

EAST AFRICA METALS INC.  
(an exploration stage company)

UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the six month period ended June 30, 2019

Expressed in Canadian dollars

(Unaudited – prepared by management)

*Notice to Reader: As required by National Instrument 51-102 subsection 4.3(3), readers are advised that an auditor has not performed a review of these interim financial statements*

**EAST AFRICA METALS INC.**

(an exploration stage company)

Condensed Interim Consolidated Statement of Financial Position - unaudited

Expressed in Canadian dollars, unless otherwise stated

	<b>June 30, 2019</b>	<b>December 31, 2018</b>
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 92,200	\$ 60,683
Accounts receivable	17,771	92,982
Prepaid expenses and deposits	1,906,834	164,361
	1,966,799	318,026
Mineral property interests (note 6)	21,413,693	22,360,505
Property and equipment	469,720	630,039
	\$ 23,850,212	\$ 23,308,570
<b>Liabilities and Equity</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 2,115,417	\$ 2,236,336
Loan payable (note 7(b))	355,100	335,400
	2,470,517	2,571,736
<b>Non-current liabilities</b>		
Leasehold inducement	-	26,230
	2,470,517	2,597,966
<b>Equity</b>		
Share capital (note 9(b))	52,229,820	50,382,075
Bonus shares obligation (note 9(d))	184,375	184,375
Warrants (note 9(e))	834,341	197,473
Contributed surplus (note 9(d))	150,417,569	149,739,954
Accumulated other comprehensive income	4,199,517	4,761,059
Deficit	(190,137,849)	(188,411,825)
	17,727,773	16,853,111
Non-controlling interest	3,651,922	3,857,493
	21,379,695	20,710,604
	\$ 23,850,212	\$ 23,308,570

Subsequent events (notes 2 and 9)

Approved on behalf of the Board

(signed) "David Parsons"

(signed) "Sean Waller"

**EAST AFRICA METALS INC.**

(an exploration stage company)

Condensed Interim Consolidated Statements of Operations – unaudited

Expressed in Canadian dollars, unless otherwise stated

	Three month period ended		Six month period ended	
	June 30,		June 30,	
	2019	2018	2019	2018
<b>Expenses</b>				
Amortization	\$ 884	\$ 12,810	\$ 13,392	\$ 26,434
Directors and advisory board fees	21,237	19,125	54,502	38,376
Exploration and evaluation expenditure (note 6)	58,804	1,376,396	348,148	1,982,804
Investor/shareholder communications and filing fees	84,531	208,817	133,683	499,302
Legal, audit and audit related fees	17,342	129,694	41,064	183,286
Management consulting fees and expenses	152,230	128,566	242,952	280,663
Office and administration	81,918	99,956	136,549	218,840
Rent and occupancy costs	(11,817)	65,350	46,944	135,954
Salary and benefits	76,550	78,186	145,990	157,544
Share-based compensation	570,124	1,073,361	608,470	1,073,361
Operating loss	(1,051,803)	(3,192,261)	(1,771,694)	(4,596,564)
Other income (expenses)				
Foreign exchange gain (loss)	(9,635)	24,064	41,885	(10,485)
Interest expense	(9,700)	(9,000)	(21,200)	(21,900)
Other	(19,687)	-	-	-
Net loss for period	\$ (1,090,825)	\$ (3,177,197)	\$ (1,751,009)	\$ (4,628,949)
Net loss attributable to:				
Shareholders	\$ (1,084,723)	\$ (3,137,894)	\$ (1,726,024)	\$ (4,535,388)
Non-controlling interest	(6,102)	(39,303)	(24,985)	(93,561)
	\$ (1,090,825)	\$ (3,177,197)	\$ (1,751,009)	\$ (4,628,949)
<b>Loss per share, basic and fully diluted</b>	\$ (0.01)	\$ (0.02)	\$ (0.01)	\$ (0.03)
<b>Weighted average number of common shares - basic and fully diluted</b>	179,408,371	162,760,091	174,160,599	161,770,209

# EAST AFRICA METALS INC.

(an exploration stage company)

