EAST AFRICA METALS INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE AND SIX MONTHS ENDED

JUNE 30, 2014

This Management's Discussion and Analysis ("MD&A") is dated as at August 27, 2014. This MD&A should be read in conjunction with East Africa Metals Inc.'s ("East Africa" or the "Company") unaudited condensed interim consolidated financial statements for the three and six months ended June 30, 2014 ("Q2 2014 and "Fiscal 2014" respectively), and with the Company's audited consolidated financial statements with accompanying notes and related MD&A for the six month transitional fiscal period ended December 31, 2013 ("Fiscal HY 2013"). The Q2 2014 financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* and the Fiscal HY 2013 financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS"). These documents and additional information on the Company are available on SEDAR at www.sedar.com. All dollar amounts are expressed in Canadian dollars except where indicated otherwise.

Cautionary Statement Regarding Forward-Looking Information

This MD&A may contain certain forward-looking statements concerning anticipated development in the Company's operations in future periods, "forward-looking information," within the meaning of applicable Canadian securities legislation. The forward-looking statements are set forth principally under the heading "Outlook" in this MD&A and may include statements regarding exploration results and budgets, mineral resource estimates, work programs, capital expenditures, timelines, strategic plans, market price of commodities or other statements that are not statement of fact. Generally, forward-looking information can be identified by the use of forward-looking terminology such as "anticipate", "believe", "plan", "expect", "intend", "estimate", "forecast", "project", "budget", "schedule", "may", "will", "could", "might", "should" or variations of such words or similar words or expressions. Forward-looking information is based on reasonable assumptions that have been made by the Company as at the date of such information and is subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking information, including but not limited to: risks associated with the integration of Tigray's business with the Company's; risks associated with mineral exploration and development; metal and mineral prices; availability of capital; accuracy of the Company's projections and estimates; realization of mineral resource estimates, interest and exchange rates; competition; stock price fluctuations; availability of drilling equipment and access; actual results of current exploration activities; government regulation; political or economic developments; foreign taxation risks; environmental risks; insurance risks; capital expenditures; operating or technical difficulties in connection with development activities; personnel relations; the speculative nature of strategic metal exploration and development including the risks of contests over title to properties; and changes in project parameters as plans continue to be refined, as well as those risk factors set out in the Company's listing application dated July 8, 2013, and Tigray's Management Information Circular dated March 28, 2014. The estimate of mineral resources may be materially affected by environmental, permitting, legal, title, taxation, sociopolitical, marketing, or other relevant issues. The quantity and grade of reported inferred mineral resources as the estimation is uncertain in nature and there has been insufficient exploration to define these 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 successful integration of Tigray's business with the Company; the price of gold; the demand for gold; the ability to carry on exploration and development activities; the timely receipt of any required approvals; the ability to obtain qualified personnel, equipment and services in a timely and cost-efficient manner; the ability to operate in a safe, efficient and effective manner; and the regulatory framework regarding 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 do so. Accordingly, readers should not place undue reliance on forward-looking information contained herein, except in accordance with applicable securities laws.

Table of Contents

INTRODUCTION..........2
CORPORATE TRANSACTIONS AND OUTLOOK..........2
DESCRIPTION OF THE BUSINESS..........5
HARVEST PROJECT – ETHIOPIA..........5
ADYABO PROJECT - ETHIOPIA..........7

HANDENI PROJECT – TANZANIA 13
MAGAMBAZI INITIAL MINERAL RESOURCE 14
SELECTED CONSOLIDATED FINANCIAL INFORMATION 16
RESULTS OF OPERATIONS 16
LOSS FOR THE SIX MONTHS ENDED JUNE 30, 2014 (FISCAL 2014), COMPARED TO THE SIX MONTHS ENDED JUNE 30, 2013 (FISCAL 2013) 17
LOSS FOR THE THREE MONTHS ENDED JUNE 30, 2014 (Q2 2014), COMPARED TO THE THREE MONTHS ENDED JUNE 30, 2013 (Q4 2013) 18
SUMMARY OF QUARTERLY RESULTS – UNAUDITED 20
LIQUIDITY 20
CAPITAL RESOURCES 20
FINANCIAL INSTRUMENTS 21
TRANSACTIONS WITH RELATED PARTIES 23
CRITICAL ACCOUNTING ESTIMATES 24
CHANGE IN ACCOUNTING POLICES INCLUDING INITIAL ADOPTION 24
INTERNAL CONTROL OVER FINANCIAL REPORTING AND DISCLOSURE CONTROLS AND PROCEDURES 25
RISK FACTORS 25
OTHER MD&A REQUIREMENTS 28
APPROVAL 28

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 3114, 1055 Dunsmuir 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".

On May 7, 2014, East Africa announced that it had completed the acquisition of all of the issued and outstanding common shares (the "Tigray Shares") of Tigray Resources Inc. ("Tigray"), other than the Tigray Shares already held by East Africa, by way of a plan of arrangement (the "Tigray Arrangement") under the Canada Business Corporations Act ("CBCA").

Tigray is a mineral exploration company focused on the identification, acquisition, exploration, and development of base and precious metal resource properties in Ethiopia. Tigray has two projects in Ethiopia, the Harvest Project and the Adyabo Project (together the "Ethiopian Projects").

Refer to the "Corporate Transaction and Outlook" section below for additional information on the Tigray Arrangement. 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.

CORPORATE TRANSACTIONS AND OUTLOOK

Corporate Transaction – East Africa and Tigray

On February 24, 2014, the Company and Tigray jointly announce that they have entered into the Arrangement Agreement pursuant to which East Africa has agreed to acquire all of the issued and outstanding common shares of Tigray (other than the Tigray shares it already owns).

On May 1, 2014, Tigray announced its shareholders voted to approve the Tigray Arrangement under the *Canada Business Corporations Act* with East Africa. The resolution approving the Tigray Arrangement was approved by 99.7% of the votes cast by Tigray's shareholders present in person or represented by proxy at the meeting as well as 99.0% of the votes cast by Tigray's shareholders after excluding Tigray shares held by interested parties which includes shares held by East Africa and its directors and officers, as required pursuant to Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions*.

On May 7, 2014 ("the "Effective Date"), East Africa announced that it had completed the acquisition of the Tigray Shares, other than the Tigray Shares already held by East Africa, by way of a plan of arrangement under the CBCA. Tigray was incorporated on September 23, 2010, under the CBCA. Tigray was formed for the purpose of acquiring Harvest Mining Plc ("Harvest Project") and until June 30, 2011, was a wholly owned subsidiary of Canaco Resources Inc. ("Canaco"), now Orca Gold Inc. ("Orca").

Under the terms of the Tigray Arrangement, East Africa acquired all of the issued and outstanding common shares of Tigray on the basis of 0.55 of an East Africa Share and 0.40 of an East Africa Warrant (the "Exchange Ratio") for each Tigray Share held by Tigray shareholders. Each East Africa Warrant will entitle the holder to purchase one common share of East Africa at a price of $0.23 and is exercisable for a period of three (3) years from the Effective Date. Each issued and outstanding Tigray warrant and option will be exercisable as at and after the Effective Date of the Tigray Arrangement to acquire that number of East Africa Shares as is determined based on the Exchange Ratio and the same terms of an East Africa Warrant, in lieu of receiving Tigray shares, but will otherwise continue to be governed by the same terms and conditions as the original Tigray warrant and option certificate.

The measurement of the consideration is based on an East Africa common share price of $0.13, representing the opening price on the Exchange on May 7, 2014, and that there are 72.2 million Tigray common shares issued and outstanding on closing less 8 million shares representing the Company's initial investment in Tigray. Under IFRS the actual measurement date of the consideration and allocation of the consideration to the identifiable assets and liabilities occurs on the date the consideration is paid and the goods are received.

