

EAST AFRICA METALS INC.  
INTERIM MD&A - QUARTERLY HIGHLIGHTS  
FOR THE THREE AND NINE MONTHS ENDED  
SEPTEMBER 30, 2018

This Interim MD&A - Quarterly Highlights (“Interim MD&A”) provides a review of the business activities of East Africa Metals Inc. (collectively, with its subsidiaries, “East Africa” or the “Company”) for the three months ended September 30, 2018 (“Q3 2018”), compared to the three months ended September 30, 2017 (“Q3 2017”). This Interim MD&A has been prepared in compliance with National Instrument 51-102 F1 - Continuous Disclosure Obligations. This Interim MD&A has been prepared on the basis of available information up to November 27, 2018 and should be read in conjunction with the Company’s unaudited condensed interim financial statements (“Interim Financial Statements”) for the three and nine months ended September 30, 2018 (“Fiscal 2018”), the audited consolidated financial statements (“Annual Financial Statements”) for the year ended December 31, 2017, the corresponding notes to the Annual Financial Statements which have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and Management’s Discussion and Analysis for the year ended December 31, 2017 (“Annual MD&A”). These documents are available on SEDAR at [www.sedar.com](http://www.sedar.com). All dollar amounts are expressed in Canadian dollars except where indicated otherwise.

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

*This Interim 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 Interim 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 Agreements payments are refundable or awarded damages to the Company are recoverable; 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 availability of project financing to develop the Harvest Property 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 Handeni Properties; 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, the Company’s Annual MD&A and this Interim MD&A. The estimate of mineral resources may be materially affected by environmental, permitting, legal, title, sociopolitical, 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 non-refundable Tanzanian Definitive Agreements payments and successful outcome of the arbitration; 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 "Exchange") 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 the Federal Democratic Republic of Ethiopia ("Ethiopia") and the United Republic of Tanzania ("Tanzania"). East Africa's key mineral assets include its 70% owned Harvest Property and the 100% owned Adyabo Property (together the "Ethiopian Properties") 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 Property), Da Tambuk (Adyabo Property) and Mato Bula (Adyabo Property) Projects in Ethiopia and the Magambazi Project 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

### PERMITTING AND EXPLORATION PROJECTS UPDATES

- On August 16, 2018, the Company announced it had received approval from the Ethiopia Ministry of Mines, and Petroleum ("MoMP") for the Environmental Social Impact Assessments ("ESIA") studies for the Mato Bula and Da Tambuk Projects. The next step in the mining license application process is for the MoMP to prepare draft model mining license agreements for the Company's review.
- On September 4, 2018, the Company announced it had received Draft Model Agreements ("DMAs") from the MoMP for the Company's Mato Bula and Da Tambuk Projects, located in Ethiopia. The delivery of the DMAs indicates the MoMP has approved the permit application and advanced the permitting process to the next stage. The DMAs set out the rights and obligations of both parties with respect to the development and operation of the Mato Bula and Da Tambuk Projects and, once executed, will result in the issuance of the mining license for each project.
- Updates on mineral resource estimates, related maps and further information on the Harvest Property and the Adyabo Property can be located in the Company's respective news releases and on East Africa's website [www.eastafricametals.com](http://www.eastafricametals.com).

### CORPORATE UPDATES

- On July 13, 2018, the Company announced the issuance of 125,000 previously approved bonus common shares (the "Shares") to an executive of the Company. The July 2018 issuance of the Shares is subject to a hold period expiring November 10, 2018. The Company has yet to issue the remaining 625,000 Shares. In 2016, the Company's Board of Directors approved the grant of up to 2,750,000 Shares to certain officers of the Company, subject to certain conditions including the issue of mining license for the Company's Harvest Property, shareholder approval, and approval of the Exchange. Shareholders voted 99.28% in favour (see news release dated June 24, 2016) and in 2016 the Exchange approved of the issuance of the Shares.
- On August 21, 2018, the Company announced Canaco Tanzania Ltd ("CTL"), a subsidiary of East Africa, received a default notice from the Tanzanian Government advising of certain issues attributed to development and operational actions that are non-compliant with the Tanzanian Mining Act. The Company expects to submit the default notice as evidence in the on-going arbitration and is preparing a plan to address the issues identified in the notice and restore compliance to the project. Refer to "Corporate Transaction" for further information.
- On October 15, 2018, East Africa announced the Company and SinoTech (Hong Kong) Corporation Limited ("SinoTech"), an insider of the Company, had signed a third 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 Borrower's closing of any future financing greater than CAD\$3,000,000 or (b) 3 months from September 14, 2018.