## Condensed Interim Consolidated Statements of Changes in Equity - unaudited

For the six months ended June 30, 2019 and 2018

Expressed in Canadian dollars, unless otherwise stated

	Common Shares Without Par Value		Bonus Share Obligation	Warrants	Contributed Surplus	AOCI	Deficit	Total Common share Equity	Non-Controlling Interest	Total Equity
	Shares	Amount								
Balance, December 31, 2017	157,838,411	\$ 48,894,803	\$ 295,000	\$ 882,630	\$ 147,733,060	\$ 3,311,074	\$ (181,998,823)	\$ 19,117,744	\$ 3,570,381	\$ 22,688,125
Shares issued on exercise of warrants	3,771,680	942,920	-	(80,364)	80,364	-	-	942,920	-	942,920
Shares issued on exercise of Tigray stock options	900,000	208,521	-	-	(64,521)	-	-	144,000	-	144,000
Bonus shares obligation	250,000	73,750	(73,750)	-	-	-	-	-	-	-
Share-based compensation	-	-	-	-	1,416,302	-	-	1,416,302	-	1,416,302
Expiry of warrants	-	-	-	(13,507)	13,507	-	-	-	-	-
Currency translation adjustment on foreign operations	-	-	-	-	-	828,749	-	828,749	245,678	1,074,427
Net loss for period	-	-	-	-	-	-	(4,535,388)	(4,535,388)	(93,561)	(4,628,949)
<b>Balance - June 30, 2018</b>	<b>162,760,091</b>	<b>\$ 50,119,994</b>	<b>\$ 221,250</b>	<b>\$ 788,759</b>	<b>\$ 149,178,712</b>	<b>\$ 4,139,823</b>	<b>\$ (186,534,211)</b>	<b>\$ 17,914,327</b>	<b>\$ 3,722,498</b>	<b>\$ 21,636,825</b>
Balance, December 31, 2018	163,845,091.00	\$ 50,382,075	\$ 184,375	\$ 197,473	\$ 149,739,954	\$ 4,761,059	\$ (188,411,825)	\$ 16,853,111	\$ 3,857,493	\$ 20,710,604
Private placement	15,696,000.00	1,866,640	-	644,720	-	-	-	2,511,360	-	2,511,360
Finders' fees	-	(12,783)	-	(4,448)	-	-	-	(17,231)	-	(17,231)
Share issue costs	-	(9,781)	-	(3,404)	-	-	-	(13,185)	-	(13,185)
Option exercise	30,000.00	3,669	-	-	(669)	-	-	3,000	-	3,000
Share-based compensation	-	-	-	-	618,284	-	-	618,284	-	618,284
Currency translation adjustment on foreign operations	-	-	-	-	-	(561,542)	-	(561,542)	(180,586)	(742,128)
Net loss for period	-	-	-	-	-	-	(1,726,024)	(1,726,024)	(24,985)	(1,751,009)
<b>Balance - June 30, 2019</b>	<b>178,388,591.00</b>	<b>\$ 52,229,820</b>	<b>\$ 184,375</b>	<b>\$ 834,341</b>	<b>\$ 150,417,569</b>	<b>\$ 4,199,517</b>	<b>\$ (190,137,849)</b>	<b>\$ 17,727,773</b>	<b>\$ 3,651,922</b>	<b>\$ 21,379,695</b>

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

**EAST AFRICA METALS INC.**

(an exploration stage company)

Condensed Interim Consolidated Statements of Cash Flows - unaudited

Expressed in Canadian dollars, unless otherwise stated

	<b>Six month period ended June 30,</b>	
	<b>2019</b>	<b>2018</b>
<b>Cash provided by (used for) operating activities</b>		
Loss for period	\$ (1,751,009)	\$ (4,628,949)
Items not involving cash		
Amortization – administration	26,434	26,434
Amortization – exploration and evaluation	95,264	102,857
Amortization and recovery – leasehold inducement	(26,230)	(13,113)
Interest expense	21,200	21,900
Provision for taxes recoverable	4,838	26,215
Share-based compensation - administration	608,470	1,073,361
Share-based compensation - Exploration and evaluation	9,814	342,941
Unrealized foreign exchange loss (gain)	(42,029)	26,896
Changes in operating assets and liabilities		
Accounts receivable	70,373	109,772
Prepaid expenses and deposits	(1,742,437)	(74,017)
Accounts payable and accrued liabilities	272,885	206,032
	<b>(2,452,427)</b>	<b>(2,779,671)</b>
<b>Cash flows provided by (used for) investing activities</b>		
Mineral property interests acquisitions	-	(11,081)
Definitive Agreement deposit	-	361,281
Purchase of equipment	-	(752)
	-	<b>349,448</b>
<b>Cash flows provided by (used for) financing activities</b>		
Private placement	2,511,360	-
Finders fees	(17,231)	(100,100)
Share issue costs	(13,185)	-
Repayment of related party borrowings	-	(324,000)
Exercise of stock options	3,000	144,000
Exercise of warrants	-	942,920
	<b>2,483,944</b>	<b>662,820</b>
Increase (decrease) in cash and cash equivalents	31,517	(1,767,403)
Cash and cash equivalents- beginning of period	60,683	2,268,310
Cash and cash equivalents- end of period	\$ 92,200	\$ 500,907

# **EAST AFRICA METALS INC.**

(an exploration stage company)

Notes to the Condensed Interim Consolidated Financial Statements

As at and for the six-month period ended June 30, 2019

Expressed in Canadian dollars, unless otherwise stated

---

## **1. Nature of operations and going concern**

East Africa Metals Inc. (“East Africa” or the “Company”) was incorporated on December 7, 2012, under the Canada Business Corporations Act. The address of the Company’s corporate office and principal place of business is Suite 1100, 595 Howe Street, Vancouver, British Columbia, Canada. On July 11, 2013, the Company commenced trading on the TSX Venture Exchange as a Tier 2 mining issuer under the trading symbol “EAM”.

