

EAST AFRICA METALS INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED  
DECEMBER 31, 2017

This Management's Discussion and Analysis ("MD&A") provides a review of the performance of the operations of East Africa Metals Inc. (collectively, with its subsidiaries, "East Africa" or the "Company") for the year ended December 31, 2017 ("Fiscal 2017"), compared to the year ended December 31, 2016 ("Fiscal 2016"). The MD&A has been prepared on the basis of available information up to April 30, 2018, and should be read in conjunction with the Company's audited consolidated financial statements ("Financial Statements") for the year ended December 31, 2017, and the corresponding notes to the Financial Statements which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). These documents are available on SEDAR at [www.sedar.com](http://www.sedar.com). All dollar amounts are expressed in Canadian dollars ("CAD") except where indicated otherwise.

### **Cautionary Statement Regarding Forward-Looking Information**

*This MD&A may contain certain forward-looking statements concerning anticipated development in the Company's operations in future periods, "forward-looking information," within the meaning of applicable Canadian securities legislation. The forward-looking statements are set forth in this MD&A and may include statements regarding exploration results and budgets, mineral resource estimates, work programs, capital expenditures, timelines, strategic plans, market price of commodities or other statements that are not statement of fact. Generally, forward-looking information can be identified by the use of forward-looking terminology such as "anticipate", "believe", "plan", "expect", "intend", "estimate", "forecast", "project", "budget", "schedule", "may", "will", "could", "might", "should" or variations of such words or similar words or expressions. Forward-looking information is based on reasonable assumptions that have been made by the Company as at the date of such information and is subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking information, including but not limited to: the outcome of the arbitration case with the Developer; if the arbitration case is successful that the Company can occupy the site and advance the project; if the arbitration is successful the Tanzanian Definitive Agreement payments are not refundable; recoverability of the Ethiopian and Tanzanian VAT receivable; early exploration; the ability of East Africa to identify any other corporate opportunities for the Company; the possibility that the Company may not be able to generate sufficient cash to service its planned operations and may be forced to take other options; the risk the Company may not be able to continue as a going concern; the possibility the Company will require additional financing to develop the Harvest Project into a mining operation; the risks associated with obtaining necessary licenses or permits including and not limited to Ethiopian Government approval of any future mining license applications and Resource Target Extensions for the Company's Ethiopian Projects; risks associated with mineral exploration and development; metal and mineral prices; availability of capital; accuracy of the Company's projections and estimates, including the initial and any updates to the mineral resource for the Adyabo, Harvest and Magambazi Projects; realization of mineral resource estimates; interest and exchange rates; competition; stock price fluctuations; availability of drilling equipment and access; actual results of exploration activities; government regulation; political or economic developments; foreign taxation risks; environmental risks; insurance risks; capital expenditures; operating or technical difficulties in connection with development activities; personnel relations; the speculative nature of strategic metal exploration and development including the risks of contests over title to properties; and changes in project parameters as plans continue to be refined, as well as those risk factors set out in the Company's listing application dated July 8, 2013, and within this MD&A. The estimate of mineral resources may be materially affected by environmental, permitting, legal, title, taxation, sociopolitical, marketing, or other relevant issues. The quantity and grade of reported inferred mineral resources as the estimation is uncertain in nature and there has been insufficient exploration to define any inferred mineral resources as an indicated or measured mineral resource and it is uncertain if further exploration will result in upgrading inferred mineral resources to an indicated or measured mineral resource category. Forward-looking statements are based on assumptions management believes to be reasonable, including but not limited to the price of gold; the demand for gold; the ability to carry on exploration and development activities; the timely receipt of any required approvals; the ability to obtain qualified personnel, equipment and services in a timely and cost-efficient manner; the ability to operate in a safe, efficient and effective manner; and the regulatory framework including and not limited to license approvals, social and environmental matters, and such other assumptions and factors as set out herein. Although the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. The Company does not update or revise forward looking information even if new information becomes available unless legislation requires the Company to do so. Accordingly, readers should not place undue reliance on forward-looking information contained herein, except in accordance with applicable securities laws.*

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## INTRODUCTION

East Africa was incorporated on December 7, 2012, under the Canada Business Corporations Act. The address of the Company's corporate office and principal place of business is Suite 700, 1055 W. Georgia Street, Vancouver, British Columbia, Canada. On July 11, 2013, the Company commenced trading on the TSX Venture Exchange (the "TSX-V") as a Tier 2 mining issuer under the trading symbol "EAM".

## DESCRIPTION OF THE BUSINESS

East Africa is a mineral exploration company focused on the identification, acquisition, exploration, development and/or sale of base and precious metal resource properties in Federal Democratic Republic of Ethiopia ("Ethiopia") and United Republic of Tanzania ("Tanzania"). East Africa's key mineral assets include the Harvest and the Adyabo Projects (together the "Ethiopian Projects") in Ethiopia, and the Handeni Properties, including the Magambazi Project, and Other Properties (the "Tanzanian Assets") in Tanzania. The Company has released Mineral Resources Estimates for its Terakimti (Harvest Project), Da Tambuk (Adyabo Project – Adi Dairo) and Mato Bula (Adyabo Project – West Shire) deposits in Ethiopia and the Magambazi deposit in Tanzania. Additional information on the Company's mineral property interests discussed in this MD&A can be found on the Company's website at [www.eastafricametals.com](http://www.eastafricametals.com).

## KEY OPERATING MILESTONES

### Preliminary Economic Assessments

On April 30, 2018, the Company announced receipt from Tetra Tech Canada Inc. ("Tetra Tech") of positive results from Preliminary Economic Assessments for its three gold projects in Ethiopia. Separate Preliminary Economic Assessment studies ("PEAs") have been received for the Company's 100% owned Mato Bula Gold Copper Project ("Mato Bula"), 100% owned Da Tambuk Gold Project ("Da Tambuk") and 70% owned Terakimti Gold Heap Leach Project ("Terakimti") in the Tigray Regional National State of Northern Ethiopia. Each of the projects demonstrates robust economics utilizing industry standard mining and processing technology.

The key technical and base case pre-tax and post-tax metrics for each project are presented below:

PARAMETER <sup>(3)</sup>		Units	PROJECT		
			Mato Bula	Da Tambuk	Terakimti <sup>(1)</sup>
Mine Plan		Tonnes	3,335,000	650,000	1,086,000
Grade	Gold	g/t	3.0	4.9	3.1
	Copper	%	0.26%	N/A	N/A
	Silver	g/t	0.70	2.3	22.9
Metal Recoveries	Gold	%	86.4%	93.0%	65.0%
	Copper	%	87.4%	N/A	N/A
	Silver	%	50.0%	50.0%	30.0%
Recovered Metals	Gold	Ozs	278,000	95,000	71,000
	Copper	Lbs (x000)	13,353	N/A	N/A
	Silver	Ozs	38,300	24,000	229,000
	Au Equiv	Ozs	305,000	95,000	74,000
Capital Cost		US\$(x000)	\$54,200	\$34,030	\$17,180
Sustaining Capital		US\$(x000)	\$5,600	\$8,030	\$1,720
Operating Cost	Site - C1	US\$/tonne	\$47.53	\$61.85	\$34.10
<b>Metal Prices</b>					
Gold Price	US\$/oz		\$1,325	\$1,325	\$1,325
Copper Price	US\$/lb		\$3.00	N/A	N/A
Silver Price	US\$/oz		\$17.00	\$17.00	\$17.00

PARAMETER <sup>(3)</sup>		Units	PROJECT		
			Mato Bula	Da Tambuk	Terakimti <sup>(1)</sup>
<b>PRE-TAX</b>					
Cash Flow		US\$(x000)	\$139,710	\$31,160	\$29,360
NPV @8%		US\$(x000)	\$83,820	\$20,670	\$19,470
IRR		%	34.1%	37.8%	37.4%
<b>POST-TAX</b>					
Cash Flow	LOM	US\$ (x000)	\$97,700	\$20,615	\$20,890
NPV @8%		US\$ (x000)	\$56,660	\$13,020	\$13,180
IRR		%	28.4%	28.6%	30.1%
<b>OTHER METRICS</b>					
Payback		Years	3.0	1.9	2.4
C1 Op Cost		US\$/oz Au	\$412	\$420	\$465
AISC		US\$/oz Au	\$620	\$642	\$649

Notes:

(1) Metrics are presented for 100% attributable to Terakimti operation. Metrics attributable to East Africa would be 70% of values presented above as per Joint Venture agreement terms.

(2) Cash Flows presented are not discounted.

(3) Values may not reconcile to others disclosures within the PEA disclosure due to rounding.

### Metal Price Sensitivities - Post Tax

PARAMETER <sup>(2)</sup>	Units	Base Case	Lowest Case	5 Year Ave	Long Term
<b>Metals Prices</b>					
Gold Price	US\$/oz	\$1,325	\$1,200	\$1,250	\$1,379
Copper Price	US\$/lb	\$3.00	\$2.50	\$2.75	\$3.25
Silver Price	US\$/oz	\$17.00	\$17.00	\$17.00	\$17.00
<b>MATO BULA – Gold, Copper and Silver</b>					
Cash Flow <sup>(1)</sup>	US\$(x000)	\$97,700	\$75,050	\$84,325	\$107,340
NPV @ 8%	US\$(x000)	\$56,660	\$39,460	\$46,490	\$63,980
IRR	%	28.4%	22.5%	25.0%	30.8%
Payback	Years	3.0	3.7	3.4	1.8
<b>DA TAMBUK – Gold and Silver</b>					
Cash Flow <sup>(1)</sup>	US\$(x000)	\$20,615	\$12,600	\$15,805	\$24,080
NPV @ 8%	US\$(x000)	\$13,020	\$6,060	\$8,840	\$16,025
IRR	%	28.6%	17.7%	22.1%	33.2%
Pay back	Years	1.9	3.2	3.1	1.7

PARAMETER <sup>(2)</sup>	Units	Base Case	Lowest Case	5 Year Ave	Long Term
<b>TERAKIMTI – Gold and Silver</b>					
Cash Flow <sup>(1)</sup>	US\$(x000)	\$20,890	\$15,130	\$17,430	\$23,380
NPV @ 8%	US\$(x000)	\$13,180	\$8,340	\$10,280	\$15,275
IRR	%	30.1%	21.9%	25.2%	33.7%
Payback	Years	2.4	2.8	2.6	2.3

(1) Cash Flows presented are not discounted.

(2) Values may not reconcile to others disclosures within the PEA disclosure due to rounding.

Each of the PEA studies has been completed by Tetra Tech's mining and process engineering team in Vancouver, B.C. The PEAs are based on the mineral resource estimates for Mato Bula, Da Tambuk, and Terakimti as previously disclosed by East Africa. The mineral resource estimates were completed by David Thomas P.Ge., Q.P. of Fladgate Exploration Consulting Corporation as follows:

- Adyabo Project Mineral Resource Estimate, David Thomas, P. Geo. (Effective Date: May 31, 2016), East Africa news release June 14, 2016.
- Updated Terakimti Oxide Mineral Resource Estimate at a 0.5 g/t Gold Equivalent Cut-Off, David Thomas, P. Geo. (Effective Date: October 18, 2015), East Africa news release October 27, 2015
- Terakimti Mineral Resource Estimate David Thomas, P. Geo., Effective Date: January 17, 2014, East Africa news release January 27, 2014.

Metallurgical test work for the Mato Bula Gold Copper and Da Tambuk Gold projects has been completed by Blue Coast Research, an independent metallurgical laboratory in Parksville B.C. Canada. Metallurgical test work for the Terakimti Gold Heap Leach project was completed by SGS Minerals Services ("SGS") in Johannesburg, South Africa. Additional metallurgical test work for Terakimti was performed by McClelland Laboratories Inc. ("McClelland") in Reno Nevada. Blue Coast Research, SGS, and McClelland are internationally recognized for their metallurgical testing expertise.

#### **Technical Report and Cautionary Statement NI 43-101:**

Each of the PEAs were prepared in accordance with National Instrument 43-101 Standards of Disclosure for Mineral Projects ("NI 43-101"). Each of the Technical Reports will be filed by the Company with SEDAR within 45 days of the news release.

Readers are cautioned that a PEA is preliminary in nature. These PEAs include Indicated and Inferred mineral resources. Inferred mineral resources are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves, and there is no certainty that the PEA results will be realized. Mineral resources that are not mineral reserves do not have demonstrated economic viability.

#### **Additional Project Information**

All three projects are located within 10 km of existing paved highways and the National power grid, and approximately 35 km from the town of Shire, which has an airport and extensive services. The Mato Bula and Da Tambuk projects are located 5 km apart and offer the opportunity to share access road and power line construction costs. The Terakimti gold project is approximately 15 km from Mato Bula and Da Tambuk.