The fair value of the securities recorded in the Company's financial statements which are included in the consideration is based on:

Description of securities	**Number of securities**		**Fair value**
East Africa common shares issued for outstanding Tigray common shares (a)	35,326,319	$	4,592,421
East Africa Warrants issued for outstanding Tigray common shares (b)	25,691,867		1,311,421
East Africa common shares issuable for outstanding Tigray stock options (c)	2,316,600		86,870
East Africa Warrants issuable for outstanding Tigray stock options (c)	6,683,503		87,280
	70,018,289	$	6,077,992

The fair value of the securities issued or issuable is comprised of:

(a) East Africa Shares issued - 35,326,319 East Africa Shares issued and with a fair value of $4,592,421 based on the opening price of East Africa's share price on May 7, 2014 at $0.13 per share.

(b) East Africa Warrants issued - 25,691,867 East Africa Warrants issued and with a fair value of $1,311,421. The fair value was determined using the Black-Scholes option pricing model based on the following assumptions: expected dividend yield of 0%, expected volatility of 81.81%, risk-free rate of 1.17% and expected life of 3 years.

(c) East Africa Shares and Warrants issuable - 2,316,600 East Africa Shares and 1,684,800 East Africa Warrants are issuable on exercise of the outstanding stock options of Tigray and 4,998,703 East Africa Shares are issuable on exercise of the outstanding share purchase warrants of Tigray. The outstanding Tigray stock options are accounted for under *IFRS 2 Share-based payments* as the stock options have been modified as a result that they are exercisable at the Exchange Ratio of 0.55 for an East Africa Share and 0.40 for an East Africa Warrant. The fair value of Tigray's outstanding stock options of $86,870 and the fair value of the East Africa Warrants of $87,280, issuable on the exercise of Tigray's outstanding stock options, was determined using the Black-Scholes option pricing model based on the following assumptions: stock option exercise price (post Exchange Ratio) $0.19 and Tigray warrant exercise price (post Exchange Ratio) of $0.23 to $0.73, expected dividend yield of 0%, expected volatility of 48.69% to 86.33%, risk-free rate of 1.05% to 1.17%, and expected life of 0.38 years to 3 years.

The fair values are preliminary and have been determined by the management of East Africa for the Tigray Arrangement and are based on the best information management currently has available. Each issued and outstanding Tigray warrant and option will be exercisable as at and after the effective time of the Tigray Arrangement to acquire that number of East Africa shares as is determined based on the Exchange Ratio, in lieu of receiving Tigray shares, but will otherwise continue to be governed by the same terms and conditions as the original Tigray warrant and option certificate.

The total accounting consideration relating to the Tigray Arrangement is summarized below:

Consideration		
Common shares issued	$	4,592,421
Warrants issued		1,311,421
Fair value of Tigray stock options assumed		86,870
Fair value of Tigray warrants assumed		87,280
Fair value of warrants derivative liability assumed		169,260
Fair value of Tigray shares and warrants held		958,667
Loan and interest receivable from Tigray		2,071,893
Fair value of Tigray warrants held in connection with the loan		6,075
Other receivables from Tigray		1,113,054
Transaction costs		356,275
Total consideration	$	10,753,216

The accounting consideration of approximately $10.8 million includes the following estimates, loan and interest receivable of $2.1 million, initial investment in Tigray of $0.9 million, transaction costs of $0.4 million, receivable for services and goods provided to Tigray of $1.1 million, derivative liability of $0.2 million and the fair value of securities issued or issuable of $6.1 million. The loan and interest receivable, the initial investment in Tigray and the receivable for services and goods provided to Tigray have been included in the consideration to reflect pre-existing relationship transactions between the two companies.

For the shares and warrants issued or issuable for each Tigray common shares, outstanding options and outstanding warrants were valued at the date of the acquisition, using the Black-Scholes model based on the following assumptions:

	Warrants	**Options**
Expected life	0.38 – 3.0 years	1.59 years
Volatility	48.69 – 89.33 %	86.33 %
Dividend yield	--	--
Risk free rate	1.05 – 1.17 %	1.05%

For further details of the Tigray Arrangement, please see Tigray's management information circular dated March 28, 2014, and East Africa news release on May 7, 2014, each of which is available on SEDAR at www.sedar.com.

For accounting purposes, Tigray is not considered as a business under IFRS 3 "Business Combinations" as at the time of the acquisition it is not capable of generating outputs that can provide a return to East Africa. As a result, the Tigray Arrangement has been accounted for as an asset acquisition.

The preliminary allocation of the consideration to the assets and liabilities acquired is as follows:

Allocation of assets and liabilities		**CAD**
Current assets	$	521,329
Mineral property interests		14,527,698
Property and equipment		215,939
Current liabilities		(212,713)
Non-controlling interest		(4,299,037)
	$	10,753,216

Corporate Transaction – Canaco Resources Inc. and Shark Minerals Inc. ("Shark")

On April 4, 2013, Canaco closed a share purchase agreement between Canaco, Shark and the shareholders of Shark dated December 14, 2012. Under the agreement Canaco acquired all of the outstanding common shares of Shark in exchange for the issuance of 118,584,735 of its common shares (the "Shark Arrangement"). In connection with the Shark Arrangement and effective on April 4, 2013, Canaco also completed a share consolidation (the "Consolidation") on the basis of one (1) new share for three (3) existing shares and changed its name to Orca Gold Inc. ("Orca").

Immediately prior to the Shark Arrangement and Consolidation, Canaco completed a spinout transaction (the "Spinout") by way of a plan of arrangement whereby Canaco (a) transferred all of its assets other than certain assets and $60,000,000 in cash, and certain liabilities as defined in the agreement, to East Africa and (b) distributed all of the shares of East Africa to the shareholders of Canaco immediately prior to giving effect to the Shark Arrangement on the basis of one (1) East Africa share for every three (3) pre-Consolidation Canaco shares held by shareholders as of the effective date of the Spinout.

DESCRIPTION OF THE BUSINESS

East Africa is a mineral exploration company focused on the identification, acquisition, exploration, and development of base and precious metal resource properties in Ethiopia and Tanzania. East Africa's major mineral properties consist of include the Harvest Project and the Adyabo Project in Ethiopia, and the Handeni Project in Tanzania.

Ethiopia

Ethiopia is located in northeast Africa, in the region termed the Horn of Africa. The country is landlocked and is comprised topographically of predominantly high plateaux. The population is diverse in terms of languages spoken and religious beliefs. Ethiopia has steadily improved in economic development since 2002 according to The Economist magazine's website. In November 2013, The Economist publication "The World in 2014" forecasts growth in Ethiopia for 2014 to be an estimated 6.7%. New mining regulations were issued in 1993 with the purpose of promoting the exploration and development of Ethiopia's natural resources. The proclamations allow for business incentives that include security of tenure, the right to sell minerals, preferential duty and tax provisions on equipment and machinery, a 5-8 % production royalty (revised in Proclamation 678/2010), a 25% income tax on taxable income, and a structuring to allow for repatriation of profits. The Company currently has interests in two areas in Ethiopia, the Harvest Project and the Adyabo Project. The Harvest Project and Adyabo Project have a combined total of approximately 467 square kilometres.

Where applicable, information within this MD&A which pertains to the Harvest and Adyabo projects may reference work performed by Tigray before the completion of the Tigray Arrangement on May 7, 2014. References to news releases before May 7, 2014, can be found on the Company's website at www.eastafricametals.com.