East Africa is a mineral exploration company focused on the identification, acquisition, exploration, development and/or sale of base and precious mineral resource properties in the Federal Democratic Republic of Ethiopia (“Ethiopia”) and the United Republic of Tanzania (“Tanzania”). The Company’s major mineral properties consists of two projects in Ethiopia, the Harvest and the Adyabo Properties (together the “Ethiopian Properties”) and one project in Tanzania, the Handeni Properties.

The Company has not yet determined whether its mineral resource properties contain mineral reserves that are economically recoverable. The continued operations of the Company and the recoverability of the amounts capitalized for mineral properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of such properties and upon future profitable production or proceeds from the disposition of such properties.

These unaudited condensed interim consolidated financial statements 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 six months ended (“period ended”) June 30, 2019, the Company incurred a net loss attributable to shareholders totaling \$1,726,024. As at June 30, 2019, the Company had an accumulated deficit of \$190,137,849 and working capital deficit of \$503,718.

Based on the Company’s financial position as at June 30, 2019, the available funds are not considered adequate to meet requirements for the estimated operations, exploration expenditures, the Terakimti Oxide Gold Project (“Terakimti HL”) development expenditures and the outcome of the arbitration (note 2) in the coming twelve-month period. These requirements may be adversely impacted by an absence of normal available financing due to the continued uncertainty in the markets for mineral exploration companies. To address its financing requirements, the Company will seek financing through and not limited to the closing the Tibet Huayu LOI (note 2), 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 basis was not appropriate for these financial statements, then adjustments would be necessary to the carrying value of the assets and liabilities, the reported amount of expenses and the classifications used on the statement of financial position. Such adjustments could be material.

## **2. Significant events and transactions**

### *Ethiopian Joint Venture and Development of the Harvest and Adyabo Properties*

In July 2019, the Company executed a definitive Share Purchase Agreement and Joint Venture Contract (the “Agreements”) with Silk Road Resources Investments Co. Limited, a wholly-owned subsidiary of Tibet Huayu Mining Co., Ltd (“THM”) for the development and operation of the Adyabo Project’s Mato Bula and Da Tambuk deposits located in the Tigray Region of the Federal Republic of Ethiopia. Ethiopian Properties. The LOI contemplates East Africa transferring a portion of its equity interests in its Ethiopian subsidiary companies to Tibet Huayu and the parties entering into joint venture contracts for the purpose of development and operation of East Africa’s Ethiopian Properties. The Company owns 100% of the Tigray Resources Incorporated PLC (“TRI PLC”). TRI PLC holds the Mato Bula mining license and Da Tambuk mining license.

Under the terms of the Agreements:

- East Africa will receive a cash payment of US\$1,200,000 on closing of the transaction and retain a 30% net profit interest;
- East Africa has agreed to transfer to THM, 70% of the Company’s equity interest in its Ethiopian subsidiary company, Tigray Resources Inc. (100% owner of the Adyabo Project);

## **EAST AFRICA METALS INC.**

(an exploration stage company)

Notes to the Condensed Interim Consolidated Financial Statements

As at and for the six-month period ended June 30, 2019

Expressed in Canadian dollars, unless otherwise stated

---

### **2. Significant events and transactions - continued**

- THM will finance 100% of the capital costs, operate the mine development program and mining operations of the Adyabo Project; and,
- East Africa will retain the exploration rights to all prospective mineralization on its concessions outside of the current resource.

On August 9, 2019, THM and East Africa agreed and concluded certain documentation. The parties agreed all conditions precedent to obligations required for closing the Share Purchase Agreement have been met or been waived and are now proceeding with formally closing the transaction. Conditional acceptance of the TSX Venture Exchange has been received. The parties are working jointly to advance and complete the registration of 70% equity interest in its Ethiopian subsidiary pursuant to the Ethiopian laws and regulations. The cash payment of US\$1,200,000 to East Africa will be received in two tranches of US\$600,000 on August 23, 2019 and the remaining US\$600,000 will be placed in trust and released to the Company upon the earlier of 10 business days after the formal registration of the transfer of 70% of the Company's equity interest in its Ethiopian subsidiary pursuant to Ethiopian laws and regulations and October 31, 2019.