- 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 Interim MD&A, the Company's focus is on advancing the Ethiopian Properties. The Company has received the mining license for the Terakimti Gold Heap Leach ("Terakimti HL") Project. In addition, the Company has submitted two additional mining license applications for the Da Tambuk and Mato Bula Projects at the Adyabo Property. 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 Handeni Properties.

In March 2018, the Company announced the termination of the 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 with gross proceeds of approximately CAD\$13,550,000. The Company has initiated discussions with a number of interested parties for the project financing of the Terakimti HL 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.

In April 2018, the Company commenced arbitration process with the Developer (defined in "Corporate Transaction" section) in relation to East Africa's Tanzanian Assets with the view to terminate the Tanzanian Definitive Agreements and Addendum (defined within the "Corporate Transactions" section below). The Company, if successful with the arbitration process, plans to advance the Tanzanian Assets to attract interest and identify a development partner or buyer. See for Corporate Transactions for further details.

The Interim Financial Statements are prepared on a going concern basis, which contemplates that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. For the three months ended September 30, 2018, the Company incurred a net loss attributable to shareholders totaling \$935,665 (Q3 2017 – \$1,162,994) and as at September 30, 2018, had an accumulated deficit of \$187,469,876 (December 31, 2017 – \$181,998,823) and working capital deficit of \$1,396,609 (December 31, 2017 – working capital surplus of \$998,617).

Based on the Company's financial position as at September 30, 2018, 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, and optioning its mineral properties. However, there is no assurance that such financing will be available.

This uncertainty casts significant doubt upon the Company's ability to continue as a going concern. If the going concern assumption were not appropriate for the Interim Financial Statements, then adjustments would be necessary to the carrying values of assets, liabilities, the reported income and expenses and the consolidated balance sheets classifications used. Such adjustments could be material. 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 TRANSACTION

### Tanzanian Definitive Agreements - arbitration

In April 2018, the Company announced it had commenced binding arbitration proceedings with respect to certain disputes that East Africa has with an arm's length private exploration and development company with management in Hong Kong and Tanzania (the "Developer") under the 2016 Tanzanian Definitive and Gold Purchase agreements (together the "Tanzanian Definitive Agreements") and the 2018 updated terms (the "Addendum"). In accordance with the Tanzanian Definitive Agreements and Addendum, the binding arbitration is being decided by a single arbitrator in

Vancouver, British Columbia, pursuant to the rules of the British Columbia International Commercial Arbitration Centre. The Company has initiated the arbitration proceedings based on disputes with Developer which includes what the Company believes to be failures of the Developer to adhere to the terms of the Tanzanian Definitive Agreements and Addendum. Under the Tanzanian Definitive Agreements, on termination the payments received are non-refundable.

Included in these disputes are matters arising in Tanzania which East Africa and its Tanzanian subsidiaries have been named in a legal claim over a contractual disagreement with the Developer. Management and its legal advisors believe there is no basis for East Africa and its subsidiaries to be named in the claim and accordingly the Company has filed its objections with the courts with intent to be removed from the claim.

In August 2018, the Tanzanian Government issued a default notice to the Company's 100% owned Tanzanian subsidiary CTL. The default notice advised of certain issues attributed to development and operational actions that are non-compliant with the Tanzanian Mining Act. CTL has been given 45 days to initiate action to address matters of non-compliance. The Company has submitted a plan to address the non-compliance matters. With the on-going court case in Tanzania, the Government has postponed its assessment of the Company's proposed remediation program until the court case concludes.