HARVEST PROJECT – ETHIOPIA

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

Harvest Project is located 600 kilometres north of Ethiopia's capital city of Addis Ababa. It is located in the highly prospective Asmara Mineral Belt in the southern part of the Arabian Nubian Shield (ANS), 90 to 140 kilometres southwest of the Debarwa and Emba Derho volcanogenic massive sulphide (VMS) discoveries in Eritrea and SE of the Bisha deposit. Bisha is now a producing gold-copper-zinc-silver mine with over 25 million tonnes at 1% copper and 0.7 grams per tonne gold of ore in reserves. Vein-related gold deposits are also typical of the ANS, including the giant >13 million ounce Sukari deposit in Egypt, the one million ounce gold discovery at Koka-Zara in central Eritrea and the approx. 140,000 ounce per year gold producer at Lega Dembi in southern Ethiopia.

The Harvest project comprises four exploration concessions - Nefasit, Hamlo, Terakimti, and Igub - covering approximately 116 square kilometres, located in the Arabian Nubian Shield in Northern Ethiopia. The Harvest concessions have the potential to host a gold-enriched, polymetallic volcanogenic massive sulphide ("VMS") deposit beneath gold-rich gossans previously identified by surface trenching, in addition to orogenic Au deposits.

Terakimti Initial Mineral Resource

On January 27, 2014, Tigray announced its initial National Instrument 43-101 Standards of Disclosure for Mineral Projects ("NI 43-101") compliant gold, copper, silver and zinc mineral resource estimate for the Terakimti area of its Harvest project in Ethiopia. This mineral resource estimate is contained within the first prospect discovered at the Harvest Project in 2009 and incorporates 16,495 metres of drilling in 79 diamond drill holes. Terakimti is defined at surface by a 800 metre surface NE-SW gossan expression, with the mineralized deposit dipping steeply to the southeast, plunging moderately northeast, and remaining open to extension down plunge at depth. The deposit is located within 7 kilometres of both a paved highway, and the high-voltage power grid line.

Tigray has now drill tested another six prospects through 4,316 metres of drilling which are not included in this initial mineral resource estimate. This testing continues in the present drill program with drilling at three priority target areas at both the Harvest and Adyabo projects (*see the Company's news release dated December 4, 2013*).

The Terakimti deposit is the most advanced prospect on the Harvest Project and Table 1 below summarizes the classification of the mineral resource estimate.

Table 1 Mineral Resource Estimate

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

The mineral resource estimate effective January 17, 2014, was completed by David Thomas, P. Geo, of Fladgate Exploration Consulting Corporation, who is an independent "qualified person" under NI 43-101. For further information on mineral resource estimation methodology, data validation, and quality control refer to the Company's news release dated January 27, 2014, available on the Company's website at www.eastafricametals.com.

Open Pit Economics Sensitivity Analysis

A low sensitivity and a three year average price comparison on open pit economics was also conducted, to assess project potential and risk due to commodity price fluctuation. From these scenarios outlined in Table 2, the project illustrates consistency in metal content as prices decrease, and show upside potential in pit expansion to depth, as prices increase. Table 2 summarizes the open pit economics sensitivity analysis.

Table 2 Open Pit Economics Sensitivity Analysis

Open Pit Total Tonnage and Metal Sensitivity	%Tonnes	Cu Metal	Au Metal	Ag Metal	Zn Metal
Low Case	-2.9%	-0.7%	-0.9%	-0.8%	-1.4%
Base Case	0.0%	0.0%	0.0%	0.0%	0.0%
Optimistic (3yr avg)	16.4%	7.1%	9.5%	11.3%	21.6%

Low Case - – Cu $3.20/lb, Au $1250/oz, Ag $20/oz, Zn $0.80/lb
Base Case – Cu $3.50/lb, Au $1400/oz, Ag $25/oz, Zn $0.90/lb
3 year average – Cu $3.60/lb, Au $1548/oz, Ag $29.90/oz, Zn $0.90/lb

Metallurgy

Metallurgical work is considered preliminary in nature and is on-going. A total of 16 composite samples were designed for testing at the Blue Coast Research metallurgical facility in Parksville, BC. These composites were formed from ¼” diamond core from 28 separate drill holes, profiling representation from gold enriched oxide mineralization, copper enriched supergene mineralization, and copper-zinc primary mineralization. Oxide mineralization has been shown to be amenable to conventional leaching, with initial South and North Oxide zone composites illustrating 100 micron grind gold recoveries of 75-80%, and coarser size heap leach type material would be slightly lower at 71-75%. Additional test work, engineering, and trade-off studies would be required to establish the most attractive economic option.

Copper enriched supergene mineralization, derived from the combination of several composite samples, provided provisional Locked Cycle Test results with high copper recoveries of 90% and a concentrate grade of 25%. Locked Cycle Testing on a single composite sample of primary sulfide mineralization resulted in 89% copper recovery being achieved at a 25% concentrate grade, with 86% zinc recovery to a separate concentrate grading 60% zinc. Both concentrates contain gold and silver credits with the potential to prove attractive in a marketing context. One composite test conducted on transition mineralization did not respond favourably to initial conventional floatation, and will require additional review.

The metallurgical work conducted to date is considered very preliminary, and more comprehensive work will also follow more detailed drill testing and sampling.

Path Forward

At Terakimti, additional drilling is planned to upgrade the resource through detail infill test work on the existing resource for improved definition of the deposit. Particular emphasis will be placed on oxide definition and characterization. In addition, continued exploration work will target the prioritized additional satellite VMS and gold prospects discovered on the Harvest project. The expected timeframe for this drill programme to commence is during Q4 2014.

VTEM09

The VTEM09 airborne EM anomaly is located on the Terakimti concession approximately five kilometres east-northeast of Terakimti, and comprises a strong bedrock conductor over 200 metres in strike length hosting several malachite-rich gossan outcrops (*refer to the Company’s news release dated October 16, 2012*).

Four trenches (up to 1.5 metres deep and 103 metres long) were originally completed over 160 metres of strike length in late 2012. Assays from continuous channel sampling of 40-metre spaced trenches across the VTEM09 airborne electromagnetic (EM) anomaly on the Harvest project have yielded the following gold bearing intercepts, from northeast to southwest:

- Trench 02 - 10 metres at 3.85 grams per tonne gold, 26 grams per tonne silver, 0.84% copper and 0.67% lead, including 5 metres at 7.27 grams per tonne gold, 45 grams per tonne silver, 0.65% copper and 1.14% lead. This intercept is within a broad copper-rich zone averaging 74.85 metres at 0.43% copper;
- Trench 03 - 2 metres at 9.58 grams per tonne gold, 161 grams per tonne silver, 0.21% copper and 0.78% lead.

Subsequent to trenching, a single diamond drill hole was completed on the VTEM09 VMS prospect, and confirms the third significant VMS discovery at Harvest. The preliminary drill results include 10.69 metres grading 3.47% copper, 4.2 grams per tonne gold, 3.69% zinc, and 91 grams per tonne silver from 19.81 metres, including 3.06 metres grading 5.75% copper, 8.00 grams per tonne gold, 0.70% zinc, and 107 grams per tonne silver. Additional drilling is required to test this prospect along strike, down dip and down plunge. *(Refer to the Company’s news release dated July 23, 2013).*

ADYABO PROJECT - ETHIOPIA

On November 1, 2012, Tigray completed the first stage of a three-year option agreement to acquire up to an 80% interest in the Adi Dairo and West Shire concessions, to be called the Adyabo Project, from an arm’s-length party. The concessions are located adjacent to Tigray’s Harvest Project in Ethiopia covering approximately 312 square kilometres. Under the terms of the agreement, Tigray, through TRI PLC, has the option to acquire up to an undivided 80% interest in the two concessions in two phases, allowing Tigray a period of time to conduct exploration to develop a comprehensive assessment of the mineral potential of the properties. The first phase will allow Tigray to earn a 55% interest in exchange for (a) a payment of $300,000 in cash (paid) and the issuance of 300,000 common shares (issued), on the date of receipt of the Exchange's approval; and (b) a payment of $300,000 in cash (paid) and the issuance of 300,000 common shares to be made on November 1, 2013 (issued). Subsequent to the Tigray Arrangement, East Africa may earn an additional 25% interest in the second phase of the agreement in exchange for (a) a payment of $300,000 in cash and the issuance of 500,000 East Africa Shares and 400,000 East Africa Warrants on November 1, 2014 and (b) the issuance of 550,000 East Africa Shares and 400,000 East Africa Warrants on November 1, 2015. Furthermore, on receipt of a positive feasibility study, East Africa will issue 550,000 East Africa Shares and 400,000 East Africa Warrants to the optionor, and on commencement of commercial production, the Company will issue 275,000 East Africa Shares and 200,000 East Africa Warrants to the optionor. The optionor may elect to convert the remaining 20% interest into a 2.0% net smelter royalty ("NSR") and the Company will have the option to buy back 1.0% of the NSR for a cash payment of $5,000,000.