#### *Tanzanian Definitive Agreements - Arbitration*

On June 10, 2015, East Africa signed a binding agreement with an arm's length private exploration and development company (the "Developer"), to acquire and develop East Africa's Handeni Properties and Other Properties in Tanzania (the "Tanzanian Assets"). On March 5, 2016, the "Tanzanian Effective Date", the Company completed the execution of the Definitive Agreement and the Gold Purchase Agreement (together the "Tanzanian Definitive Agreements") with the Developer. The Tanzanian Definitive Agreements required, among other things, the payment of US\$2,000,000 (US\$750,000 paid as of June 30, 2019) in cash for a 100% interest in the Tanzanian Assets, including the Magambazi Project, camp, equipment and other assets. On January 16, 2018, the Company completed updated terms (the "Addendum") for the Tanzanian Definitive Agreements and agreed with the Developer to assign the rights and obligations of the Tanzanian Definitive Agreements and Addendum to the Developer's new entity incorporated in Hong Kong.

On April 6, 2018, the Company announced that it had commenced the arbitration process with the view to terminate the Tanzanian Definitive Agreements and Addendum as a result of certain disputes that East Africa has with the Developer under the terms of the Tanzanian Definitive Agreements and Addendum and the Company may submit a claim for damages. Included in these disputes are matters arising in Tanzania which East Africa and its Tanzanian subsidiaries have been included in a legal dispute 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 dispute and accordingly the Company has filed its objections with the courts with the intent to be removed from the legal dispute. Under the Tanzanian Definitive Agreements, on termination the payments received are non-refundable.

In August 2018, Canaco Tanzania Limited ("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. CTL has been given 45 days to initiate action to address the matters of non-compliance and the Company provided a proposed program to address the matters. With the on-going legal dispute in Tanzania, the Tanzanian Government has postponed its assessment of the Company's proposed program until the legal hearing case concludes. As at June 30, 2019, the arbitration process and legal disputes are ongoing and the Company continues discussions with the Tanzanian Government regarding the status of the Tanzanian Assets.

### **3. Statement of compliance and basis of preparation**

These condensed interim financial statements are prepared in accordance with IAS 34 - Interim Financial Reporting as issued by the International Accounting Standards Board ("IASB"). Accordingly, certain disclosures included in the annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the IASB have been condensed or omitted.

These condensed interim financial statements follow the same accounting policies and methods of application as the Company's audited financial statements for the year ended December 31, 2018. The policies applied in these condensed interim financial statements are based on IFRS issued as of August 30, 2019, the date the Board of Directors approved the

## **EAST AFRICA METALS INC.**

(an exploration stage company)

Notes to the Condensed Interim Consolidated Financial Statements

As at and for the six-month period ended June 30, 2019

Expressed in Canadian dollars, unless otherwise stated

---

financial statements. These condensed interim financial statements should be read in conjunction with the Company's annual financial statements for the year ended December 31, 2018.

### **3. Statement of compliance and basis of preparation - continued**

These financial statements have been prepared on an accrual basis and are on an historical cost basis. The preparation of the financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment of complexity, or areas where assumptions and estimates are significant to the Interim Financial Statements are disclosed in note 4. These financial statements are prepared in Canadian dollars, with all amounts rounded to the nearest dollar, unless otherwise stated.

### **4. Significant accounting estimates and judgments**

The preparation of these financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses and disclosures of contingencies. Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the notes to these financial statements where applicable. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

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

#### **(a) Going concern**

These financial statements have been prepared on the assumption that the Company is able to continue as a going concern. The Company has estimated its development, exploration and operational expenditure for the coming 12 months from historical and projected costs of its development, exploration and corporate programs. The Company's expected commitments are based on management's best estimates of operating conditions for maintaining operations at the Ethiopian Properties and Tanzanian Assets until the Tibet Huayu (note 2) transaction is closed and funds received, 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”)**

Denwill is consolidated as a structured entity and the purpose of which is for the benefit of the Company to acquire primary mining licenses (“PML”), restricted to citizens of Tanzania, in Magambazi (Handeni Properties – note 6). 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 CTL, 2) the Company provides funds for the payments of PML's, and 3) has the power to direct the exploration activities, which affects the risks and rewards from the Magambazi Project.