The Company expects to submit the default notice as evidence in the on-going arbitration. The default notice may have an impact on the arbitration, and, if the arbitration is ultimately decided in favour of East Africa, the Company will re-initiate management of the project and will look for strategic alternatives to address the development requirements. The arbitration process is on-going and the Company continues discussions with the Tanzanian Government regarding the Handeni Properties.

## **CURRENT COMPANY OBJECTIVES**

Current objectives:

1. Identify and secure financing for the Terakimti HL Project development;
2. Proceed with engineering and development on the Terakimti HL Project on securing financing;
3. Continue to engage the MoMP on the issuance of the Mato Bula and Da Tambuk mining licenses and the Resource Target Extensions (defined below);
4. Commence a work program on the Resource Target Extensions on closing the November financing with the goal to increase the mineral resource base on the Harvest and Adyabo Properties.
5. Complete additional upgrading of the resource at the Adyabo Property;
6. Assess new potential exploration opportunities in Ethiopia or similar jurisdictions;
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.

## **Harvest Property Path Forward**

In December 2017, the Company received a mining license for the Terakimti HL Project. The Company is in discussion with the Ethiopian MoMP to extend the initial license area of 2.77 KM<sup>2</sup> for an additional 17.20 KM<sup>2</sup> (the "Resource Target Extensions") to carry out the proposed work program on approval by the MoMP. On receipt of the MoMP's approval of the proposed work program and identification of funding, the Lihamat, Mayshehagne, and VTEM09 potential satellite prospects will be assessed through metallurgical and resource analyses, as additional project resource assets.

In April 2018, the Company released its Preliminary Economic Assessment (“PEA”) on the Terakimti HL Project. The PEA identified the following post-tax metrics:

<b>Metric</b>	<b>Terakimti HL</b>
<b>Cash flow NPV</b>	US\$20.9M
<b>Cash Flow NPV @ 8%</b>	US\$13.2M
<b>IRR %</b>	30.1%
<b>Payback</b>	2.4
<b>Pre-production capital</b>	US\$17.2M
<b>AISC</b>	US\$649/oz
<b>Gold Price per oz</b>	US\$1,325
<b>Silver Price per oz</b>	US\$17

The PEA includes Indicated and Inferred mineral resources. Inferred resources represent 1.3% of the total October 15, 2015 Terakimti Oxide mineral resource tonnage (news release dated October 27, 2015). 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. For further information of the PEA metrics refer to East Africa’s news release dated April 30, 2018 and the PEA report located on the Company’s website [www.eastafricametals.com](http://www.eastafricametals.com).

The Company continues discussions with a number of 3rd parties to provide funding for the development of its Ethiopian Projects including the Terakimti HL 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 Property Path Forward**

In April 2018, the Company released PEAs on its two projects located on the Adyabo Property; the Mato Bula Project and the Da Tambuk Project. The PEAs identified the following post tax metrics:

<b>Metric</b>	<b>Mato Bula</b>	<b>Da Tambuk</b>
<b>Cash flow NPV</b>	US\$97.7M	US\$20.6M
<b>Cash Flow NPV @ 8%</b>	US\$56.7M	US\$13.1M
<b>IRR %</b>	28.4%	28.6%
<b>Payback</b>	3.0	1.9
<b>Pre-production capital</b>	US\$54.2M	US\$34.1M
<b>AISC</b>	US\$620/oz	US\$642/oz
<b>Gold Price per oz</b>	US\$1,325	US\$1,325
<b>Copper Price per lb</b>	\$3	N/A
<b>Silver Price per oz</b>	US\$17	US\$17

The 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. For further information of PEAs metrics refer to East Africa’s news release dated April 30, 2018 and PEA reports located on the Company’s website [www.eastafricametals.com](http://www.eastafricametals.com).

In August 2018, the MoMP approved of the ESIA studies for the Mato Bula and Da Tambuk Projects. The Company will endeavor to expedite the mining license applications process through ongoing discussions and meetings with the MoMP. 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 Property.

On receipt of a MoMP approval for a Resource Target Extensions work program of additional resources on the Da Tambuk and Mato Bula Projects and identification of funding, the Company plans to continue forwarding the project through in-fill and extension drilling, induced polarization survey follow-up testing, geotechnical drilling and testing, metallurgical testing, preliminary engineering work, water supply/hydrology assessments and on-going community relations work. 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 Property 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 dependent on available financing.