#### **Mato Bula Gold Copper Project**

- Post-tax NPV of US\$ 56.6M for base case using US\$1,325 /oz Au, US\$3.00/lb copper and US\$17.00/oz silver, at an 8% discount rate.
- Payback of pre-production capital in 3 years from start of production.
- C1 cash operating cost of US\$412/oz Au including all on-site costs and AISC cost of US\$620/oz Au calculated with all on-site and off-site costs, TCRC charges, sustaining costs and net of by-product credits.

- Average annual metal production of approximately 34,750 ozs gold, 1.67 million pounds copper and 4,780 ozs silver.
- Pre-production capital cost of US\$54.2M million including contingency of 38% on direct costs and 26% on total of direct and indirect costs.
- Open pit mining utilizing drill blast, trucks and shovels, waste stripping ratio of 9/1.
- Processing rate of 1,400 t/day using conventional crush/grind comminution, gravity concentration and flotation to produce a copper-gold concentrate. In addition a gold bearing pyrite concentrate will be produced and treated off-site by Carbon in Leach (“CIL”) technology.
- Life-of-mine metal recoveries of 86.4% for gold, 87.4% for copper, and 50% for silver.
- Concentrate grades average approximately 132 g/t gold, 25.5% copper and 28 g/t silver.
- Minimum 8 year mine life, based on proposed open pit depth of 190 metres.
- Significant potential exists to extend mine life as drilling has identified mineralization along strike and to 370 metres down dip.

### **Da Tambuk Gold Project**

- Post-tax NPV of US\$13.0 M and IRR of 28.6% for base case using US\$1,325 /oz Au and US\$17.00 /oz silver, at 8% discount rate.
- Payback of pre-production capital in 1.9 years from start of production.
- C1 cash operating cost of US\$420/oz Au including all on-site costs and AISC cost of US\$642/oz Au calculated with all on-site and off-site costs, TCRC charges, sustaining costs and net of by-product credits.
- Average metal production of approximately 24,000 ozs gold per year and 6,000 ozs silver per year.
- Pre-production capital cost of approximately US\$34.1 M including contingency of 36% on direct costs and 26% total of direct and indirect costs.
- Underground trackless mining utilizing ramp access, cut and fill and open stope mining.
- Processing rate of 550 tonnes per day using crush/grind comminution, gravity concentration and CIL technology.
- Average life-of-mine metal recoveries of 93% for gold and 50% for silver.
- Minimum 4 year mine life based on mining plan depth to 200 metres below surface.
- Excellent potential to extend mine life as drilling has intersected significant mineralization to 260 metres down dip.

### **Terakimti Gold Heap Leach project**

- Post-tax NPV of US\$13.2 M and IRR of 30.1% for base case using US\$1,325 /oz Au and US\$17/oz silver, at an 8% discount rate.
- Payback of pre-production capital in 2.4 years from start of production.
- C1 cash operating cost of US\$465/oz Au including all on-site costs and AISC cost of US\$649/oz Au calculated with all on-site and off-site costs, sustaining costs and net of by-product credits.
- Average metal production of approximately 17,800 ozs gold per year and 57,250 ozs silver per year.
- Pre-production capital cost of approximately US\$17.2 M including contingency of 25% on direct costs 19% on total of direct and indirect costs.
- Open pit mining utilizing drill blast, shovels and trucks with waste stripping ratio of 3.8/1

- Processing rate of 715 tonnes per day using two stage crushing, heap leaching and Merrill Crowe technology.
- Average life-of-mine metal recoveries of 65% for gold and 30% for silver.
- 4 year mine life.
- In addition to heap leaching of the gold oxide zone, potential exists to develop supergene gold, copper, and primary sulphide copper, gold, and zinc resources underlying the gold oxide zone.

### **Risk and Opportunities**

As with all mining projects, a number of opportunities and risks exist which may affect the outcome of one or all of the projects. Known opportunities and risks pertaining to all of the projects are identified immediately below, followed by a statement of opportunities and risks specific to each of the projects.

#### **Opportunities for all Projects:**

- Potential exists to optimize metal recoveries and reduce reagent consumptions in the processing circuits.
- Process equipment costs are based on North American supply and assessment of other equipment markets should be conducted to evaluate this cost reduction opportunity.
- The close proximity of the Mato Bula and Da Tambuk projects creates an opportunity for combining of project resources, such as power supply, road access, water sources, administration and technical departments, which could reduce costs. Certain general facilities and services may possibly be shared with the Terakimti project as well.

#### **Risks for all Projects:**

- Volatility of commodity prices.
- Unforeseeable escalation of capital or operating costs.
- Political stability, security and social opposition.
- Unforeseen future changes in host country regulations that may have a direct impact on production and economics of the projects including and not limited to environment aspects and taxes.
- Inherent geological risk and uncertainty.
- Sourcing of skilled employees for mining and processing plant operation/QAQC control.
- Metallurgical performance of the processing plant may be different than projections based on test work completed to date.
- Potential sources of water supply for operations must be confirmed and may vary from the assumptions made in the studies.
- The engineering assumptions and results presented in the PEA's may vary from actual conditions.
- Abnormally high precipitation events during the wet season may cause flooding in the minesite areas and/or restrict access to the project sites.

The news release also contains information on the Environmental and Social Impact Assessment studies, risk and opportunities for each project and other relevant information to the PEAs. Further information can be located in the Company's respective news release and on East Africa's website [www.eastafricametals.com](http://www.eastafricametals.com).

#### **EXPLORATION PROJECTS UPDATES**

- On January 23, 2017, the Company announced the final results of a comprehensive metallurgical test program completed for the Terakimti Oxide Gold Project ("Terakimti Project"), including the results of two separate column leach tests at SGS which achieved gold extractions of 74.8% and 70.2%. Refer to the "Harvest Project – Ethiopia" for further information.



- On March 27, 2017, the Company announced results from a multi targeted drill program at the Harvest and Adyabo Projects. Highlight intersections include:
  - At Silica Hill (Adyabo Project) - 31.55 metres grading 9.4 grams per tonne gold, and 0.10% copper, from 111.32 metres drill depth;
  - At VTEM09 (Harvest Project) - 24.06 metres grading 1.88% copper, 3.08 grams per tonne gold, 66.4 grams per tonne silver, and 2.54% zinc, from 35.84 metres drill depth, and;
  - At Mayshehagne (Harvest Project) - 21.19 metres grading 4.32% copper, 1.04 grams per tonne gold, 35.9 grams per tonne silver, and 6.98% zinc, from 36.58 metres drill depth.
  - Refer to the “Harvest Project – Ethiopia” and “Adyabo Project – Ethiopia” for further information.
- On April 24, 2017, the Company announced results from on-going diamond drilling at the Adyabo Project. Highlight intersections include:
  - At Da Tambuk - 20 metres grading 4.7 grams per tonne gold, and 4.7 grams per tonne silver, from 105 metres drill depth; and
  - At Mato Bula - 5.72 metres grading 6.06 grams per tonne gold, from 50.78 metres drill depth;
  - Refer to the “Adyabo Project – Ethiopia” for further information.
- On May 11, 2017, East Africa announced it has been informed by the Ethiopian Ministry of Mines, Petroleum and Natural Gas (the “MoMPNG”) has completed its review of the Company’s Mine Permit Application and has issued a draft Model Agreement for the Company’s Terakimti Project located in the Tigray National Regional State (“Tigray State”) in Ethiopia. The delivery of the draft Model Agreement indicates the MoMPNG has approved the permit application and advanced the permitting process to the next stage.

On December 7, 2017, the Company announced the government approval of the mining license Agreement for the Terakimti Project. Refer to the “Harvest Project – Ethiopia” for further information.
- On May 29, 2017, East Africa announced newly received results from recently completed infill diamond drilling at the Adyabo Project, Mato Bula deposit in Ethiopia.
  - At Mato Bula - 12.6 metres grading 12.59 grams per tonne gold, 0.66% copper, and 1.5 grams per tonne silver, from 77.4 metres drill depth, and;
  - At Mato Bula - 7.6 metres grading 14.59 grams per tonne gold, 0.62% copper, and 1.5 grams per tonne silver, from 150.4 metres drill depth.
  - Refer to the “Adyabo Project – Ethiopia” for further information.
- On August 14, 2017, the Company announced the final diamond drill hole results from the most recent infill diamond drilling program at the Mato Bula deposit, part of the Company’s Adyabo Project in Ethiopia.

Highlight intersections include:

  - 5.89 metres grading 53.32 grams per tonne gold, 0.51% copper, and 2.6 grams per tonne silver from 54.56 metres drill depth, and 10.26 metres grading 8.9 grams gold, 0.05% copper, and 3.7 grams per tonne silver from 20.54 metres drill depth; and
  - 4.33 metres grading 38.94 grams per tonne gold, 0.24% copper, and 2.6 grams per tonne silver, from 160.6 metres drill depth.
  - Refer to the “Adyabo Project – Ethiopia” for further information.
- On December 13, 2017, the Company announced the submission of an additional two mining license applications for the Da Tambuk and Mato Bula deposits at the Company’s 100% Adyabo Project. With the recent approval of the mining license for the nearby Terakimti Project, the opportunity to hold three deposits within a 20 kilometre footprint, in an area of well developed, air, road, and power infrastructure offers exceptional potential for project development.

On January 12, 2018, the Company announced the MoMPNG has begun evaluating the mining license applications for Da Tambuk and Mato Bula deposits.
- Updates on mineral resource estimates, related maps and further information on the Harvest Project and the Adyabo Project can be located in the Company’s respective news release and on East Africa’s website [www.eastafricametals.com](http://www.eastafricametals.com).

**CORPORATE UPDATES**

- On January 17, 2017, the Company announced a related party loan in the amount of \$500,000 at an interest rate of 12% per annum from an insider, SinoTech (Hong Kong) Corporation Limited (“SinoTech”). The loan and all accrued and unpaid interest (non-compounding) is payable upon the earlier of (a) 10 business days after the Company's closing of the \$5,200,000 financing with Shandong Tyan Home Co. Ltd (“STH”) or (b) 90 days from the Company's receipt of the loan proceeds. The Company paid the principal and interest of \$509,800 subsequent to the closing of the STH finance in March 2017.
- On March 7, 2017, the Company announced the closing of a \$5,200,000 private placement STH, a Chinese listed public company. The private placement will finance ongoing exploration and project development activities at the Company's Harvest and Adyabo Projects, located in the Tigray State of Ethiopia. In addition to the private placement, STH and East Africa also have a non-binding letter of intent to provide a US\$10,000,000 line of credit to support the development of the Terakimti Project. Alternatively, STH can choose to identify a third party to provide or participate in the debt financing. As a result of this placement STH owns approximately 14.3% of the outstanding shares of the Company.

The Company issued 20 million units at a price of \$0.26 per unit, for gross proceeds of \$5,200,000. Each unit consists of one common share of the Company and one-half of one common warrant. Each whole warrant entitles 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. If at any time after July 8, 2017 the Company's common shares have a closing price of \$0.65 or greater for a period of 10 consecutive trading days, the Company will be entitled to accelerate the expiry date of the warrants upon 20 days' notice given by news release and the warrants will then expire on the 20th day after the date of such notice.

- In April 2017, the Company granted 1 million stock options to certain directors pursuant to the Company's Stock Option Plan. The options have an exercise price of \$0.285 per share and an expiry date of April 25, 2022.
- On September 1, 2017, the Company announced that SinoTech had agreed to provide an unsecured loan to the Company in the amount of \$600,000. The loan bears an interest rate of 12% per annum and is payable upon the earlier of (a) 15 business days after the closing of a financing or (b) 120 days from the Company's receipt of the loan proceeds.

On February 7, 2018, East Africa announced the Company and SinoTech, an insider of the Company, had signed an extension of the maturity date of the related party loan entered into in September 2017. The Company has repaid \$300,000 of the principal of the loan and corresponding interest. The outstanding loan balance of \$300,000 will bear an interest rate of 12% per annum and will mature on the earlier of: (a) 15 Business Days after the closing of the Company's \$11,544,000 financing announced on December 29, 2017 or (b) May 21, 2018 (see below for the \$11,544,000 financing).

- 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 52.1 million units at a price of \$0.26 per unit for aggregate gross proceeds of approximately CAD\$13,550,000. LW also agreed to provide an unsecured loan to the Company in the amount of CAD\$2,000,000 at 2% per annum which includes the right to convert the loan principal and accrued interest into units of the Company at a deemed price of \$0.26 per unit.