#### **(c) 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.



## **EAST AFRICA METALS INC.**

(an exploration stage company)

Notes to the Condensed Interim Consolidated Financial Statements

As at and for the six-month period ended June 30, 2019

Expressed in Canadian dollars, unless otherwise stated

---

### **4. Significant accounting estimates and judgments - continued**

As identified in Note 2, the Company signed an Addendum with the Developer in January 2018 and due to disputes with the Developer commenced binding arbitration in April 2018. Included in these disputes are matters arising in Tanzania which East Africa and its Tanzanian subsidiaries have been included in legal disputes based on 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 legal dispute in Tanzania and accordingly the Company has filed its objections with the courts with intent to be removed from the legal dispute. The Tanzanian Definitive Agreements provides that on termination all payments are non-refundable. The results of the arbitration or legal disputes in Tanzania may deem otherwise.

#### **(d) Measurement uncertainty – Tanzanian Mineral Property Interests Assets**

Management identified the ongoing International Arbitration and Tanzanian legal disputes note 4(c) as indicators of impairment and performed an impairment assessment on its Tanzanian Assets. During the legal dispute, the Company received a default notice advising of certain issues attributed to development and operational actions that are non-compliant with the Tanzanian Mining Act and the Company submitted a proposed program to address the issues. With the on-going court case in Tanzania (note 12) the Tanzanian Government has postponed its assessment of the Company's proposed program until the court case concludes. As a result of the aforementioned, the Company has accrued payments for annual Mining Licenses ("ML") and Prospecting Licenses ("PL"). In the event the Tanzanian Government requires payment for the MLs and PLs and the Company is unable to make the payments by the required time the Company may lose title to these assets.

Management's impairment assessment, which is predicated on the Company resolving the current legal disputes and the notice of default on the MLs and PLs, identified that the carrying amount did not exceed the recoverable amount of the Tanzanian Assets adjusted for the Tanzanian Government'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 comparable companies (the "Peer") using an average of the 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 judgment 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 East Africa's Tanzanian Mineral Property interests as the Tanzanian Government has postponed its default assessment as a result of the commencement of the International Arbitration in Canada and legal disputes in Tanzania. The Tanzanian Government will assess the default notice after judgment of the Tanzanian legal dispute has concluded. The Company continues to monitor the impact of the arbitration and Tanzanian legal disputes on its Tanzanian Assets.

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

As at June 30, 2019, \$536,018 was due to the Company's foreign subsidiaries in Tanzania and Ethiopia from the foreign governments for VAT. The Company is due refunds of certain taxes based on consumption, of which the timing of realization is uncertain. If these recoverable taxes are not collected, it could reduce the carrying value of these assets. Given limited methods available to recover these taxes and the length of time it takes to recover the taxes, management has recorded a provision for 100% of the taxes recoverable with the corresponding amount recorded in exploration expenditures.

## **EAST AFRICA METALS INC.**

(an exploration stage company)

Notes to the Condensed Interim Consolidated Financial Statements

As at and for the six-month period ended June 30, 2019

Expressed in Canadian dollars, unless otherwise stated

---

### **5. Adoption of new or revised IFRS**

The Company has adopted the following new and revised standard, along with any consequential amendments, effective January 1, 2019. These changes were made in accordance with the applicable transitional provisions.

#### *IFRS 16 Financial Instruments*

In January 2016, the IASB issued IFRS 16 - Leases ("IFRS 16"). The objective of the IFRS 16 is to recognize substantially all leases on the balance sheet. IFRS 16 requires lessees to recognize a right-of-use ("ROU") asset and a lease liability calculated using a prescribed methodology, except for short-term leases and leases with low-value underlying assets. In addition, the nature and timing of expenses relates to leases has changed. IFRS 16 replaces the straight-line operating leases expense with the depreciation expense for the ROU assets and interest expense on the lease liabilities.

The Company's accounting policy under IFRS 16 is as follows:

At inception of a contract, the Company assesses whether a contract is, or contains, a lease by determining whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. A ROU asset and lease liability is recognized at the lease commencement date. The ROU asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any indirect costs incurred, less any lease incentives received.

The ROU asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, including periods covered by an option to extend the lease if the Company is reasonably certain to exercise that option. In addition, the ROU asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date. These lease payments are discounted using the implicit interest rate in the lease. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability. If the rate cannot be readily determined, the Company's incremental borrowing rate is used.

The lease liability is subsequently measured at amortized cost using the effective interest method whereby the balance is increased by interest expense and decreased by lease payments. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase or extension or termination option.

#### *Short-term leases and leases of low-value assets*

The Company has elected not to recognize ROU assets and lease liabilities that have a lease term of less than 12 months and leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Effective January 1, 2019, the Company adopted IFRS 16. The impact of the transition is as follows:

The Company has elected to apply the practical expedient to account for leases for which the lease term ends within 12 months of the date of the initial application as short-term leases. The Company has elected to not recognize ROU assets and lease liabilities for leases that have a lease term less than 12 months or for leases of low-value assets. In addition, \$19,687 of leasehold inducements was written-off, as the ROU asset was not reduced by any lease incentives received.