Included in the Company's discussions with a number of 3rd parties to provide funding for the development of the Terakimti HL Project, is a commitment for funding the Adyabo Property pre-development and 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.

### **Tanzanian Assets Path forward**

The Company has initiated the arbitration proceedings based on what it believes to be failures of the Developer to adhere to the terms of the Tanzanian Definitive Agreements and Addendum. The Company has received a default notice from the Tanzanian Government relating to certain issues attributed to development and operational actions that are non-compliant with the Tanzanian Mining Act. The Company has submitted a plan to the Tanzanian Government to address the issues identified in the notice and restore compliance to the project. With the on-going court case in Tanzania, the Tanzanian Government has postponed its assessment of the Company's proposed remediation program until the court case concludes. The Company expects to submit the default notice as evidence in the on-going arbitration. 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 Transaction" section for further information.

### **SELECTED CONSOLIDATED FINANCIAL INFORMATION**

The Interim Financial Statements have been prepared in accordance with IAS 34, Interim Financial Reporting, and should be read in conjunction with the Company's Annual Financial Statements, which have been prepared in accordance with IFRS as issued by the International Accounting Standards Board.

The Company's operations are in one industry – the acquisition, exploration, development and/or sale of gold, copper, and other precious and base metals. As at September 30, 2018, East Africa has three geographic locations: Canada (head office), Ethiopia and Tanzania. Information discussed herein reflects the Company as a consolidated entity, consistent with the Company's determination that the one industry in which the Company operates provides the most meaningful information for an exploration stage enterprise.

### **FINANCIAL POSITION**

The following financial data is derived from the Company's Interim Financial Statements as at September 30, 2018 and December 31, 2017:

	<b>September 30, 2018</b>	<b>December 31, 2017</b>
Total assets	\$ 22,488,394	\$ 24,432,042
Total liabilities	1,997,109	1,743,917
Equity (before non-controlling interest)	16,879,693	19,117,744

#### **Total assets**

The \$1,943,648 decrease from 2017 to 2018 relates to exploration and head office cash related expenditure of \$3,239,024, the repayment of \$324,000 related party loan and interest, and the payment of \$100,100 finder's fees in connection with the financing from Luck Sky Resources, an affiliate of LW, completed in 2017. The decrease in total assets is partially offset by foreign exchange of approximately of \$675,054 in gains on the translation of United States dollars to Canadian dollars of the foreign operations. The decrease in total assets is further offset by the exercise of warrants for \$942,920 and the exercise of stock options for \$297,351. Notwithstanding periodic or one-time transactions and subject to changes in foreign exchange, total assets will generally remain constant from one period to the next, less the cost of expenditures on activities. All direct costs associated with exploration of these properties are expensed as incurred.

#### **Total liabilities**

As at September 30, 2018 and December 31, 2017, the Company's total liabilities are predominately comprised of trade payables, accruals and loan payable. The increase in total liabilities of \$253,192 as at September 30, 2018, compared to December 31, 2017, is due to the Company delaying settlement of payables while in sustaining mode until financing is identified and an accrual of approximately \$330,000 for the forest management fees for the Handeni Properties to the Tanzania Forestry Services Agency. The increase is partially reduced by the repayment of \$324,000 related party loan, and the payment of \$100,100 finder's fees accrued in 2017.

Total equity

The decrease of equity of \$2,238,051 from December 31, 2017, is attributed to Fiscal 2018 net loss of \$5,471,053 attributable to shareholders. The net loss is offset by the exercise of warrants for \$942,920, the exercise of stock options for \$297,351, share-based compensation of \$1,447,903, and foreign exchange gain of \$544,828 attributable to shareholders in Fiscal 2018.