In December, 2017, the Company completed the sale of 7.7 million units for gross proceeds of \$2,002,000 with Luck Sky Resources Investments (“LS”), an affiliate of LW, and agreed to pay finders' fees of \$100,100. Closing of the remaining 44.4 million units for proceeds of \$11,544,000 is subject to certain conditions, including but not limited to, disinterested shareholder approval of the creation of a new control person and approval of the TSX-V. The Company will no longer be seeking the \$2,000,000 loan from LS.

On March 29, 2018, the Company announced the termination of the Ethiopian MOU with LW and LS. The Company has initiated discussions with a number of interested parties for the project financing of the Terakimti Project and/or all the Ethiopian Projects. The parties include companies and groups based in North America, Europe and China. Please refer to the “Corporate Transactions” for more details.

- On December 15, 2017, the Company announced the issuance of 1,750,000 common shares to certain officers following receipt of the mining license for the Harvest Project. In January 2018, the Company issued another 250,000 shares to certain executives. The Company has yet to issue the remaining 750,000 shares.
- On January 15, 2018, the Company announced the election to accelerate the expiry date of the warrants issued to purchasers and finders under its private placement financing completed on May 31, 2016. Each warrant entitles the holder to purchase one common share at a price of \$0.25 per share. The warrants were originally set to expire on May 31, 2018 and were revised to expire on February 5, 2018.

In February 2018, the Company completed the acceleration of the warrants and 3,771,680 warrants were exercised at a price of \$0.25 per share, for proceeds of \$942,920. The remaining 634,700 warrants have expired and are cancelled.

- On January 24, 2018, the Company announced the updated terms (“Addendum”) for the Tanzanian Definitive Agreement with Tanzanian Goldfields Company Limited (“TzGF”), a Hong Kong company (the “Developer”), to purchase and develop East Africa’s Tanzanian Assets.

On April 6, 2018, the Company announced it has commenced binding arbitration proceedings with respect to certain disputes that East Africa has with TzGF. In accordance with the Tanzanian Definitive Agreement and 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. Please refer to the “Corporate Transactions” for more details.

- For all the above operating highlights refer to the news releases or the Company website, [www.eastafricametals.com](http://www.eastafricametals.com), for further details.

## OUTLOOK

As of the date of this MD&A, the Company’s focus is on advancing the Ethiopian Projects. The Company has received the mining license agreement for the Terakimti Project. In addition, the Company has submitted two additional mining license applications for Da Tambuk and Mato Bula deposits at the Adyabo Project. The Company has two mining licenses on its Tanzanian Assets. East Africa has released initial mineral resource estimates on each of its advance staged exploration projects at Harvest, Adyabo and Magambazi.

On March 29, 2018, the Company announced the termination of the Ethiopian MOU with LW announced on October 2, 2017. The Company has initiated discussions with a number of interested parties for the project financing of the Terakimti Project and/or all the Ethiopian Projects. The parties include companies and groups based in North America, Europe and China. These discussions with the interested parties include among other matters debt financing, offtakes, equity financing, project investment or strategic alliances.

The Company has commenced arbitration process with the Developer in relation to East Africa’s Tanzanian Assets with the view to terminate the Tanzanian Definitive Agreement and Addendum. The Company, if successful with the arbitration process, plans to advance the Tanzanian Assets to attract interest and identify a development partner or buyer.

The 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 and development expenditures and the outcome of the arbitration 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 operating in emerging countries. 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 the Financial Statements, then adjustments would be necessary to the carrying values of assets, liabilities, the reported income and expenses and the consolidated balance sheets classifications used. Such adjustments could be material. The outcome of these measures cannot be predicted at this time and management's ability to complete these measures will depend on market conditions and its ability to identify and secure financing. The Company's Board of Directors has approved pursuing these measures. Refer to the "Liquidity" section for further details.

## **CORPORATE TRANSACTIONS**

### *Ethiopian Projects Financing*

On October 2, 2017, the Company announced the signing of the Ethiopian MOU with LW providing for project development financing of up to US\$250,000,000. The Ethiopian MOU with LW contemplates that a joint venture company is to be formed, with 70% owned by LW and 30% owned by the Company. LW is to invest up to US\$250,000,000 into the development of the Company's projects in Ethiopia. East Africa contribution is the proportionate amount of gold resource valued with a cost price of US\$70/oz, of up to 1.5 million gold equivalent ounces for an estimated aggregate value of US\$110,000,000.

Upon completion of the private placement and conversion of the CAD\$2,000,000 loan, LW would own approximately 28.8% of the Company's outstanding shares (37.8% on a diluted basis). Upon completion of the private placement, the Company would cause three of its directors to resign and appoint three LW nominees to fill those vacancies, and the Company may make certain changes to management positions.

On December 14, 2017, the Company entered into a binding subscription agreement with LS, an affiliate of LW, for the purchase of 52.1 million units at a price of \$0.26 per unit for aggregate gross proceeds of approximately CAD\$13,550,000. Each unit would consist of one common share and one-half of one warrant, with each whole warrant exercisable for \$0.45 and expiring 24 months from closing. On December 27, 2017, the Company closed the sale of 7.7 million units for gross proceeds of \$2,002,000. The proceeds would be used to continue exploration programs on the Company's projects in Ethiopia and general working capital.

In March, 2018, the Company announced that the Company and LW had agreed to terminate the Ethiopian MOU. Despite the best efforts of both parties, negotiations failed to define a viable transaction that would be in the best interests of East Africa's shareholders and LW.

### *Tanzanian Definitive Agreement*

On June 10, 2015, East Africa signed the Tanzanian Definitive Agreement with the Developer, an arm's length private exploration and development company with management based in the United Kingdom and Tanzania, to acquire and develop East Africa's Tanzanian Assets. On March 5, 2016 (the "Tanzanian Effective Date"), the Company and the Developer completed the execution of the Tanzanian Definitive Agreement and the Gold Purchase Agreement. The Tanzanian Definitive Agreement requires the Developer to pay US\$2,000,000 ("Purchase Price") by no later than 12 months from the Tanzanian Effective Date.

As at December 31, 2017, the Company received instalments of US\$500,000 towards the Purchase Price and had receivables of US\$103,258 (CAD\$129,542), for the Tanzanian Assets recoverable operating expenses and the Developer's 50% share of professional fees.

In January 2018, the Company completed the Addendum for the Tanzanian 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 in January 2018) to settle outstanding payables owed to East Africa and provide payments towards the Purchase Price;
- pay US\$500,000 on the delivery of documents for Tanzanian Government approval;

- pay deposit US\$750,000 in a trust account when the documents to the Tanzanian Government have been submitted and the amount would be released when Tanzanian Government approvals are received;
- Under an interim management agreement, the Developer and East Africa's Tanzanian subsidiaries would 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.

The transaction would provide East Africa with the right to acquire a gold stream equal to 30% of gold produced during mining operations established at any of the Tanzanian Assets, for a per ounce payment equal to the lesser of: (i) production cost plus 15% based on the Developer's historical and budgeted production costs, and (ii) the prevailing market price for gold. Furthermore, the Developer conveys to East Africa the right to receive a 1.6% Net Smelter Royalty, capped at US\$1,800,000.

In April 2018, the Company announced it has commenced binding arbitration proceedings with respect to certain disputes that East Africa has with TzGF under the Tanzanian Definitive Agreement and Addendum. In accordance with the Tanzanian Definitive Agreement and 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 TzGF to adhere to the terms of the Tanzanian Definitive Agreement and Addendum.

## **PROJECT DESCRIPTIONS**

### **Ethiopia**

Ethiopia is located in northeast Africa, in the region termed the Horn of Africa. The country is landlocked and is comprised topographically of predominantly high plateau. New mining regulations ("Proclamation(s)") were issued in 1993 with the purpose of promoting the exploration and development of Ethiopia's natural resources. The Proclamations allow for business incentives that include security of tenure, the right to sell minerals, preferential duty and tax provisions on equipment and machinery, a 5-8% production royalty (revised in Proclamation 678/2010), a 25% income tax on taxable income, and a structuring to allow for repatriation of profits. The Company currently has interests in two areas in Ethiopia, the Harvest Project and the Adyabo Project. The current Mineral Resources at the Ethiopian Projects straddle an infrastructure corridor, with the projects being located within 11 and 7 kilometres respectively of a paved highway and a high-tension power corridor.

Where applicable, information within this MD&A which pertains to the Harvest and Adyabo Projects may reference work performed by Tigray Resources Inc. ("Tigray") before the completion of the Tigray Arrangement on May 7, 2014. References to Tigray news releases before May 7, 2014, can be found on the Company's website at [www.eastafricametals.com](http://www.eastafricametals.com) and information on the Tigray Arrangement can be found in Tigray's management information circular dated March 28, 2014, which can be found on SEDAR at [www.sedar.com](http://www.sedar.com).

### **HARVEST PROJECT – ETHIOPIA**

The Company has a 70% interest in the Harvest Project with the remaining 30% held by Ezana Mining Development Plc ("Ezana"), an Ethiopian company. The non-controlling interest is carried at 30% until the completion of the feasibility study. The Company is responsible for all costs until completion of a feasibility study. Subsequent to the feasibility study any approved contributions by the Company for which Ezana elects not to contribute or elects to contribute less than its equity interest, could increase the Company's interest.

Harvest Project is located 600 kilometres north of Ethiopia's capital city of Addis Ababa. The Harvest Project is located in the highly prospective Asmara Mineral Belt in the southern part of the Arabian Nubian Shield (ANS), host to the Bisha, Debarwa and Emba Derho volcanogenic massive sulphide deposits. Vein-related gold deposits are also typical of the ANS, including the giant >13 million ounce Sukari deposit in Egypt, the one million ounce gold discovery at Koka-Zara in central Eritrea and the approximate 140,000 ounce per year gold producer at Lega Dembi in southern Ethiopia.

### **Harvest Mining Application**

On December 7, 2017, the Company had received government approval of East Africa's mining license application for the Terakimti Project at the Company's 70% owned Harvest Project located in the Tigray State of Ethiopia. The

mining license agreement has been formally approved by the MoMPNG, the Prime Minister and the Council of Ministers.

**Terakimti Project Profile:**

- Mineral Resource: Indicated Resource of 1,110,000 tonnes grading 3.2 grams gold and 23.6 grams silver per tonne containing 114,000 ounces of gold and 841,000 ounces of silver;
- Heap Leach Recoveries from Column Testwork: up to 74.8 % gold and 39.4% silver;
- Proposed Mining Method: Conventional open pit;
- Proposed Processing Technology: Heap leaching to produce gold-silver dore.

**Proposed Mining Operation:**

The Terakimti Project is proposed as an open pit mining operation followed by heap leaching and on site processing to produce gold-silver dore. The combination of near surface oxide gold and silver mineralization, hosted in soft rock when compared to other deposits, high and rapid extraction of gold at coarse crush sizes in metallurgical testwork, along with satisfactory percolation rates all support this strategy for the development of the Terakimti Project.

**Project Infrastructure:**

The Terakimti Project is located approximately 600 kilometres north of the Addis Ababa, the capital of Ethiopia. The region has daily, commercial air service from Addis Ababa. The existing transportation and power infrastructure is located close to the project site and enhances the development potential of the proposed operation. The proposed mining operation would utilize grid power for the project, for which the nearest high tension power line is approximately 7 kilometres away. Primary road access to the site is by paved highway from the town of Shire, 40 kilometres south of the project. Shire has a population of approximately 60,000 people and sufficient services to serve as a base for off-site project activities.

**Environmental and Socio-Economic Impact Assessment:**

An independent Environmental and Socio-Economic Impact Assessment (“ESIA”) study has been completed by Beles Engineering Pvt. Ltd. Co. of Ethiopia, and forms an integral part of the mining license agreement. This ESIA examined the beneficial and adverse aspects of the proposed mining operation and concluded that the local population is in favor of the project, and the anticipated benefits would be positive and very important to the local community and to the local and regional governments. The ESIA further concluded that the adverse impacts identified can be mitigated through implementation of the proposed management and monitoring plans, and therefore recommended project implementation.

Further information can be located in the Company’s respective news release and on East Africa’s website [www.eastafricametals.com](http://www.eastafricametals.com).

