighted average of the Company's share price at the time of exercise was $0.24 (2016 – $0.25) per share. For the year ended December 31, 2017, the Company granted 1,000,000 (2016 – 13,500,000) stock options to two Directors, which vested on the grant date, with a fair value of $161,457 (2016 – $300,852) of which $161,457 (2016 – $193,089) was recorded as share-based compensation expense and $Nil (2016 – $107,763) 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% (2016 – 0%), expected volatility of 101.27% (2016 – 88.80% to 118.45%), risk-free rate of 0.73% (2016 – 0.48% to 0.63%), and expected life of 2.50 years (2016 – 1.00 year to 2.50 years). For year ended December 31, 2017, 600,000 stock options expired unexercised.

During the year ended December 31, 2017, 1,585,610 (2016 – Nil) 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, the exercised stock options were exchanged for 872,085 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 $0.26 per share. As at December 31, 2017, there were 1,539,390 (December 31, 2016 – 3,125,000) Tigray stock options outstanding that on exercise would be exchanged for 846,665 East Africa shares (December 31, 2016 – 1,718,750) and Nil East Africa Warrants (December 31, 2016 – 1,250,000) (Note 12(e)). Details of stock options activity during the years ended December 31, 2017 and 2016 are as follows:

	Number of options outstanding	Weighted average exercise price
Balance, December 31, 2016	15,770,500	$ 0.12
Issued	1,000,000	0.29
Exercised	(676,222)	0.12
Expired	(600,000)	0.14
Outstanding and exercisable, December 31, 2017	15,494,278	0.13
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	13,500,000	0.11
Exercised	(2,479,500)	0.10
Outstanding and exercisable, December 31, 2016	15,770,500	0.12
Outstanding and exercisable, December 31, 2015	4,750,000	$ 0.14

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

Options outstanding				Options exercisable	
Number outstanding	Weighted average exercise price	Weighted average remaining life	Expiry date	Number exercisable	Weighted average exercise price
3,700,000	$ 0.14	0.63 years	August 19, 2018	3,700,000	$ 0.14
23,778	0.14	1.37 years	May 16, 2019	23,778	0.14
8,520,500	0.10	3.04 years	January 15, 2021	8,520,500	0.10
900,000	0.10	3.23 years	March 23, 2021	900,000	0.10
450,000	0.15	3.33 years	April 29, 2021	450,000	0.15
900,000	0.16	0.45 years	June 15, 2018	900,000	0.16
1,000,000	0.29	4.32 years	April 25, 2022	1,000,000	0.29
15,494,278	$ 0.13	2.42 years		15,494,278	$ 0.13

Expressed in Canadian dollars, unless otherwise stated

12. Share capital (continued)

(e) Warrants

On December 28, 2017, the Company completed the Private Placement of 7,700,000 Units and issued 3,850,000 Warrants. $209,230 of the gross proceeds was allocated to the Warrants based on the relative fair values of the common shares and the Warrants. 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 78.87%, risk-free rate of 1.67% and expected life of 1.50 years.

On March 07, 2017, the Company completed the Private Placement of 20,000,000 Units and issued 10,000,000 Warrants. $620,397 of the gross proceeds was allocated to the Warrants based on the relative fair values of the common shares and the Warrants. 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 in a news release, and the Warrants will then expire on the 20th day after the date of such notice.

During the year ended December 31, 2017, 7,183,591 Warrants (2016 – 4,377,352) were exercised with a weighted average exercise price of $0.23 (2016 – $0.23). The weighted average share price at the time of exercise was $0.25 (2016 – $0.35) per share.

During the year ended December 31, 2017, 524,244 (2016 – Nil) East Africa Warrants with an exercise price of $0.23 were issued on the exercise of 1,510,610 Tigray stock options at the exchange ratio of 0.40. As at December 31, 2017, there are Nil East Africa Warrants (December 31, 2016 – 1,250,000) that can be issued on the exercise of outstanding 1,539,390 Tigray stock options with expiry of August 19, 2018 (December 31, 2016 – 3,125,000).