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

Adyabo is located in the locally underexplored area of the Arabian Nubian Shield. The geology of the project area includes variably sheared and deformed mafic and ultramafic rocks intruded by multiple generations of gabbro, pyroxenite, granite and granodiorite. Large shear zones contain several bedrock gold workings. Previous work on the concessions included stream sediment sampling, 300-metre spaced airborne electromagnetic and magnetic surveys, traverse rock-chip sampling, and reconnaissance mapping. During due diligence on the properties, the Tigray reviewed the geology of several sections of the project including Mato Bula, Sentraley and Adi Gozomo, the highlight being Mato Bula.

<u>Mato Bula</u>

Mato Bula is a 2.1-kilometre long gold and base metal soil anomaly with numerous deep artisanal gold workings at its centre, multiple high-grade gold assays from rock chip and channel samples, large zones of silicified rocks forming two large silica-rich hills (alteration, silcrete formation due to weathering, or a siliceous cap over an intrusive system) and several zones of malachite-rich gossan and breccia. Extensive active artisanal gold bedrock workings are present over a strike-length of 500 metres with several shafts up to 45 metres deep. During early reconnaissance a total of ten rock-chip samples were selected from mineralized faces and artisanal spoil heaps. These samples average 37 grams per tonne gold with five samples greater than 50 grams per tonne gold. Samples range between 100 and 1.37 grams per tonne gold. A total of 11 unbiased samples from artisanal miners' waste dumps (spoil heaps) over a 180-metre strike length at the centre of the artisanal workings averaged 20.8 grams per tonne gold, with nine samples grading more than 11.6 grams per tonne gold and two samples grading 0.12 and 2.4 grams per tonne gold, respectively.

Soil sampling over the area was conducted on a 40-by-40 metre grid to accurately define targets and identify multi-element associations. A 1.7-kilometre long anomaly of more than 100 parts-per-billion gold was defined and a second zone in the north increases the length of the target to 2.1-kilometres. The gold anomaly includes a zoned copper-lead-zinc-molybdenum-barium soil anomaly, with multiple values of copper, lead and zinc over 0.1% in soils and peak results of 9,724 parts per million copper, 8,087 parts per million zinc, 1,363 parts per million lead, 23 parts per million molybdenum, 73 parts per million arsenic, 2.8% barium and 1,134 parts per million tungsten were identified by Niton XRF results.

Previous continuous channel sampling in a few accessible areas around the main workings over a 180-metre strike length gave the following peak results:

- 4 metres at 6.70 grams per tonne gold (terminated in mineralization both sides) in a four-metre channel at crest of Mato Bula;
- 4 metres at 5.71 grams per tonne gold (terminated in mineralization both sides) from a four-metre channel on a buttress between two lines of deep workings where the mineralized zone is a minimum of 12 metres true width;
- 4 metres at 4.87 grams per tonne gold from a four-metre channel across the centre of the southern part of the workings;

- 2 metres at 4.53 grams per tonne gold from a two-metre channel across a minor pit at the south end of the artisanal workings.

During 2012 four grab samples from areas of limited outcrop between 80 and 120 metres southwest of the end of the workings yielded values of 40.7 grams per tonne gold, 19.9 grams per tonne gold, 5.27 grams per tonne gold and 0.12 grams per tonne gold. From existing data, the primary high-grade gold target thus far defined by high-grade rock chip samples is 350 metres long within the overall target zone of 2.1-kilometres strike length.

Significant alteration associated with the hosting mafic shear zone and associated quartz veins include abundant sulfide and gossan, silica, sericite and carbonate alteration. Two large silica hills are present northeast of the main gold workings (600 by 250 metres at Silica Hill and 220 by 120 metres at Mato Bula North). The silica hills are zoned, with gold and molybdenum anomalism over the silica zones and copper, lead and zinc surrounding, abutting, and partially overlapping the silica hills. Base metal enriched jasperoid zones are also present. The assemblage has signatures reflective of a VMS type mineralized system, with a possible high-grade gold component. If the silica hills are caps over mineralized intrusions (i.e. porphyry), there is also potential for skarn type mineralization as several limestone outcrops have been mapped in the vicinity.

Continuous channel sampling of 12 exploration trenches from 1.0 to 1.5 metres deep were completed in August-September 2012 for a total of 654 metres to test along strike and stratigraphically above and below the Central Lode of the main workings in areas of poor outcrop *(Refer to the Company's news release dated January 24, 2013)*. Three gold-bearing lode horizons have now been identified over 90 metres in width, including the Central Lode (main gold workings are focused on this), the Upper Lode, which is 20 to 33 metres west of the Central Lode, and the Lower Lode, which is 50 metres east of the main workings. Results include, from southwest to northeast:

- Trench 03 - 10 metres at 1.68 grams per tonne gold from the Upper Lode and 8 metres at 1.23 grams per tonne gold from the Central Lode (110 metres west-southwest of the main gold workings);
- Trench 06 - 20 metres at 0.66 grams per tonne gold from the Upper Lode and 11 metres at 1.19 grams per tonne gold from the Central Lode (west-southwest end of main gold workings);
- Trench 02 - 10 metres at 1.94 grams per tonne gold (Upper Lode) 27 metres west of the main stope in the Central Lode;
- Trench 01 - 1 metre at 2.81 grams per tonne gold (edge of Central Lode open into stopes to east);
- Trench 07 - 51 metres east of Central Lode - 11 metres at 3.31 grams per tonne gold in the Lower Lode; and
- Trench 12 - 7 metres at 0.7 grams per tonne gold in Lower Lode.

Significant copper was intersected at Mato Bula North, where trench 08 intersected nine metres at 0.87% copper including two metres at 1.83% copper, remaining open to the west.

Tigray completed a Phase One Drill program on two identified key prioritized areas, Mato Bula and Mato Bula North, and also completed channel sampling at Da Tambuk. Five diamond drill holes at the Mato Bula Prospect tested approximately 500 metres of strike and one drill hole tested the Mato Bula North Prospect situated one kilometre to the northeast of the Mato Bula Prospect. Encouraging geochemical results for Da Tambuk (trench sampling of 4metres @ 14.53g/t Au), approximately 3km along strike of the Mato Bula North Prospect, advance the prospectivity of this new emerging target. *(Refer to the Company's news release dated July 16, 2013).*

Assay results from the Phase One Drill Program include:

<u>Mato Bula Upper Lode</u>

- 12.28 metres grading 12.25 grams per tonne gold and 0.30% copper from 86.2 metres, including 5.29 metres grading 22.33 grams per tonne gold and 0.30% Cu;
- 8.20 metres grading 4.90 grams per tonne gold and 0.73% copper from 127.10 metres, including 5.75 metres grading 6.40 grams per tonne gold and 0.94% Cu.