**Exploration and Development Updates**

- On January 23, 2017, the Company announced the final results of a comprehensive metallurgical test program completed for the Terakimti Project.
  - Two separate column leach tests at SGS achieved gold extractions of 74.8% and 70.2%. Leach kinetics were rapid with gold extractions of 70% after 14 days and 56% after 15 days respectively. The third column leach test performed at McClelland laboratory in Reno Nevada achieved gold extraction of 73% with 70% extraction achieved at 28 days, further supporting the high extraction and good leach kinetics of the Terakimti oxide material. Silver extractions for the two SGS columns were 38.4% and 39.4% respectively and the McClelland column achieved silver extraction of 13%.
  - The two SGS column tests were performed on representative samples of Terakimti gold/silver oxide material crushed to 100% passing minus 16 mm (5/8 inch), a common crush size for heap leaching. The samples were composites of material collected from six metallurgical drill holes in order to represent the different major lithologies identified within the Terakimti Oxide Gold deposit.
  - The McClelland column test was performed on coarser oxide material crushed to 100% minus 38 mm (1.5 inch). The material for this test was collected from surface trenches and is considered representative of the near surface zone of the deposit however it may not be representative of the entire oxide deposit. The high

level of gold extraction achieved in this test combined with very good leach kinetics, indicates the potential to utilize a coarser crush size for gold extraction at Terakimti.

- Additional tests were performed by SGS to assess permeability, mechanical strength and the requirement for agglomeration of the oxide material for heap leaching. The results indicate good permeability and heap material strength, with agglomeration required to maintain permeability in the heap leach. The agglomeration rates applied in the testwork were within ranges typical for heap leaching of oxide gold deposits.
- On March 27, 2017, the Company announced the results from drill program on the Harvest Project. A total of 9 diamond drill holes have been completed at the Mayshehagne and VTEM09 VMS prospects (Harvest Project).
  - Drill program highlights includes:
    - At VTEM09 - 24.06 metres grading 1.88% copper, 3.08 grams per tonne gold, 66.4 grams per tonne silver, and 2.54 % zinc, from 35.84 metres drill depth, and;
    - At Mayshehagne - 21.19 metres grading 4.32% copper, 1.04 grams per tonne gold, 35.9 grams per tonne silver, and 6.98% zinc, from 36.58 metres drill depth.
  - Results confirm the high base and precious metal grades encountered in previous drilling, and provide encouragement in assessing the prospects for further exploration, in parallel with Terakimti advancement. As a VMS prospect, Mayshehagne intercepts exhibit notably high grade base metal values, whereas intercepts at VTEM09 exhibit notably high grade precious metal values.
- A table of all Adyabo Project intercept results, related maps and further information can be located in the Company's respective news release and on East Africa's website [www.eastafricametals.com](http://www.eastafricametals.com).

### **Terakimti Mineral Resource**

On October 27, 2015, the Company announced an updated National Instrument 43-101 compliant independent mineral resource estimate on the near surface oxide component of the Terakimti VMS deposit on the Company's Harvest Project. A tabulation error in this oxide component resource was identified and announced on January 11, 2016 and was not considered material.

The near surface oxide portion of the Terakimti VMS deposit hosts an updated Indicated Resource of 1,110,000 tonnes grading 3.20 grams per tonne gold and 23.6 grams per tonne silver, and an Inferred Oxide Gold Resource of 15,000 tonnes grading 1.94 grams per tonne gold and 13.5 grams per tonne silver. The updated Terakimti Oxide Mineral Resource estimate contained metal includes 114,000 ounces gold and 841,000 ounces silver (Indicated), and 1,000 ounces gold and 7,000 ounces silver (Inferred).

The Terakimti Oxide Mineral Resource update did not include a revision of the sulphide component of the original Terakimti VMS mineralization, qualified in the Terakimti Resource dated January 17, 2014, as the recent detailed infill drilling only targeted upgrading the oxide portion of the deposit. The Terakimti deposit is the most advanced prospect on the Harvest Project and Table 1 below summarizes the classification of the updated mineral resource estimate and Table 2 provides the original classification of the mineral resource estimate announced on January 27, 2014. In December of 2015 East Africa shipped the oxide core from six metallurgical diamond drill holes to SGS in Johannesburg, South Africa.

**Table 1 Updated Terakimti Oxide Mineral Resource Estimate\***

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

\* Updated Terakimti Oxide Mineral Resource Estimate at a 0.5 g/t Gold Equivalent Cut-Off, David Thomas, P. Geo. (Effective Date: October 18, 2015, with revision announced January 11, 2016). Gold equivalent was estimated using undiluted grades, metal prices and heap leach process recoveries. The formula used is:  $\text{Gold equivalent} = \text{Gold} + \left( \frac{\text{Silver Price} / 31.103477}{\text{Gold Price} / 31.103477} \times (\text{Silver Recovery}) \right) \times (\text{Gold Recovery})$ . Metal Prices used for gold and silver were \$1,300/oz, and \$17.50/oz respectively. Metallurgical recoveries, supported by metallurgical test work were applied as follows: Recoveries of 73.1% were applied for gold and 50.0% for silver respectively. Copper and zinc are not recovered

during the oxide phase and therefore are not considered a part of the oxide mineral resources. The contained metal figures shown are in situ. No assurance can be given that the estimated quantities will be produced. All figures have been rounded to reflect accuracy and to comply with securities regulatory requirements. Summations within the tables may not agree due to rounding. For the footnotes to Updated mineral resource statement, mineral resource estimation methodology, data validation, and quality control please refer to either the Company's news release dated October 27, 2015 and revised January 11, 2016 that can be found on the Company website [www.eastafricametals.com](http://www.eastafricametals.com).

Table 2 Initial Terakimti Mineral Resource Estimate

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

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

### **Harvest Project Path Forward**

In December 2017, the Company received a mining license for the Terakimti Project. The Company is in discussion with the Ethiopian MoMPNG to extend the initial License Area of 2.7682 KM<sup>2</sup> for an additional 17.20 KM<sup>2</sup> (the "Potential Resource Extensions") to carry out the proposed work program on approval by the MoMPNG. On receipt of the MoMPNG's approval of the proposed work program, the Lihamat, Mayshehagne, and VTEM09 potential satellite prospects will be assessed through metallurgical and resource analyses, as additional project resource assets.

The Company continues discussions with a number of 3rd parties to provide funding for the development of its Ethiopian Projects including the Terakimti Project. The funding may include but is not limited to debt finance, gold streaming contracts, strategic alliances and/or an equity placement in East Africa.

### **ADYABO PROJECT - ETHIOPIA**

The Adyabo Project is located approximately 600 kilometres north of Ethiopia's capital city of Addis Ababa and comprised two exploration licenses – West Shire and Adi Dairo - covering approximately 195 square kilometres. The exploration licenses each had a term of 10 years and Adi Dairo and West Shire licenses expired in 2017. The Company has submitted two mining license applications for the Adyabo Project (refer to section "Mining License Applications"), and the MoMPNG has begun the evaluation process. The proposed two mining licenses are located adjacent to the Harvest Project in Ethiopia. The Company continues to engage the MoMPNG on the applications including follow-up meetings and providing additional information as requested.

On receipt of a positive feasibility study, the Company shall issue 550,000 common shares and 400,000 warrants to the optionor, and on commencement of commercial production, the Company shall issue 275,000 common shares and 200,000 warrants to the optionor. During Fiscal 2016, East Africa completed the conversion of the Optionor 20% interest in the Adyabo Project to a 2% NSR. The Company retains the option to buy back 1.0% of the NSR for a cash payment of C\$5,000,000. The Company now holds a 100% undivided interest in the Adyabo Project, subject to the 2% NSR.

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



### **Mining License Applications**

In December 2017, the Company submitted two mining license applications for the Company's Da Tambuk and Mato Bula deposits at the Company's 100% owned Adyabo Project located in the Tigray State of Ethiopia.

#### **Project Profiles:**

The Company has defined the following mineral resources at Da Tambuk and Mato Bula deposits:

- Da Tambuk: 775,000 tonnes at 4.51 grams per tonne gold and 2.4 grams per tonne silver, containing 112,000 ounces of gold and 59,000 ounces of silver, to a drilled depth of 200 metres. The mineralized zone is open along strike and to depth.
- Mato Bula: 2,280,000 tonnes grading 3.74 grams per tonne gold, 0.28% copper and 1.1 gram per tonne silver, containing 278,000 ounces of gold, 14 million pounds copper and 70,000 ounces of silver, to a drilled depth of 450 metres. The mineralized zone is open along strike and to depth.

At Da Tambuk, mineralization occurs in two sub-parallel zones with a strike length of 650 metres in a northeast-southwest direction, a vertical extent of 200 metres and horizontal widths up to 50 metres.

At Mato Bula, mineralization occurs in three sub-parallel zones with a strike length of 850 metres in a northeast-southwest direction, a vertical extent of up to 450 metres and a horizontal width of up to 80 metres. The southern part of Mato Bula has a higher copper content relative to gold. The overall Au:Cu ratio is 8.1 to 1.

#### **Project Infrastructure:**

The Da Tambuk and Mato Bula deposits are located approximately 35 kilometres northwest from the regional town centre of Shire. Shire has a population of approximately 60,000 people with paved highway access to other regional centres and to Addis Ababa. Shire offers a number of government and commercial services, and a recently completed airport.

The Da Tambuk and Mato Bula deposit sites are located 11 and 7 kilometres west respectively from the paved highway connecting to Shire. A high voltage power line passes approximately 7 kilometres to the east of the Da Tambuk deposit site. The Da Tambuk deposit is located four kilometres north of the Mato Bula deposit and it is anticipated that certain support infrastructure may be shared for the two deposits. The existing transportation and power infrastructure located close to the project sites enhances the development potential of the area.

#### **Metallurgy**

Metallurgical test work was conducted by Blue Coast Research Ltd., located in B.C, Canada, on samples collected from the Da Tambuk and Mato Bula deposits to evaluate gravity concentration, agitated cyanide leaching and flotation technologies for the recovery of gold, copper and silver.

##### **Da Tambuk Metallurgy**

The test results demonstrated that agitated cyanidation leaching in bottle rolls of a whole material sample ground to 80% passing 75 microns achieved gold extraction of 97% after 48 hours of leaching, indicating that the gold in the composite sample is not refractory and responds well to industry standard agitated cyanide leaching technology.

Based on these results, it is envisioned that conventional crushing and grinding followed by Carbon in Leach (C.I.L.) or Carbon in Pulp (C.I.P.) and carbon adsorption-desorption would be appropriate technology for precious metals recovery at the Da Tambuk deposit.

##### **Mato Bula Metallurgy**

The Mato Bula test work demonstrated that conventional flotation concentration was successful in achieving gold and copper recovery to a copper-gold concentrate with marketable grades. Copper and gold recovery to flotation concentrate was 93% and 83% respectively with concentrate grades of 27% copper and 166 g/t gold. Additional gold recovery was achieved by agitated cyanide leaching of gold bearing flotation products (pyrite concentrate and copper cleaner tailings). With a combination of flotation and leaching, the overall gold recovery was 89% for the Mato Bula sample.

Based on these test results it is envisioned that a process utilizing conventional crushing and grinding followed by flotation to produce a gold rich copper concentrate, combined with agitated leaching of flotation products in a C.I.L or C.I.P. circuit, would be appropriate technology for the recovery of gold and copper at Mato Bula.

### Environmental and Social Impact Assessment

An independent ESIA study has been completed by Beles Engineering Pvt. Ltd. Co. of Ethiopia, and forms an integral part of the mining license applications. This ESIA concluded that the local population is supportive, and the anticipated benefits would be important to the local community and to the local and regional governments. The ESIA further concluded that the adverse impacts identified can be mitigated through implementation of the proposed management and monitoring plans.

Further information can be located in the Company's respective news release and on East Africa's website [www.eastafricametals.com](http://www.eastafricametals.com).