For the year ended December 31, 2017, 16,624,968 Warrants expired unexercised. Subsequent to December 31, 2017, the Company elected to accelerate the expiry of the Warrants issued under the Private Placement financing completed on May 31, 2016. The Warrants were originally set to expire on May 31, 2018 and were accelerated to expire on February 5, 2018. 3,771,680 Warrants were exercised at a price of $0.25 per share for total proceeds of $942,920. The remaining 634,700 Warrants have expired and were cancelled.

On May 31, 2016, the East Africa 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% and issued 576,180 finders' Warrants. 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.

Details of the Warrants activity during the years ended December 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	14,374,244	0.44
Exercised	(7,183,591)	0.23
Expired	(16,624,968)	0.23
Outstanding and exercisable, December 31, 2017	18,256,380	0.40
Outstanding and exercisable, December 31, 2016	27,690,695	$ 0.23

Expressed in Canadian dollars, unless otherwise stated

12. Share capital (continued)

(e) Warrants (continued)

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

The following table summarizes information about the Warrants outstanding and exercisable at December 31, 2017:

Warrants outstanding and exercisable	Weighted average exercise price	Weighted average remaining contractual life	Expiry date
4,406,380	$ 0.25	0.41 years	May 31, 2018
10,000,000	0.45	0.68 years	September 7, 2018
3,850,000	0.45	1.99 years	December 28, 2019
18,256,380	$ 0.40	0.90 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 a 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, 2017	December 31, 2016
Balance sheets		
Current assets	$ 125,829	$ 266,055
Non-current assets	16,380,451	17,612,877
Current liabilities	(53,177)	(256,942)
Non-current liabilities	(14,599,682)	(13,753,938)
Statements of operations		
Net loss for the year	$ 850,626	$ 828,104
Comprehensive loss for the year	2,014,631	1,372,411
Statements of cash flows		
Net cash used for operating activities	$ (998,880)	$ (613,840)
Net cash used for investing activities	(732)	(296)
Net cash provided by financing activities	841,002	677,851
Increase (decrease) in cash and cash equivalents	$ (158,610)	$ 63,715

Changes to non-controlling interest	
Balance, January 1, 2017	$ 4,174,770
Non-controlling interests' share of net loss	(255,187)
Non-controlling interests' share of comprehensive loss	(349,202)
Balance, December 31, 2017	$ 3,570,381
Balance, January 1, 2016	$ 4,586,493
Non-controlling interests' share of net loss	(248,431)
Non-controlling interests' share of comprehensive income	(163,292)
Balance, December 31, 2016	$ 4,174,770

Expressed in Canadian dollars, unless otherwise stated

14. Related party transactions

(a) Related parties

	Year ended December 31, 2017	Year ended December 31, 2016
Services rendered and expenses incurred (vii):		
Services and related expenses (i)	$ 93,610	$ 151,874
Management fees (ii)	443,250	295,625
Interest expense (v) and (vi)	31,080	--

	December 31, 2017	December 31, 2016
Balances receivable from (vii):		
Reimbursement of shared costs (iii)	$ 87,938	$ 90,136
Directors and officers (iv)	2,156	--
	90,094	90,136
Balances payable to (vii):		
Services rendered (i)	(30,202)	(11,452)
Directors and officers (iv)	(239,617)	(169,680)
Loan payable (vi)	(621,200)	--
	$ (891,019)	$ (181,132)

Related parties' transactions:

(i) Geological and administration expenses were recorded for the services provided by a director and related parties with directors in common.

(ii) Management fees were recorded for services provided by 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) Included in receivable from a director is a 7-month loan at an interest rate of 1.25% per annum. Included in payable to directors and officers are directors fees, reimbursement of expenses and outstanding salaries.

(v) On January 15, 2017, SinoTech (Hong Kong) Corporation Limited ("SinoTech"), a related party with directors in common, agreed to grant a short–term unsecured loan to the Company for $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 year ended December 31, 2017, East Africa repaid the principal and interest of $509,880.