Mato Bula Main Lode

- 17.57 metres grading 4.20 grams per tonne gold and 1.05% copper from 56.05 metres;
- 6.61 metres grading 5.30 grams per tonne gold and 0.26% copper, from 82.48 metres;
- 13.51 metres grading 15.15 grams per tonne gold and 0.06% copper, including 0.70 metres grading 284.50 grams per tonne gold and 0.04% Cu, from 53.31 metres;
- 5.00 metres grading 8.77 grams per tonne gold and 0.92% copper, including 3.00 metres grading 12.84 grams per tonne gold and 1.36% Cu, from 92.14 metres;
- 3.10 metres grading 4.25 grams per tonne gold and 1.10 % copper, from 124.90 metres.

The high-grade gold mineralization at Mato Bula is associated with chalcopyrite-rich quartz veins hosted within a silica-sericite-chlorite-pyrite alteration zone. More recent rock chip and trench sampling at Mato Bula delineated a well-defined surface target over 800 metres long including three gold-bearing mineralized lodes *(refer to the Company's news release dated January 24th, 2013)*, within a 2km long geochemical Cu-Au anomalous zone. The lodes from NW to SE comprise the Upper Lode, the Main Lode (main gold artisanal workings) and the Lower Lode, defining a 70 metres to 85 metres wide target zone. The five initial holes at Mato Bula tested part of this target, between 35 metres and 120 metres below surface on five drill sections spaced at 60 metres to 220 metres apart, with best grade mineralization beneath the base of oxidation.

It is significant to note that the thickest high grade intercepts from the initial drilling at Mato Bula are on the most southerly and northerly of the five sections drilled and thus the target is open in all directions. Further diamond drilling is required to test this Au mineralization along strike, down plunge and down dip.

Although exploration is at an early stage, the geological setting with volcanic and volcaniclastic rocks and associated chert and limestone, the associated schistose sericite-chlorite alteration assemblages, and both high-grade gold with lesser, but significant, copper, and thicker zones of lower-grade copper-gold mineralization suggest that this is a deposit style or variant not previously discovered in the Arabian-Nubian Shield in Northern Ethiopia. The Mato Bula prospect occurs in a province in which there are known VMS deposits, and there are both Zn-Pb soil anomalies and barite horizons defined in the vicinity. A diamond drill program totalling 2700 metres will be undertaken to expand upon the discovery at Mato Bula *(refer to the Company's news release dated July 16, 2013)*, and to follow up on other recent exploration success. An extended version of this program was completed in late June, 2014 (partial results below in Phase 2), with final assay results pending.

More recently, geological work and review on the property has identified a porphyry related copper-gold association along the trend with associated intense phyllic alteration (pyrite-sericite-silica alteration), along the mineralized corridor. The Mato Bula Trend has been extended to 8 kilometres long with the recent definition of a 1.4 kilometre long copper anomaly (>200ppm copper) at Adi Nigisti associated with sulfidic porphyry and copper-rich gossan.

The follow-up program of an initial six additional holes (WMD007 to 012) has been completed, totalling 1,117 metres. Drilling on 80 metre sections targeted extensions to mineralization defined during the Phase 1 diamond drilling campaign (WMD002 to 006). This drilling has extended mineralization to depth over 150 vertical metres below surface, and to 80 metres extensions at both the northern and southern extents of existing drill intersections. The eleven diamond drill holes reported to date have now tested the system over a 640 metre strike length The next drill testing has been prioritized to continued testing of the high grade vein-style gold targets, where 80 x 80 metre step out drilling at Mato Bula is aimed at an increase in the size and definition of the entire mineralization envelope.

Highlights include;

- Section 19880N - WMD007 drilled 100 vertical metres down dip of mineralization intersected in WMD006 (12.28 metres grading 12.25 grams per tonne gold and 0.30% copper - *refer to the Company's news release dated July 16, 2013*) at Silica Hill, and intersected 28.20 metres at 8.50 grams per tonne gold and 0.24 percent copper including 17.55 metres at 13.18 grams per tonne gold and 0.27 percent copper, from 179.75 metres drill depth.

- Section 19960N - WMD009 drilled 80 metres grid north of WMD006 and 007, and intersected 14.87 metres at 4.49 grams per tonne gold and 0.04 percent copper including 7.90 metres at 7.95 grams per tonne gold and 0.05 percent copper, from 164.20 metres drill depth.
- Section 19400N - WMD012 drilled the depth extension to previous mineralization at Mato Bula South (WMD004), and intersected 12.98 metres at 4.40 grams per tonne gold and 0.87 percent copper from 105.62 metres drill depth.
- Section 19320N - WMD011 drilled 80 metres south of previous drilling at Mato Bula South (WMD004), and intersected 13.98 metres at 2.28 grams per tonne gold and 0.74 percent copper including 5.43 metres at 4.88 grams per tonne gold and 0.82 percent copper, from 126.25 metres drill depth.

At Silica Hill, Upper Lode mineralization and alteration is now defined to 150 metres vertical depth below surface, remains open at depth, and has been defined on two sections 80 metres apart. The tenor (gram-metres) of Upper Lode mineralization and intensity and volume of alteration increases to depth on both sections. Step out drilling, along strike to both the north and south at Silica Hill, has now been completed, with results anticipated in Q3 2014.

Mato Bula North

Mato Bula North is a 200 metre long malachite-rich silica alteration zone (hill) with abundant copper-rich porphyry dikes, and adjacent gold surface targets as defined by soil geochemistry. Significant copper was previously defined at Mato Bula North where Trench 08 chip samples returned nine metres at 0.87% copper (remaining open to the west). Drilling has defined disseminated, stringer, vein and massive sulphide vein style Cu-Au mineralization associated with very intense silica alteration. Drillhole WMD001 has tested part of the target, but the drillhole required abandonment short of the planned 145 metre final depth. It is interpreted that the hole did not fully test the entire target, as defined from surface showings. Drill results include 17.35 metres grading 1.65% copper, 0.40 grams tonne gold, including 11.55 metres grading 2.05 % copper and 0.47 grams per tonne gold, from 53.80 metres. (*Refer to the Company's news release dated July 16, 2013*).

Mato Bula South

At Mato Bula South, Phase 2 drilling has extended the mineralization at depth and 80 metres south of previous drilling.

Both Silica Hill and Mato Bula South are part of the Mato Bula Trend, a mineralized corridor now defined over 8 kilometres in strike length. Gold-copper mineralization is interpreted to be part of a VMS, submarine porphyry style related Cu-Au system, exhibiting high-grade Au-Cu quartz veins and possible replacement styles of mineralization.

A drill program has been conducted on infill and extension holes to the initial 12 holes drilled. Analyses are pending

Da Tambuk

This prospect was initially defined by a gold soil anomaly located approximately four kilometres north-northeast along strike of Mato Bula. The anomaly comprises a one kilometre long by approximately 100 metre wide high-order (>100 parts per billion gold) soil gold signature, with a peak soil value of >5,000 parts per billion gold (five grams per tonne gold) and eight samples grading >0.5 grams per tonne gold in soil. Numerous zones of silicic alteration and sulfide mineralization are associated with the target. Associated anomalous elements in soil sampling include silver (peak value of 3.45 parts per million silver), several >0.25 grams per tonne silver values, and lower-order lead and molybdenum anomalies.

Rock chip results from 15 grab samples over 1.4 kilometres in strike length over Da Tambuk include peak results of 2.61 grams per tonne gold and 0.63 grams per tonne gold, with weakly elevated lead (peak of 0.21% lead) and copper (peak of 650 parts per million copper).

Infill soil sampling results and channel sampling from two trenches for Da Tambuk were received (*refer to the Company's news release dated January 24th, 2013, for previous results).* Soil sampling at 40 metres x 40 metres has highlighted a 1.5km long >50ppb gold anomaly over an intense sericite alteration zone with variable silica alteration and zones of sulphide. Trenching over the northern end of the soil anomaly has encountered 16 metres @

3.95 g/t Au (Trench ADT004 with 2 metres continuous rock chip channel sampling), including 4 metres @ 14.53 g/t Au. Multiple trenches over the target have now been completed.