**RESULTS OF OPERATIONS**

The selected period information and summary of financial results in this Interim MD&A should be read in conjunction with the Company's Interim Financial Statements for the three months ended September 30, 2018 and 2017. The following financial data are derived from the Company's Interim Financial Statements for the three months ended September 30, 2018 and 2017 respectively:

	Three months ended September 30,			
	2018		2017	
Revenue	\$	Nil	\$	Nil
Exploration and evaluation expenditures		431,169		665,411
Other expenditures*		525,112		534,756
Net loss for the period		956,281		1,200,167
Net loss for the period and attributable to shareholders		935,665		1,162,994
Basic and diluted loss per share and attributable to shareholders	\$	0.01	\$	0.01
Weighted average number of common shares used in the calculation of loss per share – basic and diluted		163,249,759		147,897,161
Distributions or Dividends	\$	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 THREE MONTHS ENDED SEPTEMBER 30, 2018 (“Q3 2018”), COMPARED TO THE THREE MONTHS ENDED SEPTEMBER 30, 2017 (“Q3 2017”)***

The loss for Q3 2018 is \$956,281 compared to a loss for Q3 2017 of \$1,200,167. The significant items contributing to the Q3 2018 loss includes exploration expenditures of \$431,169 (Q3 2017 – \$665,411), management consulting fees of \$131,150 (Q3 2017 – \$162,881) and legal, audit and audit related fees of \$86,801 (Q3 2017 – \$8,490). Significant balances and changes are discussed below.

Exploration and evaluation expenditure (“Exploration Expenditures”)

Exploration Expenditures incurred costs of \$431,169 in Q3 2018 compared to \$665,411 in Q3 2017. The decrease of \$234,242 in Exploration Expenditures is primarily a result of lower Q3 2018 drilling expenditure of \$4,710 (Q3 2017 – \$88,761), a reduction of \$84,051, lower Q3 2018 preliminary resource and engineering studies of \$48,230 (Q3 2017 – \$97,540), a reduction of \$49,310, and there was no geophysics program in Q3 2018 (Q3 2017 – \$31,923).

In Q3 2017, the Company completed infill drilling to assist in planned resource update work, collected additional metallurgical samples and initiated an independent environmental and social impact assessment for the Adyabo Property resource area. The decrease in drilling activities is the driving factor for lower geology, geochemistry and other Exploration Expenditures.

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

	Three months ended September 30, 2018			Three months ended September 30, 2017		
	Tanzania	Ethiopia	Total	Tanzania	Ethiopia	Total
<b>Exploration Expenditures</b>						
Amortization	\$ 38,953	\$ 15,373	\$ 54,326	\$ 40,947	\$ 20,512	\$ 61,459
Camp and administration costs	165,626	108,573	274,199	108,294	165,696	273,990
Drilling	--	4,710	4,710	--	88,761	88,761
Geochemistry	867	6,512	7,379	784	20,230	21,014
Geology	--	924	924	--	11,953	11,953

	Three months ended September 30, 2018			Three months ended September 30, 2017		
	Tanzania	Ethiopia	Total	Tanzania	Ethiopia	Total
Geophysics	--	--	--	--	31,923	31,923
Preliminary resource and engineering studies	--	48,230	48,230	--	97,540	97,540
Project management and consulting	3,921	--	3,921	6,576	--	6,576
Provision for (recovery of) tax recoverable	26,451	(46,548)	(20,097)	--	--	--
Technical services	--	57,577	57,577	68	72,127	72,195
Total for the period	235,818	195,351	431,169	156,669	508,742	665,411
Balance - beginning of period	71,585,862	16,686,697	88,272,559	70,304,174	14,051,077	84,355,251
Cumulative balance end of period	\$ 71,821,680	\$ 16,882,048	\$ 88,703,728	\$ 70,460,843	\$ 14,559,819	\$ 85,020,662

#### Management consulting fees

In Q3 2018, the Company recorded management consulting fees and expenses of \$131,150 compared to \$162,881 in Q3 2017, a decrease of \$31,731. In Q3 2018, the Company recorded \$62,500 (Q3 2017 – \$62,500) for consulting fees provided by a management company controlled by an officer of East Africa; \$15,000 (Q3 2017 – \$15,000) was recorded to a related party for Chinese translation and administration services; \$25,000 (Q3 2017 – \$25,000) was paid for corporate secretary services.