(vi) On August 31, 2017, SinoTech provide a second short-term unsecured loan to the Company for $600,000 with an interest rate of 12% per annum. The loan and all accrued and unpaid interest was payable on the earlier of 15 business days after the Company's closing of the financing announced in October 2017 or 120 days from the Company's receipt of the loan proceeds. As of December 31, 2017, the loan of $600,000 and the interest accrual of $21,200 remained unpaid. Subsequent to the year ended December 31, 2017, the Company repaid $324,000 of the principle and interest, the maturity date of the remaining balance had been extended and will now mature on the earlier of 15 business days after the closing of the $11,544,000 Private Placement (Note 2) or May 21, 2018.

(vii) 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, 2017	Year ended December 31, 2016
Directors fees, bonuses, key management personnel salaries and short-term benefits	$ 820,980	$ 602,128
Share-based compensation	751,457	148,151
	$ 1,572,437	$ 750,279

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. During the year ended December 31, 2017, the Company issued 1,750,000 bonus common shares after the receipt of the mining license for the Harvest Project and recorded share-based compensation of $811,250 (Note 12(d)). On January 26, 2018, the Company issued another 250,000 shares to certain officers.

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. Financial assets and financial liabilities are measured on an ongoing basis at amortized cost. The book values of cash and cash equivalents, accounts receivable and related parties are representative of their respective fair values due to the short-term nature of these instruments. The fair value of accounts payable and loan 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, 2017 and 2016, 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, 2017			
Cash and cash equivalents	$ 2,268,310	$ --	$ 2,268,310
Accounts receivable and related parties	223,372	--	223,372
Accounts payable	--	(719,479)	(719,479)
Loan payable	--	(621,200)	(621,200)
	$ 2,491,682	$ (1,340,679)	$ 1,151,003

	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

<u>Management of financial risk</u>

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

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"), 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, 2017 and 2016, the Company is exposed to currency risk through the following assets and liabilities denominated in EUR, USD, TSH and ETB:

	EUR	USD	TSH	ETB
As at December 31, 2017				
Cash and cash equivalents	€ --	$ 49,230	10,041,298	583,593
Accounts receivable	--	98,481	--	42,648
Accounts payable	(35,000)	(14,889)	(359,996)	(250,040)
	€ (35,000)	$ 132,822	9,681,302	376,201

	EUR	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	--	(14,027)	(359,996)	(456,790)
	€ --	$ 232,712	1,362,551	486,603

Based on the above net exposure as at December 31, 2017, 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 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 and its borrowings. The Company earns interest on its cash and cash equivalents based on current market interest rates, which during the year ended December 31, 2017 is Nil% (year ended December 31, 2016 – 0.19%) and the Company has borrowings of $600,000 with an interest rate of 12% per annum.

Based on the amount of cash and cash equivalents and borrowings as at December 31, 2017, 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. The Company limits its exposure to credit risk on cash and cash equivalents as these financial instruments are held primarily with a major Canadian financial institution. Receivables mainly consist of Tanzanian Definitive Agreement receivable and trade receivables from related parties. As at December 31, 2017, the Company had receivables with an aggregated amount of $129,542 (Note 8) from the Developer of the project in Tanzania. The amount was collected in full subsequent to year-end.

Expressed in Canadian dollars, unless otherwise stated

15. Financial instruments (continued)

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, 2017, the Company had cash and cash equivalents of $2,268,310 (December 31, 2016 – $367,690) to settle current liabilities of $1,691,461 (December 31, 2016 – $914,194). 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 (refer to Note 1).