Planned first pass drilling over 240 metres strike at Da Tambuk has tested the down dip extent of surface gold mineralization (trench sampling at Da Tambuk revealed 4 metres at 14.53 grams per tonne gold - *refer to the Company's news release dated July 16, 2013*).

A four hole test yielded best results of 12.00 metres at 17.34 grams per tonne gold and 0.32 percent copper from 52.75 metres drill depth (*refer to the Company's news release dated March 11, 2014*).

A drill program has been conducted with extension holes to the initial 4 holes drilled. Analyses are pending

Adi Gozomo

The Adi Gozomo artisanal gold workings occur in an altered and quartz-veined granodiorite intrusion, within a zone of sheared ultramafic rocks. The workings are 120 metres long, up to 27 metres wide and are focussed on cubic pyritic mineralization possibly associated with stockwork to sheeted quartz veins in a granodiorite intrusion (dyke or series of dykes). Pyritic granodiorite is present over a 330 metre strike length, with half the trend under cover (farmland and alluvium). Results include an assay up to 67.6 grams per tonne gold from selected sampling of pyrite-rich mineralization. Channel samples along the western wall of the biggest pit assayed 13 metres at 1.32 grams per tonne gold, including 4 metres at 3.43 grams per tonne gold and open to the north. Soil sampling results have highlighted an anomaly over 420 metres long at more than 50 parts per billion gold.

A second and larger soil anomaly is present on the eastern edge of the 40 by 40 metre soil sampling grid at Adi Gozomo. The anomaly, at greater than 100 parts per billion gold, is approximately one kilometre long and is associated with a low ridge covered in colluvium and sourcing minor alluvial workings. Two low hills of massive quartz-tourmalinite are located on the edge of this anomaly.

One short diamond drillhole was targeted below the main artisanal workings, and encountered gold mineralization associated with the upper contact of a granodiorite hosted within mafic volcanic rocks. Drill results include 7.5 metres grading 2.04 grams per tonne gold from 15.1metres. As the results to date indicate that gold mineralization appears directly proportional to the amount of pyrite present, additional ground exploration will be required prior to further drill testing at Adi Gozomo. *(Refer to the Company's news release dated July 23, 2013).*

Path Forward

Additional drill testing at Mato Bula and Da Tambuk are scheduled for Q4 2014, in addition to initial drill testing of the Hanbassa and Magnae Andi prospects.

Quality Control

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

Diamond drill core and rock samples have undergone preliminary preparation at the Acme Laboratories facility in Ankara, Turkey and are crushed to 80% passing 10-mesh and pulverized to 85% passing 200-mesh (Acme R200-1000 package, now PRP70-1KG). Analyses are conducted at Acme Laboratories in Vancouver, Canada, utilizing Aqua Regia digestion and ICP-ES. Precious metal analyses are conducted via Fire Assay Fusion with AA finish, and gravimetric analyses for over-limit samples. Blanks and certified reference standards are inserted into the sample stream to monitor laboratory performance.

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

HANDENI PROJECT – TANZANIA

East Africa is focused on mineral exploration in the Handeni gold district in eastern Tanzania. One of the Company's key properties is Handeni, located 160 kilometres northwest of Dar es Salaam and 35 kilometres south of the town of Handeni. Additional preliminary exploration is being conducted on peripheral properties to Handeni. Work conducted on peripheral properties includes geological mapping, soil sampling, and localized trenching.

Pursuant to the Shark Arrangement, Canaco spun-out its mineral property interests to East Africa, including its material property Handeni. The Handeni property consists of two contiguous mineral tenures totalling approximately 97 square kilometres: the 100%-owned Kilindi property (96.92 square kilometres) and the Magambazi property (0.34 square kilometres), in which Canaco is earning a 100% interest. The Magambazi property is owned 100% by Denwill Mining Services Ltd. ("Denwill"), a structured entity, and East Africa has an option agreement to acquire a 100% interest upon payment of $40,000. Denwill acquired the Magambazi property by payment of US$1,800,000, and granted the vendors a 2.0% NSR royalty.

Where applicable, information within this MD&A which pertains to the Handeni property may reference work performed by Canaco before the Shark Arrangement and the subsequent transfer of the Handeni property to East Africa on April 4, 2013.

East Africa Recognized for Corporate Social Responsibility and Environmental Programs in Tanzania

On September 24, 2013, the Company announced that its wholly owned Tanzanian subsidiary, Canaco Tanzania Limited ("CTL"), was the recipient of the 2012 Presidential Award on Corporate Social Responsibility and Empowerment. The award was organized by the Tanzanian Ministry of Energy and Minerals through the Extractive Industry Stakeholders Forum ("EISF").

In addition to the Presidential Award, CTL was also the recipient of numerous other awards for exploration companies, including:

- First Place for Corporate Social Responsibility and Empowerment ("CSRE"),
- First Place for Empowerment programs for the Communities in the CSRE,
- First Place for Procurement programs for the Communities in the CSRE,
- First Place for Water programs for the Communities in the CSRE,
- Second Place for Education programs for the Communities in the CSRE,
- Second Place for Employment programs for the Communities in the CSRE, and
- Second Place for Infrastructure development for the Communities in the CSRE.

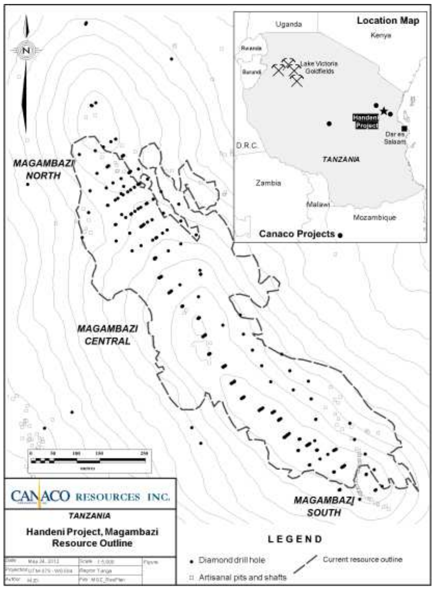
Additional information about the EISF can be found online at http://eisftz.org. For further details refer to the Company's September 24, 2013, news release.

Magambazi Property

Magambazi Drill Program

The Handeni gold district consists of numerous gold-bearing zones defined by artisanal workings over a 15-kilometre trend, highlighted by the Magambazi discovery. The Magambazi, Magambazi Central and Magambazi North prospects form a 1.4-kilometre long trend of gold mineralization defined by soil geochemical anomalies and artisanal mine workings. This trend represents a segment of the total 15 kilometres of gold occurrences and anomalous gold geochemistry known to be contained within the Handeni project area. Figure 1 illustrates the extent and distribution of drilling in the Magambazi area.

Figure 1- Extent of Magambazi Exploration Drilling



MAGAMBAZI INITIAL MINERAL RESOURCE

On May 15, 2012, Canaco published an initial mineral resource estimate for the Magambazi area of its Handeni project in Tanzania. Using a cut-off grade of 0.5 grams per tonne gold, Magambazi is estimated to contain an indicated mineral resource of 15.2 million tonnes grading 1.48 grams per tonne gold and containing 721,300 ounces of gold, as well as an inferred mineral resource estimate of 6.7 million tonnes grading 1.36 grams per tonne gold and 292,400 ounces of gold.

Table 1 below summarizes the classification of mineral resources within the mineral resource block model.

Table 1 – Initial Magambazi Mineral Resource Estimate Summary – May 2012

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

Note: Quantities are estimated using a cut-off grade of 0.5 grams per tonne gold, a gold price of US$1,250 per ounce, and data from 102,600 metres of diamond drilling in 397 holes.