### Exploration Updates

- On March 27, 2017, the Company announced the results from its drill and exploration programs at the Adyabo Project. Highlights include:
  - A total of 4 diamond drill holes have been completed at the Silica Hill (Mato Bula mining license application) prospect. The drill program results include 31.55 metres grading 9.4 grams per tonne gold, and 0.10 % copper, from 111.32 metres drill depths.
  - A larger 5,000 metre infill drilling program in the southern portion of the Mato Bula deposit was ongoing with completion estimated for the end of April 2017
  - The first phase of an IP program targeted at the Adyabo Project (Mato Bula) commenced in Q1 2017. Results from this work are expected to further define the geophysical signature of the deposit, to identify additional geophysical anomalies and drill targets, and provide guidance for a larger scale IP program over the entire multi-kilometre Mato Bula trend.
- On August 14, 2017, the Company announced the results from its drill and exploration programs at the Adyabo Project. Highlights include:
  - Trenching and diamond drill hole supplemental sampling was completed to assist in planned resource update work. Additional metallurgical samples from Mato Bula were also collected and have now been received by the Blue Coast Metallurgical Group in B.C. Canada. Drill program highlight intersections include:
    - 5.89 metres grading 53.32 grams per tonne gold, 0.51% copper, and 2.6 grams per tonne silver from 54.56 metres drill depth, and 10.26 metres grading 8.90 grams gold, 0.05% copper, and 3.7 grams per tonne silver from 20.54 metres drill depth (WMD097); and
    - 4.33 metres grading 38.94 grams per tonne gold, 0.24% copper, and 2.6 grams per tonne silver, from 160.60 metres drill depth (WMD090).
  - Adyabo I.P. Survey Results:
    - An initial eight line Induced Polarization (I.P./Resistivity and Magnetic survey was planned for the Mato Bula deposit area, however favourable drill results to depth at the southern extent of planned drilling resulted in additional coverage.
    - A ten line, 22.4 km I.P./Resistivity/Magnetic survey was conducted over the Mato Bula area from May 8 through June 4, 2017, and was carried out by Scott Geophysics of Vancouver, Canada, with follow-up section Inversion and 3D modelling carried out by Jules Lajoie of Comtech Enterprises.
    - The survey clearly identifies an I.P. Chargeability high associated with the Mato Bula deposit mineralized trend, and a corresponding Resistivity low. On all but two central lines, this Chargeability anomaly remains open at depth.
    - The anomaly remains open to the north and south, and is observed to build strongly to depth southward, beyond both the current Mato Bula resource, and the most recent drill campaign intersections hosting distinctive Cu, Zn, Au, Ag mineralization to depth

A table of all Adyabo Project intercept results, related maps and further information can be located on the Company's respective news releases or on the East Africa's website [www.eastafricametals.com](http://www.eastafricametals.com).

**Adyabo Initial Mineral Resource Estimate**

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

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

**Adyabo Updated Initial Mineral Resource Estimate**

On June 14, 2016, the Company announced an updated NI 43-101 compliant gold, copper, and silver mineral resource estimate for the Adyabo Project. The update was derived following infill drilling focused on the initial resource.

**Table 3 Adyabo Initial Mineral Resource Estimate**

Category	Tonnes	Gold	Copper	Silver	Gold	Gold	Copper	Silver	Gold <sup>(1)</sup>
		(Au g/t)	(Cu %)	(Ag g/t)	Equivalent	Metal	Metal	Metal	Equivalent
		(Au g/t)	(Cu %)	(Ag g/t)	( Au g/t)	(Au Ozs)	(Cu Mlbs)	(Ag Ozs)	Metal
Indicated	3,215,000	3.92	0.24	1.4	4.29	408,000	16.8	132,000	446,000
Inferred	5,930,000	1.43	0.50	2.9	2.27	273,000	65.7	559,000	434,000

(1) Adyabo Project updated mineral resource estimate disclosed via news release dated June 14, 2016; effective date May 31, 2016.

**Table 3.1 Adyabo Updated Mineral Resource Estimate**

Indicated Resource <sup>1</sup>										
Pit Optimized	Cut-Off	Tonnes	Grade				Contained Metals			
	(\$/t)	('000s)	Au	Cu	Ag	Au Equiv.	Au	Cu	Ag	Au Equiv.Metal
Area			g/t	%	g/t	g/t	('000 oz)	(M lb)	('000 oz)	('000 oz)
Da Tambuk	23.9	775	4.51	0.11	2.4	4.65	112	1.9	59	116
Mato Bula	23.9	2,280	3.74	0.28	1.1	4.18	278	14	70	310
Sub-Total Pit Optimized	23.9	3,055	3.94	0.24	1.4	4.3	390	15.9	128	426
Underground Mineral Resource	Cut-Off	Tonnes	Grade				Contained Metals			
	(\$/t)	('000s)	Au	Cu	Ag	Au Equiv.	Au	Cu	Ag	Au Equiv.Metal
Area			g/t	%	g/t	g/t	('000 oz)	(M lb)	('000 oz)	('000 oz)
Mato Bula	63.9	160	3.57	0.25	1	3.96	18	0.9	3	20
Total Pit Optimized and Underground	N/A	3,215	3.92	0.24	1.4	4.29	408	16.8	132	446

Table 3.1 Adyabo Updated Mineral Resource Estimate (continued)

<b>Inferred Resource<sup>1</sup></b>										
Pit Optimized	Cut-Off	Tonnes	Grade				Contained Metals			
	(\$/t)		Au	Cu	Ag	Au Equiv.	Au	Cu	Ag	Au Equiv.Metal
Area		('000s)	g/t	%	g/t	g/t	('000 oz)	(M lb)	('000 oz)	('000 oz)
Da Tambuk	23.9	35	4.3	0.08	3	4.42	5	0.1	3	5
Mato Bula	23.9	3,010	2.13	0.34	2.4	2.67	207	22.2	237	259
Mato Bula North	23.9	2,470	0.27	0.7	3.2	1.49	22	38.3	252	119
<b>Sub-Total Pit Optimized</b>	<b>23.9</b>	<b>5,515</b>	<b>1.31</b>	<b>0.5</b>	<b>2.8</b>	<b>2.15</b>	<b>233</b>	<b>60.6</b>	<b>493</b>	<b>383</b>
Underground Mineral Resource	Cut-Off	Tonnes	Grade				Contained Metals			
	(\$/t)		Au	Cu	Ag	Au Equiv.	Au	Cu	Ag	Au Equiv.Metal
Area		('000s)	g/t	%	g/t	g/t	('000 oz)	(M lb)	('000 oz)	('000 oz)
Da Tambuk	63.9	75	3.92	0.05	2.9	4	9	0.1	7	10
Mato Bula	63.9	330	2.77	0.65	5.4	3.82	30	4.7	58	41
Mato Bula North	63.9	15	0.75	0.79	2.6	2.1	0.4	0.3	1	1
<b>Sub-Total Underground</b>	<b>63.9</b>	<b>420</b>	<b>2.91</b>	<b>0.55</b>	<b>4.8</b>	<b>3.8</b>	<b>39</b>	<b>5.1</b>	<b>66</b>	<b>51</b>
Total Pit Optimized + Underground	Tonnes	Grade				Contained Metals				
	('000s)	Au	Cu	Ag	Au Equiv.	Au	Cu	Ag	Au Equiv.Metal	
		g/t	%	g/t	g/t	('000 oz)	(M lb)	('000 oz)	('000 oz)	
	<b>5,930</b>	<b>1.43</b>	<b>0.5</b>	<b>2.9</b>	<b>2.27</b>	<b>273</b>	<b>65.7</b>	<b>559</b>	<b>434</b>	

<sup>1</sup> Adyabo project updated mineral resource estimate disclosed via press release dated June 14, 2016; effective date May 31, 2016. The initial resource estimate was disclosed via press release May 5, 2015. Metal prices for gold, silver, and copper are \$1,400/oz, \$20.00/oz, and \$3.20/lb, respectively. Metallurgical recoveries of 97% for gold, 72% for copper, and 50% for silver were applied at Da Tambuk. Metallurgical recoveries of 88.5% for gold, 87.5% for copper and 50% for silver were applied at Mato Bula and Mato Bula North.

EQ = Equivalent and for the mineral resource statement, mineral resource estimation methodology, data validation, and quality control please refer to either the Company's news release dated May 5, 2015 or the technical report that can be found on the Company website [www.eastfricametals.com](http://www.eastfricametals.com)

For Da Tambuk  $Au Eq = Au + (Cu \times 1.163) + (Ag \times 0.00736)$ . For Mato Bula and Mato Bula North the gold equivalent formula is  $Au Eq = Au + (Cu \times 1.693) + (Ag \times 0.00882)$ . Metal prices of \$1,400/oz, \$3.20/lb and \$20.0/oz were used for gold, copper and silver respectively. Metallurgical recoveries of 97% for gold, 72% for copper and 50% for silver were applied at Da Tambuk. Metallurgical recoveries of 81% for gold, 87.5% for copper and 50% for silver were applied at Mato Bula and Mato Bula North

### **Adyabo Metallurgy**

Positive preliminary metallurgical results have been received from testwork on composites derived from key mineralized zones at Mato Bula, Silica Hill, and Da Tambuk. Conventional copper floatation was successful in producing copper gold concentrates within specification ranges typically required by smelters, with additional gold recovery realized from cyanidation of gold bearing flotation products.

The metallurgical work was conducted on three diamond drill hole composite samples derived from gold intervals at Mato Bula, Silica Hill, and Da Tambuk, and samples were tested at the Blue Coast Research metallurgical facility in Parksville, BC. Coarse reject diamond drill hole material was utilized from 6 drill holes at Da Tambuk (Da Tambuk composite), and 11 drill holes (7 for the Mato Bula Main composite and 4 for the Silica Hill composite) from Mato Bula. A total of 151 samples were utilized for the composites, with composite grades averaging 11.1g/t Au and 0.3% Cu (Silica Hill), 6.6g/t Au and 0.99% Cu (Mato Bula Main), and 9.5g/t Au and 0.2% Cu (Da Tambuk).

**Table 4 Adyabo Metallurgy Summary**

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

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

The metallurgical work conducted to date is considered preliminary and more detailed testing is planned to assess in more detail the metallurgical response of the deposits and optimize metallurgical performance.

### **Advabo Project Path Forward**

The MoMPNG has begun evaluating the mining license applications, undertaken project site visits, held discussions with East Africa management and has provided initial comments. The Company will endeavor to expedite the mining license applications process through ongoing discussions and meetings with the MoMPNG. Included in discussions is the right to a potential Resource Target Extensions work program to update the filed mining license applications for the satellite resource targets on the Adyabo Project.

On receipt of a MoMPNG approval for a Resource Target Extensions work program of additional resources on the Da Tambuk and Mato Bula deposits, the Company plans to continue forwarding the project through in-fill drilling, I.P follow-up testing, metallurgical testing, preliminary engineering work, on-going community relations work and socio economic studies, in accordance with application requirements for a mining license. The Company continues to assess cost effective methods of gold targeting and further resource upgrades along the highly prospective Mato Bula Trend. East Africa plans to advance the Adyabo Project through a resource update following the core deposit area infill drilling program that was completed in 2017, with the resource update anticipated during the second half of Fiscal 2018.

Included in the Company's discussions with a number of 3rd parties to provide funding for the development of the Terakimti Project, is funding to undertake the exploration work contemplated above. The funding may include but is not limited to debt finance, gold streaming contracts, strategic alliances and/or an equity placement in East Africa.

### **Quality Control**

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

Diamond drill core samples, RC samples, and rock samples have undergone preliminary preparation at the Bureau Veritas Mineral Laboratories facility in Ankara, Turkey and are crushed to 80% passing 10-mesh and pulverized to 85% passing 200-mesh (Acme R200-1000 package, now PRP70-1KG). Analyses are conducted at both the Turkey facility, and the Bureau Veritas Mineral Laboratories facility in Vancouver, Canada. In Canada analyses are utilizing Aqua Regia digestion and both ICP-ES and ICP-MS (AQ270, AQ370) for base metal and silver analyses. Precious metal analyses are conducted in Turkey via Fire Assay Fusion with AA finish, and gravimetric analyses for over-limit samples. During sampling, quality control standards and blanks were introduced at pre-determined intervals to monitor laboratory performance. A system of field, reject, and pulp sample duplicates was also incorporated, as were specific programs of re-assaying and umpire lab assaying to both monitor laboratory performance and also characterize potential mineralization; all consistent with industry best practice.

Soil samples were collected using -60 mesh screening, with reference standards included in every 50 samples, and replicates included every 25 samples. Preparation and analyses were conducted at Ultratrace in Perth, Australia, with Aqua Regia digestion, and ICP-MS finish for gold and silver. Initial core samples at Terakimti were prepared and analyzed at ALS in North Vancouver, Canada, with trace work done by ICP-MS, and Fire Assay analyses conducted on over-limit copper, zinc, lead and silver mineralization. Fire Assay was conducted for all gold analyses. Blanks and certified reference standards were inserted into the sample stream to monitor laboratory performance.

## HANDENI PROPERTIES – TANZANIA

East Africa has projects in the Handeni gold district in eastern Tanzania. One of the Company's key properties is Handeni, located 173 kilometres northwest of Dar es Salaam and 35 kilometres south of the town of Handeni. The Handeni properties consists of two mining licenses covering 9.9 square kilometres ("Magambazi") and contiguous mineral tenures totalling approximately 83.5 square kilometres including Prospecting Licenses ("PL") and Primary Mining Licenses ("PMLs"). One mining license is held by Denwill Mining Services Ltd. ("Denwill"), a structured entity controlled by East Africa, and the Company has an option agreement to acquire a 100% interest upon payment of US\$40,000. Denwill acquired Magambazi PMLs by the payment of US\$1,800,000, which the PMLs were later converted to a mining license, and granted the vendors a 2.0% NSR royalty. As at the date of this MD&A, the option has not yet been exercised.