## EAST AFRICA METALS INC.

(an exploration stage company)

Notes to the Condensed Interim Consolidated Financial Statements

As at and for the six-month period ended June 30, 2019

Expressed in Canadian dollars, unless otherwise stated

### 6. Mineral property interests

Details of the Company's mineral property interests are as follows:

	Tanzania		Ethiopia			December 31, 2018
	Handeni properties	Other properties	Harvest project	Adyabo project	Total	Total
<b>Acquisition costs</b>						
Balance - December 31, 2018	\$ 1,680,276	\$ 2,075,994	\$ 17,762,877	\$ 841,358	\$ 22,360,505	\$ 20,906,067
Property payments	10,249	-	-	-	10,249	91,359
Definitive Agreement deposit	-	-	-	-	-	(361,281)
Write-off	-	-	-	-	-	(127,409)
Foreign exchange	(105,277)	(86,135)	(727,366)	(38,282)	(957,061)	1,851,769
Balance - June 30, 2019	\$ 1,636,958	\$ 2,031,932	\$ 17,399,599	\$ 826,408	\$ 21,413,693	\$ 22,360,505

#### Harvest Property

In December 2017, the Company received a mining license for the Terakimti HL Project, which includes the requirement to complete construction within 2 years. In the event there are unforeseen delays with the development, the mining proclamations allow for retention periods extensions. The mining license has a term of 6 years with the ability for renewal of up to 10 years on the approval of the MoMP and is due to expire in December 2023. The Company has a 70% interest in the Harvest PLC with the remaining 30% (non-controlling interest) held with Ezana.

The Harvest Property in Ethiopia previously consisted of three primary exploration concessions on the Harvest Property exploration license. The three primary concessions are known as Hamlo, Terakimti, and Igub. The exploration concessions had terms of 10 years and expired in January 2017. The Company has submitted an EAM Mineral Resources extensions or similar rights application for the remaining prospective targets within the Harvest Property exploration area.

#### Adyabo Property

In May 2019, the Company was awarded mining licenses for the Mato Bula and Da Tambuk Projects located on the Adyabo Property. The Adyabo Property previously consisted of two exploration licenses, West Shire and Adi Dairo, with terms of 10 years and the licenses expired in 2017. The Company has submitted EAM Mineral Resources extensions (or similar rights) applications for the remaining prospective targets within the Adyabo Property exploration area. During the three month period ended March 31, 2019, the Company executed a diamond-drilling contract, subject to financing, and prepaid US \$1.8 million in a drilling advance.

The Company holds 100% interest in the Adyabo Property with the option to buy back 1.0% of the Net Smelter Return for a cash payment of \$5,000,000 to the optionor. Once the Company has received government approval on 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.

#### Tanzania – Handeni & Other Properties

As identified in note 2, the Company had entered into the Tanzanian Definitive Agreements and Addendum and the Company subsequently commenced an arbitration process with a view to terminate these agreements. The properties are located in the Handeni district, Tanga Region of Tanzania. The Company's Handeni Properties are comprised of two mining licenses covering the Magambazi Project with CTL holding one mining license and Denwill holding the second mining license. The Company has an option agreement to acquire 100% interest of Denwill, a structured entity controlled by East Africa, upon payment of US\$40,000. As at June 30, 2019, the option has not yet been exercised. The Company's other properties consist of two claims located in the Handeni district, Tanga Region of Tanzania.

## EAST AFRICA METALS INC.

(an exploration stage company)

Notes to the Condensed Interim Consolidated Financial Statements

As at and for the six-month period ended June 30, 2019

Expressed in Canadian dollars, unless otherwise stated

### 7. Related party transactions

#### (a) Related parties

	Three months ended		Six months ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Services rendered and expenses incurred				
Services and related expenses	\$ -	\$ 47,000	\$ -	\$ 61,650
Management and consulting fees	\$ 107,500	\$ 77,500	\$ 185,000	\$ 155,000
Interest expense	\$ 9,700	\$ 9,000	\$ 21,200	\$ 21,900

	June 30, 2019	December 31, 2018
Balances payable to		
Directors and officers	\$ 801,075	\$ 577,917
Loan payable (b)	\$ 355,100	\$ 335,400

#### (b) Loan payable:

On August 31, 2017, SinoTech (Hong Kong) Corporation Limited (“SinoTech”) provided a second short-term unsecured loan to the Company for \$600,000 with an interest rate of 12% per annum. The loan and all accrued and unpaid interest was payable on the earlier of 15 business days after the Company’s closing of an October 2017 financing or 120 days from the Company’s receipt of the loan proceeds. In 2018, the Company repaid \$324,000 of the principal and interest, extended the remaining amount of \$300,000 and accrued interest of \$35,400. As at June 30, 2019, \$355,100 is payable and continues to accrued interest. Subsequent to period ended June 30, 2019, the Company is in discussions with SinoTech on renewal terms factoring in the Tibet Huayu LOI closing. The Company expects that the terms will be renewed once the Tibet Huayu has advanced to the definitive agreement stage.