#### Legal, audit and audit related fees

In Q3 2018, the Company recorded legal, audit and audit related fees of \$86,801, compared with \$8,490 in Q3 2017. The increase of \$78,311 is primarily due to the commencement of the arbitration process and legal matters to settle the disputes between the Company and the Developer under the Tanzanian Definitive Agreements.

### **LIQUIDITY**

As at September 30, 2018, the Company had cash and cash equivalents of \$190,651, other current assets of \$377,063 and current liabilities of \$1,964,323, compared to cash and cash equivalents of \$2,268,310, other current assets of \$421,768 and current liabilities of \$1,691,461 as at December 31, 2017. As at September 30, 2018 and December 31, 2017, the Company had the following commitments:

	September 30, 2018	December 31, 2017
No later than 1 year	\$ 343,944	\$ 377,618
Later than 1 year and no later than 5 years	77,162	308,649
Later than 5 years	--	--
	\$ 421,106	\$ 686,267

The Company entered into a five (5) year operating lease for office premises commencing on January 1, 2015. The monthly lease payment and building operating costs before estimated rent recoveries is approximately \$24,000.

As at September 30, 2018, with the Company's working capital deficit being \$1,396,609 (December 31, 2017 – working capital surplus of \$998,617), 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 HL Project development costs, assess resource growth on satellite targets near the Terakimti HL 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. As at September 30, 2018, the Interim Financial Statements 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 Property mining licenses and obtain financing for Terakimti HL Project ("Interim Phase") is \$160,000. This minimum cost estimate assumes limited investor relations / shareholder information costs and excludes non-cash costs. During this Interim Phase the site and camp expenses are approximately \$130,000 monthly to maintain the normal operations in Ethiopia and Tanzania. The site and camp monthly administration expenses include Ethiopian costs for head office

technical services, Ethiopian 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 March 2018, the Company and LW agreed to terminate the Ethiopian MOU. East Africa has initiated discussions with a number of interested parties for the project financing of the Terakimti HL 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 Agreements with the Developer on March 5, 2016, for the sale of the Tanzanian Assets and have received deposit instalment payments of US\$750,000 to date. In April 2018, the Company announced it had commenced an arbitration process to seek a determination that the Developer is in breach of the Tanzanian Definitive Agreements and Addendum and that the appropriate remedy is a declaration that the Tanzanian Definitive Agreements and Addendum be terminated which may include 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. In August 2018, the Tanzanian Government issued a default notice to the Company's 100% owned Tanzanian subsidiary CTL. The Company has submitted a plan to the Tanzanian Government to address the issues identified in the notice and restore compliance to the project. With the on-going court case in Tanzania, the Tanzanian Government has postponed its assessment of the Company's proposed remediation program until the court case concludes. The Company expects to submit the default notice as evidence in the on-going arbitration. 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 Transaction" section for further information.

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. 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 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 and corporate capital requirements predominately 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 East Africa'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. The Company has initiated discussions with a number of interested parties for the project financing of the Terakimti HL 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 East Africa'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 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

During Fiscal 2018, the Company expended \$33,925 (nine months ended September 30, 2017 ("Fiscal 2017") – \$17,034) on maintenance payments of mineral property which have been capitalized and the Company received \$361,281 (Fiscal 2017 – \$46,822) payments related to the Tanzanian Definitive Agreements.

Mineral property capital expenditures and acquisitions for Fiscal 2018 are summarized as follows:

	<b>Tanzania, Handeni properties</b>	<b>Tanzania, other properties</b>	<b>Ethiopia Harvest Property</b>	<b>Ethiopia Adyabo Property</b>	<b>Total</b>
<b>Acquisition costs</b>					
As at December 31, 2017	\$ 1,766,355	\$ 2,000,603	\$ 16,334,501	\$ 804,608	\$ 20,906,067
Property payments	11,366	22,559	--	--	33,925
Tanzanian Definitive Agreement deposit	(361,281)	--	--	--	(361,281)
Foreign exchange	74,784	66,040	520,830	13,400	675,054
As at September 30, 2018	\$ 1,491,224	\$ 2,089,202	\$ 16,855,331	\$ 818,008	\$ 21,253,765

#### **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 Q3 2018 and as at September 30, 2018, the Company had recorded the following significant related party transactions:

For Q3 2018, the Company incurred management consulting fees of \$77,500 (Q3 2017 – \$77,500). Of this amount East Africa recorded \$62,500 (Q3 2017 – \$62,500) for management services provided by a privately held company controlled by the CEO.