In April 2018, the Company announced it has commenced binding arbitration proceedings with respect to certain disputes that East Africa has with TzGF under the Definitive Agreement and Addendum. In accordance with the 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. Refer to the section "Corporate Transactions" for further information.

### Magambazi Initial Mineral Resource

The Magambazi initial mineral resource was published in 2012 for its Handeni Properties in Tanzania. Using a cut-off grade of 0.5 grams per tonne gold, Magambazi is estimated to contain an indicated mineral resource of 15.2 million tonnes grading 1.48 grams per tonne gold and containing 721,300 ounces of gold, as well as an inferred mineral resource estimate of 6.7 million tonnes grading 1.36 grams per tonne gold and 292,400 ounces of gold. Table 6 below summarizes the classification of mineral resources within the mineral resource block model.

Table 5 – Initial Magambazi Mineral Resource Estimate Summary – May 2012

Category	Estimated Quantities		
	Tonnes (000s)	Average grade (grams/tonne gold)	Contained gold (ounces)
Indicated	15,186	1.48	721,300
Inferred	6,683	1.36	292,400

*Note: Quantities are estimated using a cut-off grade of 0.5 grams per tonne gold, a gold price of US\$1,250 per ounce, and data from 102,600 metres of diamond drilling in 397 holes. For information on mineral resource estimation methodology, data validation, and quality control refer to the Company's website at [www.eastafricametals.com](http://www.eastafricametals.com).*

### Path forward

The arbitration proceedings have been initiated by the Company as a result of the failure of TzGF to adhere to the terms of the Tanzanian Definitive Agreement and Addendum. The Company, if successful with the arbitration process, plans to advance the Tanzanian Assets to attract interest and identify a development partner or buyer. Refer to the "Corporate Transactions" for further information.

## CURRENT COMPANY OBJECTIVES

Current objectives:

1. Identify and secure financing for the Terakimti Project development;
2. Proceed with engineering and development on the Terakimti Project;
3. Continue to engage the MoMPNG on the approval of the Adyabo mining license applications;
4. Complete additional upgrading of the resource at the Adyabo Project and assess resource growth potential along the prospective Mato Bula Trend (Adyabo Project);
5. Assess resource growth potential in satellite targets on the Harvest Project;
6. Assess new potential exploration opportunities in Ethiopia;
7. Where possible, expedite the arbitration case and if successful, identify a new development partner or buyer for the Tanzanian Assets;

8. Continue to examine opportunities to raise funding including debt finance, equity financing, merger and acquisitions, strategic alliances, joint ventures and optioning its mineral properties for equity, cash and/or expenditure commitments.

### SELECTED CONSOLIDATED FINANCIAL INFORMATION

The Company's operations are focused on one industry – the acquisition, exploration and development of gold, copper, and other precious and base metals. At December 31, 2017, East Africa has three geographic locations: Canada (head office), Ethiopia and Tanzania. Information discussed herein reflects the Company as a consolidated entity, consistent with our determination that the one industry in which we operate provides the most meaningful information for an exploration stage enterprise.

### FINANCIAL POSITION

The following financial data is derived from the Company's Financial Statements as at December 31, 2017, 2016 and 2015:

	December 31, 2017	December 31, 2016	December 31, 2015
Total assets	\$ 24,432,042	\$ 24,891,293	\$ 28,828,096
Total liabilities	1,743,917	992,882	1,266,579
Equity (before non-controlling interest)	19,117,744	19,723,641	22,975,024

#### Total assets

The decrease of \$459,251 from 2016 to 2017 relates to exploration and head office cash related expenditure totaling \$7,658,071, the repayment of \$509,880 related party loan and interest, non-current taxes recoverable provision of \$514,633, non-cash losses of \$1,537,921 on the translation of United States dollars to Canadian dollars of the foreign operations, and property and equipment amortization of \$309,666. These decreases in total assets were offset with net proceeds of \$4,982,000 from the financing with STH, gross proceeds of \$2,002,000 from the financing with LS, the exercise of warrants for funds of \$1,675,226, the related party loans of \$1,100,000 and the exercise of stock options for proceeds of \$249,529.

The \$3,936,803 decrease from 2015 to 2016 is predominately represented by a reduction in cash for related exploration costs, head office expenditure, amortization of property and equipment, and foreign exchange losses on the translation of United States Dollars ("USD") to CAD of the foreign operations.

#### Total liabilities

As at December 31, 2017, 2016 and 2015, the Company's total liabilities are predominantly comprised of trade payables and accruals. The increase in total liabilities from 2016 to 2017 of \$751,035 is primarily to due to the related party loan and interest of \$621,200.

The decrease from December 2015 to 2016 is related to the payment of the non-recurring Tanzanian severance payable of \$358,498 in Fiscal 2016 as the Company prepared to hand over the Tanzanian Assets to the Developer offset with the timing of payment of trade payables.

#### Total equity

The decrease of total equity from 2016 to 2017 is predominantly a result of the net loss attributable to shareholders for the year ended December 31, 2017, of \$9,124,298 (Fiscal 2016 – \$5,171,387) and foreign exchange loss attributable to shareholders of \$1,219,768 (Fiscal 2016 – foreign exchange loss of \$575,788) on the translation of its foreign operations into Canadian dollars. This loss was offset with the closing of two private placements for an aggregate net proceeds of \$6,883,900 (2016 – \$942,382), the exercise of 7,183,591 warrants (Fiscal 2016 - 4,377,352) for funds of \$1,675,226 (Fiscal 2016 – \$1,007,187), the exercise of 1,548,307 stock options (Fiscal 2016 – 2,479,500) for funds of \$249,529 (Fiscal 2016 - \$254,950), and share based compensation of \$972,707 (Fiscal 2016 – \$300,852) in connection with the vesting of 3,750,000 bonus shares (Fiscal 2016 – Nil) and the grant of 1,000,000 stock options (Fiscal 2016 – 13,500,000).

## RESULTS OF OPERATIONS

The selected period information and summary of financial results in this MD&A should be read in conjunction with the Company's Financial Statements for the years ended December 31, 2017, 2016 and 2015. The following financial data are derived from the Company's Financial Statements for the years ended December 31, 2017, 2016 and 2015 respectively:

	Years ended December 31,		
	2017	2016	2015
Revenue	\$ Nil	\$ Nil	\$ Nil
Exploration and evaluation expenditures	5,564,863	2,764,717	6,903,698
Other expenditures*	3,814,622	2,655,101	1,820,232
Net loss for the year	9,379,485	5,419,818	8,723,930
Net loss for the year and attributable to shareholders	9,124,298	5,171,387	8,050,740
Basic and diluted loss per share and attributable to shareholders	\$ 0.06	\$ 0.05	\$ 0.08
Weighted average number of common shares used in the calculation of loss per share – basic and diluted	141,830,955	111,055,366	102,343,086
Distributions or Dividends	\$ Nil	\$ Nil	\$ Nil

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

### ***LOSS FOR THE YEAR ENDED DECEMBER 31, 2017 (“FISCAL 2017”), COMPARED TO THE YEAR ENDED DECEMBER 31, 2016 (“FISCAL 2016”)***

The loss for Fiscal 2017 is \$9,379,485 compared to a loss for Fiscal 2016 of \$5,419,818. The significant items contributing to the Fiscal 2017 loss includes exploration expenditures of \$5,564,863 (Fiscal 2016 – \$2,764,717), share-based compensation of \$825,207 (Fiscal 2016 – \$193,089), investor / shareholder communications and filing fees of \$750,076 (Fiscal 2016 – \$581,315), and management consulting fees of \$685,221 (Fiscal 2016 – \$681,124). The significant balances and variations are discussed below.

#### Exploration and evaluation expenditure (“Exploration Expenditures”)

The Company incurred Exploration Expenditures of \$5,564,863 in Fiscal 2017 compared to \$2,764,717 in Fiscal 2016, an increase of \$2,800,146. Current year Exploration Expenditures is primarily comprised of drilling costs of \$2,078,275, camp and administration costs (“camp costs”) of \$1,165,747, preliminary resource and engineering studies costs of \$532,612, provision for taxes recoverable of \$514,633 and geology costs of \$365,854.

Higher drilling costs of \$2,078,275 were incurred in Fiscal 2017, compared to \$611,129 in Fiscal 2016. In the first half of Fiscal 2017, the Company completed the infill drilling program of \$1,948,841 (Fiscal 2016 - \$336,121) at the Adyabo Project resources to update and further define the resources. The Company also conducted additional drill testing at the Harvest Project of \$129,434 (Fiscal 2016 – \$275,008) to potentially upgrade targets, confirm interpretation of mineralization, and assess targets for inclusion as potential satellite resource zones.

Camp costs of \$1,165,747 (Fiscal 2016 – \$1,121,394) represents in-country expenses such as salary, legal, accounting, office costs, and project management expenses to manage the foreign operations. The Fiscal 2017 camp costs were consistent with prior year.

Preliminary resource and engineering costs increased from \$137,260 in Fiscal 2016 to \$532,612 in Fiscal 2017. In January 2017, the Company completed the metallurgical test program and reported results for the Terakimti Project. Additionally, the Company employed consulting and engineering services for the preparation of reports associated with the two mining license applications for the Adyabo Project in Fiscal 2017. In Fiscal 2017, the Company recorded geology costs of \$365,854, compared to \$166,219 in Fiscal 2016. The increase in geology costs is predominately associated with the increase in drilling costs at the Adyabo Project.

In Fiscal 2017, the Company recorded a provision against taxes recoverable of \$514,633 (Fiscal 2016 – \$Nil). The provision against the recoverable taxes represents the 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 taxes recoverable (value added tax) refund claims from the various foreign governments.

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



	Year ended December 31, 2017			Year ended December 31, 2016		
	Tanzania	Ethiopia	Total	Tanzania	Ethiopia	Total
<b>Exploration Expenditures</b>						
Amortization	\$ 173,042	\$ 81,952	\$ 254,994	\$ 209,800	\$ 95,450	\$ 305,250
Camp and administration costs	377,452	788,295	1,165,747	398,613	722,781	1,121,394
Drilling	--	2,078,275	2,078,275	--	611,129	611,129
Geochemistry	2,955	42,986	45,941	2,910	75,506	78,416
Geology	--	365,854	365,854	1,704	164,515	166,219
Geophysics	--	118,339	118,339	--	--	--
Preliminary resource and engineering studies	--	532,612	532,612	--	137,260	137,260
Project management and consulting	28,178	--	28,178	27,467	--	27,467
Provision for taxes recoverable	204,185	310,448	514,633	--	--	--
Share-based compensation	--	147,500	147,500	--	107,763	107,763
Technical services	442	312,348	312,790	1,269	208,550	209,819
<b>Total for the year</b>	<b>786,254</b>	<b>4,778,609</b>	<b>5,564,863</b>	<b>641,763</b>	<b>2,122,954</b>	<b>2,764,717</b>
Balance at the beginning of the year	70,027,814	10,697,078	80,724,892	69,386,051	8,574,124	77,960,175
Cumulative balance at the end of the year	\$70,814,068	\$ 15,475,687	\$ 86,289,755	\$ 70,027,814	\$ 10,697,078	\$ 80,724,892

#### Share-based compensation

In Fiscal 2017, the Company granted 1,000,000 (Fiscal 2016 – 13,500,000) options to two directors and recorded share-based compensation of \$161,457 (Fiscal 2016 – \$193,089). Additionally, the Company recorded \$663,750 within share-based compensation and \$147,500 within the Exploration Expenditures in connection with the vesting of 2,750,000 shares following the receipt of the mining license for the Harvest Project in December 2017.

#### Investor / shareholder communications and filing fees

In Fiscal 2017, the Company recorded investor / shareholder communications and filing fees of \$750,076 compared to \$581,315 in Fiscal 2016, an increase of \$168,761. Investor/shareholder communications and filing fees includes transfer agent, filing fees, and investor relations activities, including news release dissemination, consulting fees paid to external consultants and other costs for communications with shareholders and stakeholders, including travel expense. The key factor for the 2017 increase is the European marketing program of \$521,540 compared to \$319,906 (Fiscal 2016). This increase relates to twelve months of the European marketing activity to advertise the Company's projects to European investors compared to six months of activity in the prior year. The European marketing activity is driven by specific news releases disseminated throughout the year that management believe have the capacity to generate trading volumes with the Company's stock.