#### (c) Key management personnel

Key management personnel are those persons that have the authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management includes the Company’s directors and members of the senior management group. Details of key management personnel compensation is as follows:

	Three months ended		Six months ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Directors fees, bonuses, key management personnel salaries and short-term benefits	\$ 116,866	\$ 204,177	\$ 271,500	\$ 382,163
Share-based compensation	\$ 466,166	\$ 988,739	\$ 466,166	\$ 988,739

In 2017, the Company issued 1,750,000 bonus shares after the receipt of the mining license for the Harvest Property. On January 26, 2018, the Company issued 250,000 bonus shares to certain officers (Note 9(d)) and for the period ended June 30, 2019, the Company did not issue any bonus shares.

## EAST AFRICA METALS INC.

(an exploration stage company)

Notes to the Condensed Interim Consolidated Financial Statements

As at and for the six-month period ended June 30, 2019

Expressed in Canadian dollars, unless otherwise stated

### 8. Exploration and evaluation expenditure (“exploration expenditure”)

	Tanzania, Handeni and Other Properties	Harvest Project	Adyabo Project	Six months ended June 30, 2019
<b>Exploration and evaluation expenditure</b>				
Amortization	\$ 79,642	\$ 9,464	\$ 6,158	\$ 95,264
Camp and administration costs	71,970	48,061	70,869	190,900
Drilling	-	2,313	2,408	4,721
Geochemistry	889	3,273	2,866	7,028
Geology	-	726	-	726
Preliminary resource and engineering studies	-	2,119	-	2,119
Property management and consulting	3,988	-	-	3,988
Provision for (recovery of) tax recoverable	861	1,615	2,347	4,823
Share-based compensation	-	-	9,814	9,814
Technical services	-	12,097	16,668	28,765
Total for the period	\$ 117,323	\$ 62,253	\$ 109,768	\$ 348,148

### 9. Share capital

As at June 30, 2019, the Company’s share capital consisted of the following:

- (a) Authorized: Unlimited common shares without par value.
- (b) Private placement:

On February 28, 2019, the Company completed the first tranche of a private placement of 14,543,500 units at a price of \$0.16 per unit for total proceeds of \$2,326,960. Each unit consist one common share of the Company and one non-transferrable warrant. Each whole warrant will entitle the holder thereof to purchase one common share at an exercise price of \$0.30 for a period of 24 months from the date of closing. The Company recorded a finders’ fee of 7% of the private placement for \$17,231 in cash and issued 107,695 warrants with a fair value of \$4,358.

On April 11, 2019, the Company completed the second tranche of the private placement and issued additional 1,152,500 units at a price of \$0.16 per unit for total proceeds of \$184,400. No finder fees were paid for the second tranche.

- (c) Escrowed shares

As at June 30, 2019, 675,045 (December 31, 2018 – 675,045) common shares are held in escrow. The release of these shares is based on the future exploration expenditure, discovery of an ore deposit and achieving commercial mineral production.

## EAST AFRICA METALS INC.

(an exploration stage company)

Notes to the Condensed Interim Consolidated Financial Statements

As at and for the six-month period ended June 30, 2019

Expressed in Canadian dollars, unless otherwise stated

### 9. Share capital (continued)

#### (d) Share-based compensation

The Company has established a stock option plan whereby the Board of Directors may grant stock options to directors, officers, employees or consultants in order to more closely align the grant-recipients' interests with those of shareholders. Pursuant to the stock option plan, the Company has been authorized by its shareholders to grant stock options of up to twenty percent (20%) of the number of common shares issued and outstanding. Stock options granted are subject to a maximum term of ten years from the date of grant. The exercise price of a stock option must be determined in accordance with the stock option plan. Stock options vest at the time the stock options are granted unless determined otherwise by the Board of Directors, other than stock options granted to consultants performing investor relations activities, which vest in stages over twelve months with no more than one quarter vesting in any three-month period.

In 2016, the Company's board of directors approved the grant of up to 2,750,000 bonus shares, subject to the issuance of the mining license for the Harvest Property. In 2017, the Company received the mining license for the Harvest Property (Note 6) and issued 1,750,000 bonus shares to certain officers. As at June 30, 2019, the Company has a bonus share obligation of \$184,375, representing 625,000 bonus shares yet to be issued.