Table 2 below presents a summary of the estimated mineral resource for a range of cut-off grades.

Table 2 - Cut-off Grade Sensitivities

	Indicated			Inferred		
Cut-off grade (grams/tonne gold)	*Tonnes (000s)*	*Average grade (grams/tonne gold)*	*Contained gold (ounces)*	*Tonnes (000s)*	*Average grade (grams/tonne gold)*	*Contained gold (ounces)*
0.3	19,685	1.23	777,500	9,256	1.09	324,500
0.4	17,218	1.36	750,300	7,831	1.23	308,800
0.5	**15,186**	**1.48**	**721,300**	**6,683**	**1.36**	**292,400**
0.6	13,392	1.60	689,900	5,593	1.52	273,400
0.7	11,884	1.72	658,700	4,791	1.67	256,800
1.0	8,593	2.07	570,600	3,058	2.14	210,700

For information on mineral resource estimation methodology, data validation, and quality control refer to the Company's website at www.eastafricametals.com.

Agreement for Development of Magambazi

The Company continues to advance discussions with interested parties with the objective of identifying a development partner to joint venture or purchase the Magambazi property. To date, a number of parties have been identified and due diligence has been completed, including site visits, and ongoing discussions continue regarding the terms of a potential development partnership.

In the event that partnership discussions do not lead to a sale or joint venture of the Magambazi property, the Company expects to initiate a review of the mineral resource estimate and conceptual mine plans in an effort to find opportunities to enhance the potential project economics. This review is expected to include a re-evaluation of the mineral resource based on selective mining of the high-grade core of the Magambazi property. The process would refine the current block model utilizing existing data which the Company expects will more precisely delineate continuous, high-grade mineralized zones within the mineral resource area and produce a mineral resource estimate for selective mine planning, which the Company hopes will give it an edge to re-engage in partnership discussions to develop the Magambazi property. For further details refer to the Company's January 25, 2014, news release.

Mining Licence

Prior to the Shark Arrangement, Canaco received an Environmental Impact Assessment ("EIA") certificate from the Tanzanian government for the entire Handeni property, including the Magambazi property area. This achievement was the culmination of a two-year process involving environmental studies, ministerial reviews and public hearings. The receipt of the EIA certificate was the first step in the mine permitting process and a prerequisite for a Tanzanian mining licence which was received on November 16, 2012. The mining licence is related to the four primary mining licences ("PMLs") that cover 29.6 hectares. The Magambazi property includes a portion of the Handeni project. East Africa will now focus on the submission of an application to expand the mining licence to cover the entire property area. For further details on the expansion of the mining licence refer to the Company's January 25, 2014, news release.

Current objectives of the Company are to:

1. Additional drilling to upgrade the Terakimti resource through extension and infill drilling, with the purpose of improving definition of the deposit and acquire more information on metal zonation. Particular emphasis will be placed on oxide definition;
2. Advance work on assessing oxide mineralization established from Terakimti resource.
3. Confirm and extend dip and plunge continuity of known mineralization at VTEM09.
4. Drill test key new targets discovered on the Adyabo property;
5. Follow-up qualification of additional base and precious metal soil anomalies, and rank for potential drill testing;
6. Assess new potential exploration opportunities in Ethiopia.
7. Continue to examine opportunities to raise capital including equity financing, merger and acquisitions, strategic alliances, joint ventures and optioning its mineral properties for equity, cash and/or expenditure commitments.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

As a result of the Shark Arrangement, for accounting purposes, under a continuity of business basis of presentation, the continuing business of East Africa and its related comparatives will be the historical results of Canaco. Therefore, for the six months ended June 30, 2013 ("Fiscal 2013"), accounting balances represented within this document included the historical results of Canaco.

The Company has changed its year end from June 30 to December 31, effective December 31, 2013. Accordingly, comparative period from April 1, 2013 to June 30, 2013 is referred to "Q4 2013" to represent previous MD&A title.

As at June 30, 2014, the Company had cash and cash equivalents and short-term investments of $14,611,656, and current liabilities of $936,243, compared to cash and cash equivalents and short-term investments of $17,843,639 and current liabilities of $786,540 at December 31, 2013. As at June 30, 2014, share capital and warrants totalled $39,725,389 compared to $33,873,666 as at December 31, 2013. The increase in share capital and warrant relates to the Tigray Arrangement (refer to the *"Corporate Transactions and Outlook"* section for further details).

RESULTS OF OPERATIONS

(Information extracted from the Company's unaudited condensed interim consolidated financial statements for the three and six months ended June 30, 2014, and 2013, expressed in Canadian dollars):

	Three months ended June 30, 2014	Three months ended June 30, 2013	Six months ended June 30, 2014	Six months ended June 30, 2013
Expenses				
Amortization	$ 42,980	$ 64,784	$ 93,652	$ 133,257
Corporate transaction fees	--	115,301	--	1,260,605
Directors and advisory board fees	21,750	24,826	43,500	161,761
Exploration and evaluation expenditure	1,260,859	730,336	1,706,767	1,738,725
Investor/shareholder communications and filing fees	57,114	33,805	94,752	280,817
Legal, audit and audit related fees	36,425	209,726	56,662	271,308
Management consulting fees	103,499	50,647	156,959	844,071
Office and administration	134,752	105,173	248,314	761,259
Project generation	34,712	57,369	366,469	116,202
Rent and occupancy costs	68,587	57,011	128,925	110,035
Salary and benefits	103,012	83,028	200,472	857,300
Write-off of mineral property interests	--	--	4,938	--
	1,863,690	1,532,006	3,101,410	6,535,340
Loss before under-noted items	(1,863,690)	(1,532,006)	(3,101,410)	(6,535,340)
Change in fair value of other assets	(165,599)	(85,318)	(543,609)	(85,318)
Change in fair value of warrants derivative liability	33,774	--	33,774	--
Finance income	65,256	--	229,280	--
Foreign exchange gain	(56,471)	104,438	14,866	331,909
Loss on sale of marketable securities	(59,180)	--	(38,150)	--
Interest income	48,519	125,560	106,496	427,366
Loss on loan receivable	(8,859)	--	(8,859)	--
Net loss for period	(2,006,250)	(1,387,326)	(3,307,612)	(5,861,383)
Net loss attributable to:				
Shareholders	(1,989,599)	(1,387,326)	(3,290,961)	(5,861,383)
Non-controlling interest	(16,651)	--	(16,651)	--
Loss per share, basic and diluted	$ (0.02)	$ (0.02)	$ (0.04)	$ (0.09)
Weighted average number of common shares used in the calculation of loss per share – basic and diluted	87,336,216	67,305,842	77,199,374	67,305,842

LOSS FOR THE SIX MONTHS ENDED JUNE 30, 2014 (FISCAL 2014), COMPARED TO THE SIX MONTHS ENDED JUNE 30, 2013 (FISCAL 2013)

The loss for Fiscal 2014 is $3,307,612 compared to a loss for Fiscal 2013 of $5,861,383. The significant items contributing to the Fiscal 2014 loss includes exploration costs of $1,706,767 (Fiscal 2013 - $1,738,725), change in fair value of other assets of $543,609 (Fiscal 2013 - $85,318), project generation of $366,469 (Fiscal 2013 - $116,202), office and administration of $248,314 (Fiscal 2013 - $761,259), salaries and benefits of $200,472 (Fiscal 2013 - $857,300) and management consulting fees of $156,959 (Fiscal 2013 - $844,071). The loss for Fiscal 2014 was offset by finance income of $229,280 (Fiscal 2013 - $Nil). Significant balances are discussed below.