#### Management consulting fees

In Fiscal 2017, the Company recorded management consulting fees and expenses of \$685,221 compared to \$681,124 in Fiscal 2016, an increase of \$4,097. In Fiscal 2017, the Company recorded \$250,000 (Fiscal 2016 – \$250,000) for consulting fees provided by a management company controlled by an officer of the Company, \$57,500 (Fiscal 2016 – \$45,625) was incurred to a related party for Chinese translation and administration services, and \$100,000 (Fiscal 2016 – \$100,000) was recorded for corporate secretary services. In addition, the Company paid bonuses of an aggregate amount of \$106,000 (Fiscal 2016 – \$97,143) to certain officers and a consultant in Fiscal 2017.

### ***LOSS FOR THE YEAR ENDED DECEMBER 31, 2016 (“FISCAL 2016”), COMPARED TO THE YEAR ENDED DECEMBER 31, 2015 (“FISCAL 2015”)***

The below variations represent the significant balances and variations between Fiscal 2016 and 2015:

#### Exploration Expenditures

Exploration Expenditures incurred costs of \$2,764,717 in Fiscal 2016 compared to \$6,903,698 in Fiscal 2015, a decrease of \$4,138,981. The decrease in Exploration Expenditure is primarily related to the reduction of \$1,308,556 in camp costs and a reduction in drilling costs of \$2,128,068.

Camp costs of \$1,121,394 (Fiscal 2015 – \$2,429,950) represents in-country expenses such as salary, legal, accounting, office costs, and project management expenses to manage the foreign operations. The decrease is a result of the recovery of camp costs incurred on East Africa's Handeni Properties in Tanzania from the Developer, reduced costs as

a result of reduction in staff at Ethiopia and Tanzania and reduced exploration activity as the Company identifies new funding opportunities.

Furthermore, the decrease in Exploration Expenditures is a result of lower drilling expenses of \$611,129 in Fiscal 2016 (Fiscal 2015 – \$2,739,197). In Fiscal 2016, the Company completed the infill diamond drill program on the Adyabo Project and continued drill testing at the Adyabo and Harvest Projects in Q4 2016. In the prior year the Company completed an RC drill program on the Terakimti Oxide Gold Resource, a diamond drill program on satellite prospects on the Harvest Project and an exploration diamond drill program on the Adyabo Project.

#### Management consulting fees

In Fiscal 2016, the Company recorded management consulting fees and expenses of \$681,124 compared to \$541,286 in Fiscal 2015, an increase of \$139,838. In Fiscal 2016, the Company recorded \$250,000 (Fiscal 2015 – \$250,000) for consulting fees provided by a management company controlled by an officer of the Company, \$45,625 (Fiscal 2015 – \$60,000) was paid to a related party for Chinese translation and administration services, and \$100,000 (Fiscal 2015 – \$Nil) was recorded for corporate secretary services. In addition, the Company paid fees of \$97,143 (Fiscal 2015 – \$Nil) to a consultant for entering into an agreement to identify opportunities and provide corporate development services to enhance the interests of the Company and its shareholders.

#### Investor / shareholder communications and filing fees

In Fiscal 2016, the Company recorded investor / shareholder communications and filing fees of \$581,315 compared to \$299,703 in Fiscal 2015, an increase of \$281,612. Investor/shareholder communications and filing fees includes transfer agent, filing fees, and investor relations activities, including news release dissemination, consulting fees paid to external consultants and other costs for communications with shareholders and stakeholders, including travel expense. The increase relates to the commencement of a European marketing program to advertise the Company's projects to European investors. In connection with the European marketing program the Company attended investor conferences in Europe to further promote the Company.

#### Office and administration

Office and administration costs totalled \$331,729 in Fiscal 2016, compared to \$441,885 in Fiscal 2015. Costs for office and administration include office expenses, travel expense for corporate head office staff, network services and insurance. The decrease of \$110,156 is related to savings gained from moving to a smaller office and the Company's objective to reduce head office costs.

#### Insurance recovery

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

### **SUMMARY OF QUARTERLY RESULTS**

<b>Quarter ended</b>	<b>Revenue</b>	<b>Loss<sup>(1)</sup></b>	<b>Loss per share, basic</b>
<b>Fiscal 2017</b>			
December 31, 2017	\$Nil	\$2,681,110	\$0.02
September 30, 2017	Nil	1,200,167	0.02
June 30, 2017	Nil	2,830,176	0.02
March 31, 2017	Nil	2,668,032	0.02
<b>Fiscal 2016</b>			
December 31, 2016	Nil	\$1,588,938	\$0.01
September 30, 2016	Nil	1,231,319	0.01
June 30, 2016	Nil	1,057,128	0.01
March 31, 2016	Nil	1,542,433	0.01

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

**LOSS FOR THE THREE MONTHS ENDED DECEMBER 31, 2017 (“Q4 2017”), COMPARED TO THE THREE MONTHS ENDED DECEMBER 31, 2016 (“Q4 2016”)**

The loss for Q4 2017 is \$2,681,110 compared to a loss for Q4 2016 of \$1,588,938. The significant items contributing to the Q4 2017 loss includes exploration expenditures of \$1,269,093 (Q4 2016 – \$931,629) and share-based compensation of \$663,750. The significant balances and variations are discussed below.

Exploration Expenditures

The Company incurred Exploration Expenditures of \$1,269,093 in Q4 2017 compared to \$931,629 in Q4 2016, an increase \$337,464. The increase is driven by a provision against taxes recoverable of \$514,633 (Q4 2016 – \$Nil). 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 value added taxes refund claims from the various foreign governments. Other increases include preliminary resource and engineering studies costs of \$235,526 and the share-based compensation expense of \$147,500. The provision for taxes recoverable is offset by a reduction in drilling costs of \$379,862 and a reduction of \$105,440 in camp costs.

Drilling costs of Q4 2017 amounted to \$28,444 (Q4 2016 – \$408,306). Drilling costs were higher in the same quarter of the prior year due to the additional diamond drilling conducted at the Harvest Project to follow up on previous drilling results. There was no equivalent activity in Q4 2017.

Camp costs of \$211,199 (Q4 2016 – \$316,639) represent in-country expenses such as salary, legal, accounting, office costs, and project management expenses to manage the foreign operations. In general, camp costs decrease as there are less drilling activities.

In Q4 2017, the Company recorded preliminary resource and engineering studies costs of \$250,950, compared to \$15,424 in Q4 2016. The increase of \$235,526 is a result of the work performed in preparation of the mining license applications for the Adyabo Project.

Share-based compensation of \$147,500 in Q4 2017 (Q4 2016 – \$Nil) relates to the vesting of 500,000 bonus shares to an officer following the receipt of the mining license for the Harvest Project.

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

	Three months ended December 31, 2017			Three months ended December 31, 2016		
	Tanzania	Ethiopia	Total	Tanzania	Ethiopia	Total
<b>Exploration Expenditures</b>						
Amortization	\$ 41,511	\$ 17,717	\$ 59,228	\$ 48,183	\$ 19,792	\$ 67,975
Camp and administration costs	99,152	112,047	211,199	135,385	181,254	316,639
Drilling	--	28,444	28,444	--	408,306	408,306
Geochemistry	781	3,732	4,513	740	8,894	9,634
Geology	--	(5,535)	(5,535)	--	55,958	55,958
Preliminary resource and engineering studies	--	250,950	250,950	--	15,424	15,424
Project management and consulting	7,596	--	7,596	7,005	--	7,005
Provision for taxes recoverable	204,185	310,448	514,633	--	--	--
Share-based compensation	--	147,500	147,500	--	--	--
Technical services	--	50,565	50,565	1,184	49,504	50,688
<b>Total for the period</b>	<b>353,225</b>	<b>915,868</b>	<b>1,269,093</b>	<b>192,497</b>	<b>739,132</b>	<b>931,629</b>
Balance at the beginning of the period	70,460,843	14,559,819	85,020,662	69,835,317	9,957,946	79,793,263
Cumulative balance at the end of the period	\$70,814,068	\$ 15,475,687	\$86,289,755	\$ 70,027,814	\$ 10,697,078	\$ 80,724,892

Share-based compensation

In Q4 2017, the Company recorded share-based compensation of \$663,750 (Q4 2016 – \$Nil) in connection with the vesting of 2,750,000 shares following the receipt of the mining license for the Harvest Project in December 2017.

## LIQUIDITY

As at December 31, 2017, the Company had cash and cash equivalents of \$2,268,310, other current assets of \$421,768 and current liabilities of \$1,691,461, compared to cash and cash equivalents of \$367,690, other current assets of \$650,428 and current liabilities of \$914,194 as at December 31, 2016. 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	--	--
	<u>\$ 686,267</u>	<u>\$ 927,855</u>

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. On inception, the leasehold inducement amount is included in accounts receivable with a corresponding deferred credit amortized on a straight-line basis over the term of the lease. Subsequent to year ended December 31, 2017, the Company entered into agreements for the assistance with preliminary economic assessments on the Harvest and Adyabo Projects. The fees were estimated to be \$140,764 and a retainer fee of \$15,000 was paid prior to the commencement of work.

As at December 31, 2017, with the Company's working capital surplus of \$998,617 (December 31, 2016 – \$103,924), the Company estimates that it does not have available funds to meet requirements for the coming twelve months based on current estimated expenditures for operations, exploration and development of its mineral property interests and the outcome of the arbitration. Estimated expenditures include but are not limited to, Terakimti Project development costs, assess resource growth on satellite targets near the Terakimti Project and assess resource growth on the Mato Bula trend. These uncertainties cast significant doubt on the ability of the Company to continue as a going concern. The Financial Statements for the year ended December 31, 2017, were prepared on a going concern basis which contemplates the realization of assets and the settlement of liabilities in the normal course of operations.

The Company's approximate sustaining monthly head office administration expenses until receiving the Adyabo Project mining licenses and obtain financing for Terakimti Project ("Interim Phase") is \$150,000. This minimum cost estimate assumes limited investor relations / shareholder information costs and excludes non-cash costs. During this Interim Phase the site and camp costs are approximately \$130,000 monthly to maintain the normal operations in Ethiopia and Tanzania. The site and camp monthly administration costs include Ethiopian expenses for head office technical services, administrative staff and costs of operating the offices and warehouses and Tanzanian expenses to maintain a corporate presence in Tanzania until the arbitration is finalized.

In April 2018, the Company and LW agreed to terminate the Ethiopian MOU (refer to "Corporate Transactions"). East Africa has initiated discussions with a number of interested parties for the project financing of the Terakimti Project and/or all the Ethiopian Projects. The parties include companies and groups based in North America, Europe and China.

In addition, the Company has executed the Tanzanian Definitive Agreement with the Developer on March 5, 2016, for the sale of the Tanzanian Assets and have received deposit instalment payments of US\$500,000 to date and accrued US\$103,258 (CAD\$129,542) for the Tanzanian recoverable operating expenses and the Developer's 50% share of professional fees. In March 2018, the Company served the Notice of Arbitration to seek a determination that the Developer is in material breach of the Tanzanian Definitive Agreement and Addendum and that the appropriate remedy is a declaration that the Tanzanian Definitive Agreement and Addendum are terminated including a claim for any damages. The Company, if successful with the arbitration process, plans to identify a development partner or buyer of the Tanzanian Assets.

The ability of the Company to carry out its planned business objectives is dependent on its ability to raise adequate capital funds from the sale of non-strategic assets, strategic alliances, debt financing, gold streaming contracts or similar hybrid instruments, equity financing and optioning its mineral properties. However, there is no assurance that such financing will be available. If adequate financing is not available, the Company may be required to delay, reduce the scope of, or eliminate one or more exploration and/or development activities or relinquish rights to certain of its interests. There is no assurance that the Company will be able to obtain adequate financing in the future or that such financing will be on terms acceptable to the Company.

## CAPITAL RESOURCES

The Company has historically met its exploration capital requirements through the completion of equity placements and may be impacted by continued poor North American market conditions for exploration and development resource companies with operations in emerging countries and further downward trends for exploration focused companies. Trends affecting the Company's liquidity may be dictated by the demands on financial resources created by the advancing nature of the Company's mineral property assets, the pursuit of a growth strategy that targets property acquisitions, the exploration commitments and the Company's ability to access the financial resources required to meet these demands. As the Projects advance through exploration, they typically require more capital-intensive programs that apply pressure to the Company's financial resources.

The Company announced the termination of the Ethiopian MOU with LW including the future financing of 44.4 million units @ \$0.26 per unit for \$11,544,000 (refer to "Corporate Transactions" for further information). The Company has initiated discussions with a number of interested parties for the project financing of the Terakimti Project and/or all the Ethiopian Projects. Additional planned work programs and any future development programs will result in a decrease to the Company's current liquidity. In obtaining the required capital to pursue the Company's business plan, capital may be generated from, debt financing, strategic alliances, accessing equity markets, procuring industry partners for its primary exploration assets or sale of exploration assets for equity positions or cash or some combination thereof. In the event that additional funding is required, there can be no assurances that such funds will be available and/or on terms acceptable by the Company.