For the six-month period ended, the Company granted 6,300,000 stock options, which vested on the date of grant, with a fair value of \$618,284 of which \$608,470 was recorded as share-based compensation and \$9,814 was recorded as share-based compensation within exploration expenditures. The stock options were valued using the Black-Scholes model based on the following assumptions: expected dividend yield 0%, expected volatility of 73.09%, risk-free interest rate of 1.35% and expected life of 2.5 years.

Details of stock options activity during the six-month period ended June 30, 2019 and year ended December 31, 2018 are as follows:

	June 30, 2019		December 31, 2018	
	Number of options outstanding and exercisable	Weighted average exercise price	Number of options outstanding and exercisable	Weighted average exercise price
Opening balance	26,494,278	\$ 0.18	15,494,278	\$ 0.13
Options issued	6,300,000	\$ 0.22	16,450,000	\$ 0.23
Options exercised	(30,000)	\$ 0.10	(1,860,000)	\$ 0.16
Options expired	(23,778)	\$ 0.14	(3,590,000)	\$ 0.16
Closing balance	32,740,500	\$ 0.18	26,494,278	\$ 0.18

The following table summarizes information about the stock options outstanding and exercisable at June 30, 2019:

Number of options outstanding and exercisable	Range of exercise prices of options outstanding and exercisable	Weighted average exercise price of options exercisable	Weighted average remaining contractual life
9,790,500	\$0.10-\$0.15	\$0.10	1.58 years
22,450,000	\$0.22	\$0.22	4.22 years
500,000	\$0.29	\$0.29	2.82 years
32,740,500		\$0.18	3.41 years

Subsequent to June 30, 2019, 516,000 stock options were exercised for proceeds of \$51,600.

## EAST AFRICA METALS INC.

(an exploration stage company)

Notes to the Condensed Interim Consolidated Financial Statements

As at and for the six-month period ended June 30, 2019

Expressed in Canadian dollars, unless otherwise stated

### 9. Share capital (continued)

#### (e) Warrants

On February 28, 2019, the Company completed the first tranche of a private placement and issued 14,651,195 warrants. A value of \$600,711 was allocated to the warrants based on the relative fair values of the common shares and the warrants. The fair value of the warrants was estimated using the Black-Scholes model based on the following assumptions: expected dividend yield of 0%, expected volatility of 100.03%, risk-free rate of 1.78% and expected life of 1.50 year.

On April 11, 2019, the Company completed the second tranche of the private placement and issued additional 1,152,500 warrants. A value of \$44,009 was allocated to the warrants based on the relative fair values of the common shares and the warrants. The fair value of the warrants was estimated using the Black-Scholes model based on the following assumptions: expected dividend yield of 0%, expected volatility of 99.99%, risk-free rate of 1.63% and expected life of 1.50 year.

	Number of warrants outstanding	Weighted average exercise price
Balance, December 31, 2018	3,850,000	\$ 0.45
Private placement	14,543,500	0.30
Finders' warrants	107,695	0.30
Outstanding and exercisable, June 30, 2019	18,501,195	\$ 0.33

The following table summarizes information about the warrants outstanding and exercisable at June 30, 2019:

Warrants outstanding and exercisable	Weighted average exercise price (\$)	Weighted average remaining contractual life	Expiry date
3,850,000	0.45	0.50 years	December 28, 2019
14,651,195	0.30	1.67 years	February 28, 2021
1,152,500	0.30	1.78 years	April 11, 2021
18,501,195	0.33	1.44 years	

### 10. Financial instruments

#### *Fair values*

The Company's financial assets and liabilities are classified based on the lowest level of input significant to the fair value measurement based on the fair value hierarchy. Financial assets and financial liabilities are measured on an ongoing basis at amortized cost. The book values of cash and cash equivalents and accounts receivable are representative of their respective fair values due to the short-term nature of these instruments. The fair values of accounts payable and loan payable may be less than the carrying value as a result of the Company's credit and liquidity risk (See Note 1).

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 three levels of the fair value hierarchy. As at June 30, 2019, the Company did not have any financial assets and liabilities classified within the three levels of the hierarchy.

## EAST AFRICA METALS INC.

(an exploration stage company)

Notes to the Condensed Interim Consolidated Financial Statements

As at and for the six-month period ended June 30, 2019

Expressed in Canadian dollars, unless otherwise stated

---

### 11. Geographical segment information

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

---

	Canada	Tanzania	Ethiopia	Total
For the period ended June 30, 2019				
Net loss	\$ 1,219,856	\$ 132,631	\$ 398,522	\$ 1,751,009
As at June 30, 2019				
Total non-current assets	\$ 634,586	\$ 2,437,119	\$ 18,811,708	\$ 21,883,413

---

### 12. Contingencies

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

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

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