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 reviews 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, 2017, of 26.00% (December 31, 2016 – 26.00%) as follows:

	December 31, 2017	December 31, 2016
Expected tax recovery	$ (2,438,666)	$ (1,409,153)
True-up of tax provisions in respect of prior years, share based compensation and other permanent differences	3,280,914	1,021,174
Tax rate differences	(107,835)	(9,190)
Tax impact on foreign exchange	888,886	381,498
Unrecognized tax assets	(1,623,299)	15,671
Income tax expense	$ --	$ --

Expressed in Canadian dollars, unless otherwise stated

17. Income tax (continued)

As at December 31, 2017, 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, 2017	December 31, 2016
Non-capital loss carry forwards – Canada	$ 12,086,000	$ 9,244,000
Non-capital loss carry forwards – Tanzania	68,193,000	19,179,000
Non-capital loss carry forwards – Ethiopia	10,470,000	10,339,000
Financing and other costs	782,000	521,000
Unamortized capital costs in excess of net book value	568,000	513,000
Mineral properties	14,518,000	79,017,000
Total unrecognized deferred tax assets	$ 106,617,000	$ 118,813,000

As at December 31, 2017, the Company has the following approximate accumulated non-capital losses which may be carried forward to apply against future year's income for the respective countries income tax purposes subject to final determination by taxation authorities, expiring as follows:

Year	Canada	Ethiopia
2021	$ --	$ 1,671,000
2022	--	461,000
2023	--	280,000
2024	--	1,902,000
2025	--	2,330,000
2026	--	1,109,000
2027	--	2,717,000
2028	--	--
2029	--	--
2030	249,000	--
2031	992,000	--
2032	1,467,000	--
2033	1,111,000	--
2034	1,739,000	--
2035	1,576,000	--
2036	2,209,000	--
2037	2,743,000	--
Total	$ 12,086,000	$ 10,470,000

Ethiopian companies in the mining sector may carry forward losses for 10 years. For Tanzania, there is no limit on the carryforward period for tax losses. Tanzanian regulations comprises of ring-fencing losses rules for mining companies which losses from one mining license area can only be offset against profits from the same mining license area.

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 and non-current assets by geographical segment:

	Canada	Tanzania	Ethiopia	Total
For the year ended December 31, 2017				
Net loss	$ 3,650,669	$ 844,226	$ 4,884,590	$ 9,379,485
As at December 31, 2017				
Total non-current assets	731,705	4,065,958	16,944,301	21,741,964

Expressed in Canadian dollars, unless otherwise stated

18. Geographical segment information (continued)

	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

19. Commitments

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 $25,000. Pursuant to the lease agreement, the Company is entitled to leasehold inducement of $131,146. As at December 31, 2017 and 2016, the Company had the following commitments:

	December 31, 2017	December 31, 2016
No later than 1 year	$ 377,618	$ 307,933
Later than 1 year and no later than 5 years	308,649	619,922
Later than 5 years	--	--
	$ 686,267	$ 927,855

Subsequent to year ended December 31, 2017, the Company entered into agreements for the assistance with preliminary economic assessments on the Harvest Project. The fees were estimated to be $140,764 and a retainer fee of $15,000 was paid prior to the commencement of work.

20. Contingencies

Certain conditions may exist as of the date the financial statements are issued that may result in a loss to the Company, but which will only be resolved when one or more future events occur or fail to occur. The impact of any resulting loss from such matters affecting these financial statements noted below may be material.

On April 6, 2018, the Company announced it had commenced binding arbitration proceedings with respect to certain disputes that East Africa has with the Developer (Note 2) under the Tanzanian Definitive Agreement and Addendum. Included in these disputes are matters arising in Tanzania which East Africa and its Tanzanian subsidiaries have been included in a legal claim over a contractual disagreement between the Developer and a third party. Management and its legal advisors believe there is no basis for East Africa and its subsidiaries to be named in the claim and accordingly the Company has filed its objections with the courts with intent to be removed from the claim.

In accordance with the Tanzanian Definitive Agreement and the Addendum, the binding arbitration will be heard by a single arbitrator in Vancouver, British Columbia pursuant to the rules of the British Columbia International Commercial Arbitration Centre. The arbitration proceedings have been initiated by the Company as a result of the failure of the Developer to adhere to the terms of the Definitive Agreement and Addendum and the Company may submit a claim for damages. The final outcome of the arbitration cannot be predicted with certainty.