Trends that affect the market generally, and the perception of the Company within the marketplace, can affect the Company's ability to access capital in both a positive and negative way. Trends in this general market are defined by fluctuations in the global economy and the demand for metals and commodity prices. Trends in the perception of the Company in the resource marketplace may be affected by general trends in the resource equity markets which may in turn impact the Company's performance in creating shareholder value and in demonstrating the ability to manage the Company's affairs and achieve mandated objectives. Uncertainty is a prevalent element in exploration and development of mineral property assets, therefore it can, on occasion, impede the Company's ability to meet its financial requirements and result in an inability to advance exploration assets and meet objectives in a timely manner.

Mineral exploration and development involves a high degree of risk and few properties that are explored are ultimately developed into producing mines. There is no assurance that the Company's mineral exploration activities will result in any discoveries of new bodies of commercial deposits. There is also no assurance that if a commercial deposit is discovered that the ore body would be economical for commercial production. Discovery of mineral deposits is dependent upon a number of factors and significantly influenced by the technical skill of the exploration personnel involved. The commercial viability of a mineral deposit is also dependent upon a number of factors, which are beyond the East Africa's control. Some of these factors are the attributes of the deposit, market, environmental protection, foreign taxation, and government policies and regulation.

### Capital Expenditures

For Fiscal 2017, the Company expended \$66,918 (Fiscal 2016 – \$171,093) on maintenance payments of mineral property interests and incurred insignificant expenditure on property, plant and equipment for Fiscal 2017 and 2016. Mineral property capital expenditures and acquisitions for Fiscal 2017 are summarized as follows:

	Tanzania, Handeni Properties	Tanzania, other properties	Ethiopia Harvest Project	Ethiopia Adyabo Project	Total
<b>Acquisition costs</b>					
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

## FINANCIAL INSTRUMENTS

The Company's financial assets and liabilities are classified based on the lowest level of input significant to the fair value measurement based on the fair value hierarchy. Financial assets and financial liabilities are measured on an ongoing basis at 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.

	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

#### *Fair values*

The Company's financial assets and liabilities are classified based on the lowest level of input significant to the fair value measurement based on the fair value hierarchy:

Level 1 – quoted prices in active markets for identical assets or liabilities;

Level 2 – include inputs other than quoted prices in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 – include inputs for the asset or liability that are not based on observable market data.

#### *Management of financial risk*

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

#### *Currency risk*

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

As at December 31, 2017, 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

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 0% (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 the 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 from the Developer of the project in Tanzania. The amount was collected in full subsequent to year-end.

*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 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.

**TRANSACTIONS WITH RELATED PARTIES**

In the normal course of business, the Company transacted with individuals and companies considered to be related parties. Related party transactions involve normal commercial compensation for services rendered by senior management, officers, and directors of the Company, by companies with which they were associated as owners, contractors or employees. For the year ended and as at December 31, 2017, the Company had recorded the following significant related party transactions:

For the year ended December 31, 2017, the Company incurred technical and project development services fees and reimbursable services for a private company and Nickel North Exploration Corp. totaling \$93,610. Of this amount \$87,250 was paid to a privately held company controlled by a Director of the Company for technical and project development services.

For the year ended December 31, 2017, the Company incurred management consulting fees and expenses of \$443,250 (Fiscal 2016 - \$295,625). Of this amount \$300,000 including bonus of \$50,000 (Fiscal 2016 - \$250,000) were paid to a privately held company controlled by the CEO for management services.

Fees, bonuses, salaries and benefits, which can include share-based compensation, paid to directors and senior key management totalled \$1,572,437 for the year ended December 31, 2017 (Fiscal 2016 - \$750,279). Senior key management includes the CEO, VP of Exploration, and the CFO. Of this amount \$751,457 was recorded as non cash share based compensation.

On January 15, 2017, 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 were payable on the earlier of 10 business days after the Company's closing of the STH financing 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.

On August 31, 2017, SinoTech provide a second short-term unsecured loan to the Company in the amount of \$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 LW financing announced in October 2017 or 120 days from the Company's receipt of the loan proceeds. As of December 31, 2017, the loan and interest accrual of \$21,200 remained unpaid. Subsequent to the year ended December 31, 2017, the Company repaid \$300,000 of the principal and corresponding interest of \$24,000. The maturity date of the remaining balance has been extended and will mature on the earlier of 15 business days after the closing of \$11,544,000 private placement or May 21, 2018. With the Ethiopian MOU terminated the Company has commenced discussions with SinoTech on options for the repayment of the \$300,000 and interest including a further extension.

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. On January 26, 2018, the Company issued another 250,000 shares to certain officers.

## CRITICAL ACCOUNTING ESTIMATES

The details of the Company's accounting policies are presented in Note 4 of the Financial Statements for the year ended December 31, 2017. The Company's Financial Statements are prepared in accordance with IFRS. The preparation of the Financial Statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

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

The Company has identified the following critical accounting policies under which significant judgments, estimates and assumptions are made where actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the Company's balance sheets reported in future periods.

### (a) Going Concern

The 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.

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

Denwill is consolidated as a structured entity and the purpose of which is for the benefit of the Company to acquire PMLs in Magambazi (Handeni Properties), restricted to citizens of Tanzania. During the year ended June 30, 2011, the Company provided funds to Denwill for the payments for the Magambazi PMLs. Concurrently, during the year ended June 30, 2011, the Company and Denwill entered into an agreement whereby the Company 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, 2) the Company provides funds for the payments of PML's, and 3) has the power to direct the exploration activities, which affects the risks and rewards from the Magambazi Project.

### (c) 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.

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 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

Ethiopia

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 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.

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 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.

## CHANGE IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

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.

*IAS 7 Statements of Cash Flows ("IAS 7") – amendment*

In January 2016, the International Accounting Standards Board (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.

*IFRS Accounting policies 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 progress of determining the extent of the impact of the adopting 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.

## **INTERNAL CONTROL OVER FINANCIAL REPORTING AND DISCLOSURE CONTROLS AND PROCEDURES**

Currently, the certification required by the Company's certifying officers under National Instrument 52-109 Certificate of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), the Venture Issuer Basic Certificate, does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as defined in NI 52-109. In particular, the certifying officers are not making any representations relating to the establishment and maintenance of:

- (i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarised and reported within the time periods specified in securities legislation; and
- (ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's Generally Accepted Accounting Principles ("GAAP").

The Company's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they make in the certificate.

Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

## **NON-GAAP FINANCIAL MEASURES – OTHER EXPENDITURES AND MONTHLY EXPENDITURES**

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

## **RISK FACTORS**

The following discussion summarizes the risk factors that apply to the Company's business and that may have a material adverse effect on the business, financial condition and results of operations, or the trading price of the Company's Common Shares. Additional risks not currently known by the Company, or that the Company currently deems insignificant, may also impair the Company's operations.

### *Financial (liquidity) Risk*

Liquidity risk is the risk that the Company will not be able to meet its obligations associated with the financial liabilities. Historically the Company relies on equity financings to fund its activities. While it has been successful in raising funds in the past, there is no guarantee that adequate funds will be available in the future. The Company had cash and cash equivalents of \$2,268,310 and working capital surplus of \$998,617 as at December 31, 2017. The Company estimates that it does not have available funds to meet requirements for the coming twelve months based on current planned expenditures for operations, exploration and development of its mineral property interests. See the "Liquidity" section of this MD&A for further discussion on the Company's ability to operate as a going concern.

### *Credit risk*

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and cash equivalents and receivables. Cash and cash equivalents may

consist of Guaranteed Investment Certificates and short-term deposits issued by major Canadian banks. Receivables mainly consist of the Tanzanian Definitive Agreement receivable, taxes recoverable and trade receivables from related parties. The carrying amount of cash and cash equivalents, Tanzanian Definitive Agreement receivable, receivables from related parties, tax receivables and other accounts receivable represents the Company's maximum exposure to credit risk.

As at December 31, 2017, \$514,633 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 judged to raise a provision for 100% of the taxes recoverable. The Company continues to pursue approval of VAT refund claims from the various foreign governments. As a result, the outstanding taxes recoverable receivable could be exposed to the credit risk associated with the outstanding amounts.

#### *Exploration and Commercial Viability Risk*

The Company has no production of minerals and some of its properties are currently at the exploration stage. There is no assurance that a commercially viable mineral deposit exists on any of the Company's properties, and substantial additional work will be required in order to determine the presence of any such deposit. The exploration and development of mineral deposits involves significant risks which even with careful evaluation, experience and knowledge may not, in some cases, be fully mitigated. The commercial viability of any mineral deposit depends on many factors, not all of which are within the control of management. These factors include, but are not limited to, Government approval for mining licenses and Resource Target Extensions applications; the ability to extend current Resources Target Extensions within the available legislation; the size, grade and proximity to infrastructure of the deposit; Government regulations; taxes; royalties; land tenure; land use; environmental protection and reclamation and closure obligations. All or some of these factors may have an impact on the economic viability of a mineral deposit. These unique environments could limit or reduce production possibilities or if conditions are permissive for potential natural disasters, such as severe weather, could negatively impact facilities, equipment and the safety of its workers dramatically. One or more of these risk elements could have an impact on costs of the operations and if significant enough, reduce the profitability of future production and threaten the continuation of a particular project or operations altogether.

#### *Development Stage Projects*

Profits from commercial operations will depend on a significant number of factors, including economic feasibility, changing market conditions, environmental and government regulations, labour availability, the cost of and the ability to attract external financial capital, and the ability to attract partners with sufficient technical expertise and relevant industry experience to further develop the various projects. Any failure to meet one or a combination of these factors may result in project delays or potential cancellation and the Company's future operating results may be adversely affected.

#### *Foreign Countries and Political Policy Risk*

The Company has interests in exploration properties that are located in the developing countries of Tanzania and Ethiopia. The Company's mineral exploration may be affected in varying degrees by political instability and government regulations relating to foreign investment and the mining industry. Changes, if any, in mining or investment policies or shifts in political attitude in Tanzania and/or Ethiopia may adversely affect the Company's operations. Operations may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on production, price controls, export controls, currency remittance, direct and indirect taxes, tax assessments, royalties, expropriation of property, foreign investment, maintenance of claims, environmental legislation, land use, land claims of local people, water use and mine safety. Failure to comply with applicable laws, regulations, and permitting requirements may result in enforcement actions there under, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Mineral exploration and development involves a high degree of risk and few properties that are explored are ultimately developed into producing mines. There is no assurance that the Company's mineral exploration activities will result in any discoveries of new bodies of commercial deposits.

#### *Conflict of Interest*

East Africa's directors and officers may serve as directors and/or officers, or may be associated with, other reporting companies, or may have significant shareholdings in other public companies. To the extent that such other companies may participate in financing, business or asset acquisitions, dispositions or ventures in which the Company may participate, the directors and officers of the Company may have a conflict of interest in negotiating and concluding terms reflecting the transaction. Consequently, there exists the possibility that such directors will be in a position of conflict of interest. Any decision made by such directors involving the Company are made in accordance with their duties and obligations to deal fairly and in good faith with the Company and such other companies. In addition, such directors will declare, and refrain from voting on, any matter in which such directors may have a material conflict of interest.

#### *Arbitration Proceedings*

In April 2018, the Company began a binding arbitration process against the Developer (see "Corporate Transactions" – "Tanzanian Definitive Agreement") with respect to certain disputes that East Africa has with the Developer. The cost of the arbitration process maybe substantial and there is no assurance that the Company will be successful in establishing the Developer's liability or, if successful, will collect any award by the arbitration tribunal for compensation from the Developer. Failure to prevail in the arbitration process and obtain adequate compensation could materially adversely affect the Company. The final outcome of the arbitration cannot be predicted with certainty.

### **OTHER MD&A REQUIREMENTS**

#### Additional Disclosure for Venture Issuers without Significant Revenue

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

#### Outstanding Shares

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 will now 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 are cancelled.

As at April 30, 2018, the Company has 162,760,091 common shares issued and outstanding.

As at April 30, 2018, the Company has 13,850,000 warrants issued and outstanding.

As at April 30, 2018, the Company had 15,440,943 options outstanding and exercisable.

### **APPROVAL**

The Board of Directors of the Company has approved the disclosure contained in this MD&A. Readers of this MD&A and other filings can review and obtain copies of our filings from SEDAR at [www.sedar.com](http://www.sedar.com) and copies will be provided to anyone who requests it.