For Q3 2018, the Company recorded fees of \$167,303 (Q3 2017 – \$167,090) to directors and senior key management for consulting fees, director fees, and salaries and benefits, all which can include share-based compensation. Senior key management includes the CEO, VP of Exploration, and the CFO.

On August 31, 2017, SinoTech provided 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. In Fiscal 2018, the Company incurred \$30,900 interest expense and repaid \$324,000 of the principle and interest. As of September 30, 2018, the loan of \$300,000 and the interest accrual of \$28,100 remained unpaid. The maturity date of the remaining balance has been further extended to three months from September 14, 2018.

In 2016, the Company approved the grant of up to 2,750,000 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 Property is issued. In 2017, the Company issued 1,750,000 Shares after the receipt of the mining license for the Harvest Property. During Fiscal 2018, the Company issued 375,000 Shares to certain officers and 625,000 Shares remained unissued.

As at September 30, 2018, the Company had a receivable of \$11,914 (December 31, 2017 – \$2,156) from one officer of the Company for payroll tax remittance related to bonus shares issued to the officer. Subsequent to September 30, 2018, the outstanding receivable was collected.

As at September 30, 2018, the Company had payables of \$392,506 (December 31, 2017 – \$239,617) to directors and certain officers of the Company. Included in payable to directors and officers are directors fees, reimbursement of expenses and outstanding salaries.

## 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

The Company uses the non-GAAP financial measures of Other Expenditures to manage, evaluate operating performance and prepare the Company's Interim MD&A. The Company believes 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 Interim Financial Statements disclosures additional disclosure and/or reconciliation may be provided within the Non-GAAP disclosure if deemed necessary.

## RISK FACTORS

Below are the known risk factors for this Interim MD&A. Please refer to the section entitled "Risk Factors" in the Company's Annual MD&A for an additional list of risk factors that may impact the Company. You can review and obtain copies of the Company's filings from SEDAR at [www.sedar.com](http://www.sedar.com) or from East Africa's website [www.eastafricametals.com](http://www.eastafricametals.com).

### *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 predominately 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 \$190,651 and working capital deficit of \$1,396,609 as at September 30, 2018. 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 Interim 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 taxes recoverable and trade receivables from related parties. The carrying amount of cash and cash equivalents, receivables from related parties, tax receivables and other accounts receivable represents the Company's maximum exposure to credit risk.

As at September 30, 2018, \$514,646 was due to the Company's foreign subsidiaries in Tanzania and Ethiopia from the foreign governments for Value Added Tax ("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 Resource 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 2018 the Company began a binding arbitration process against the Developer (see “Corporate Transactions” for further information) 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. Certain legal liabilities may result from legal matters arising in Tanzania from the arbitration. The final outcome of the arbitration and any Tanzanian legal matters cannot be predicted with certainty.

**OTHER MD&A REQUIREMENTS**Additional Disclosure for Venture Issuers without Significant Revenue

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

Outstanding Shares

From January 1, 2018, to the date of this Interim MD&A, 3,771,680 warrants were exercised at a weighted average exercise price of \$0.25 for total proceeds of \$942,920 and 1,860,000 options were exercised at a weighted average exercise price of \$0.16 for total proceeds of approximately \$297,351. As of the date of this Interim MD&A, 10,634,700 East Africa warrants, 3,590,000 East Africa options and 1,539,390 Tigray Resources Inc. options that on exercise would be exchanged for 846,665 East Africa shares expired unexercised.

As at November 27, 2018, the Company has 163,845,091 common shares issued and outstanding.

As at November 27, 2018, the Company has 3,850,000 warrants issued and outstanding.

As at November 27, 2018, the Company had 26,494,278 options outstanding and exercisable.

**APPROVAL**

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