Exploration and evaluation expenditure ("Exploration Expenditures")

Exploration expenditures for Fiscal 2014 ($1,706,767) were comparatively the same with Fiscal 2013 ($1,738,725). With the addition of the Tigray projects (see "Corporate Transaction – East Africa and Tigray" section for details) the Company incurred new exploration expenditure of $835,609 for the period from May 7, 2014 to June 30, 2014. The significant expenditure on the Ethiopian Projects was a drill program that was undertaken during May and June 2014 on the Adyabo project with the Company incurring $535,394 in drilling related expenditures. The new exploration expenditures in May and June 2014 on the Ethiopian Projects were offset with reduced exploration activity at the Magambazi property as the Company continues to explore strategic opportunities including identifying a joint venture partner or potential buyers of the Magambazi property.

Details of East Africa' exploration expenditures are as follows:

	Six months ended June 30,	
	2014	**2013**
Exploration expenditures		
Amortization	$ 169,401	$ 232,901
Camp and administration costs	639,024	668,868
Drilling	535,668	46,475
Geochemistry	17,424	270,947
Geology	108,424	79,540
Project management and consulting	23,037	144,406
Project Development	--	48,829
Technical services	213,789	246,759
Total for the period	1,706,767	1,738,725
Balance at the beginning of the period	65,784,232	62,664,736
Cumulative balance at the end of the period	$ 67,490,999	$ 64,403,461

Change in fair value of other assets

In Fiscal 2014, the Company recognized a change in the fair value of the 12,000,000 Tigray share purchases warrants of $543,609 (Fiscal 2013 - $85,318). The significant driver in the change in the fair value is related to the decrease in Tigray's share price since December 31, 2013 (previous revaluation date), until the completion of the Tigray Arrangement. Of the 12,000,000 warrants, the Company acquired 4,000,000 share purchase warrants in Tigray's equity placement in April 2013 and received 8,000,000 share purchase warrants related to the loan provided to Tigray in December 2013.

Project generation

In Fiscal 2014, the Company recorded project generation costs of $366,469 (Fiscal 2013 - $116,202). The increase from the prior period relates to the allocation of wages and internal costs, financial advisors, lawyers and other experts for the research, analysis and evaluation for the Tigray Arrangement until the Company had concluded with its research and analysis that there was a high degree of certainty that the Company would receive shareholder approval.

Office and administration

Office and administration costs totalled $248,314 in Fiscal 2014, compared to $761,259 in Fiscal 2013, a decrease of $512,945. Costs for office and administration include office expenses, travel expense for corporate head office staff, network services and insurance. The Fiscal 2013 costs include $460,984 to cover the directors' and officers' runoff insurance policy purchased as part of the closing of the Shark Arrangement.

Salaries and benefits

Salaries and benefits expense in Fiscal 2014 totalled $200,472 compared to $857,300 in Fiscal 2013, a decrease of $656,828. A significant item related to the decrease from Fiscal 2013 is the Fiscal 2013 severance and termination costs for eleven employees, including two officers, related to the Shark Arrangement.

Management consulting fees

In Fiscal 2014, the Company paid management consulting fees and related costs of $156,959 compared to $844,071 in Fiscal 2013, a decrease of $687,112. In Fiscal 2014, $74,167 was paid to a management company for services provided for consulting fees rendered by an officer of the Company. In Fiscal 2013 the fees includes severance fees of $675,000 as a result of the Shark Arrangement.

Corporate transaction costs

Corporate transaction costs totalled $Nil in Fiscal 2014 compared to $1,260,605 in Fiscal 2013. The Fiscal 2013 costs in this expense category include legal, accounting, financial advisory fees and certain termination costs related to the Shark Arrangement completed on April 4, 2013.

Finance Income

In Fiscal 2014, the Company recorded finance income of $229,280 compared to $Nil in Fiscal 2013. The recognition of finance income is related to the Tigray loan receivable and the accretion of the fair value of the share purchase warrants, interest receivable and associated costs for the period up to May 7, 2014, the Effective Date of the Tigray Arrangement.

LOSS FOR THE THREE MONTHS ENDED JUNE 30, 2014 (Q2 2014), COMPARED TO THE THREE MONTHS ENDED JUNE 30, 2013 (Q4 2013)

The loss for Q2 2014 is $2,006,250 compared to a loss for Q4 2013 of $1,387,326. The significant items contributing to the Q2 2014 loss includes exploration costs of $1,260,859 (Q4 2013 - 730,336), change in fair value of other assets of $165,599 (Q4 2013 - $85,318), office and administration of $134,752 (Q4 2013 - $105,173), Management consulting fees of $103,499 (Q4 2013 - $50,647) and salaries and benefits of $103,012 (Q4 2013 - $83,028). Significant changes and balances are discussed below.

Exploration and evaluation expenditure (“Exploration Expenditures”)

Exploration expenditures for Q2 2014 of $1,260,859 increased from Q4 2013 of $730,336. The increase is a result of the acquisition of the Tigray projects (see “*Corporate Transaction – East Africa and Tigray*” section for details). The Company incurred exploration expenditure for the Ethiopian Projects of $835,609 for the period from May 7, 2014 to June 30, 2014. The significant expenditure with the Ethiopian Projects exploration was a drill program that was undertaken during May and June 2014 on the Adyabo project with the Company incurring $535,394 in drilling related expenditures. The new exploration expenditures in May and June 2014 on the Ethiopian Projects were offset with reduced exploration activity at the Magambazi property as the Company continues to explore strategic opportunities including identifying a joint venture partner or potential buyers of the Magambazi property.

Details of East Africa’ exploration expenditures are as follows:

	Three months ended June 30,	
	2014	**2013**
Exploration expenditures		
Amortization	$ 89,118	$ 169,285
Camp and administration costs	394,980	243,580
Drilling	535,668	37,845
Geochemistry	16,010	70,112
Geology	103,840	2,966
Project management and consulting	11,446	70,794
Technical services	109,797	135,754
Total for the period	$ 1,260,859	$ 730,336

Change in fair value of other assets

In Q2 2014, the Company recognized a change in the fair value of the 12,000,000 Tigray share purchases warrants of $165,599 (Q4 2013 - $85,318). The significant driver in the change in fair value is related to the decrease in Tigray's share price since December 31, 2013. Of the 12,000,000 warrants, the Company acquired 4,000,000 share purchase warrants in The Company's equity placement in April 2013 and received 8,000,000 share purchase warrants related to the loan provided to Tigray in December 2013.

Office and administration

Office and administration costs totalled $134,752 in Q2 2014, compared to $105,173 in Q4 2013, an increase of $29,579. The Q4 2013 costs include office expenses, travel expense for corporate head office staff, network services and insurance. There are no significant activities different for office and administration in Q2 2014 compared to Q4 2013.

Management consulting fees

Management consulting fees totalled $103,499 in Q2 2014, compared to $50,647 in Q4 2013, an increase of $52,852. In Q2 2014, the Company paid management consulting fees of $31,875 to a management company for services provided for consulting fees rendered by an officer of the Company which is consistent with Q4 2013 of $31,875. The increase predominately relates to consulting and travel costs for services provided by consultants to assist in the planning of Company's strategy with the acquired Tigray projects.

Salaries and benefits

Salaries and benefits expense in Q2 2014 totalled $ $103,012 compared to $83,028 in Q4 2013, an increase of $19,984. In Q4 2013 the salaries of Vancouver staff was allocated between Tigray and East Africa based on time spent on each entity. Subsequent to the Tigray Arrangement the salaries are now allocated only to East Africa.

Corporate transaction costs

Corporate transaction costs totalled $Nil in Q2 2014 compared to $115,301 in Q4 2013. The Q4 2013 costs in this expense category include legal, accounting, financial advisory fees and certain termination costs related to the Shark Arrangement completed on April 4, 2013.

Foreign exchange loss

A foreign exchange loss of $56,471 in Q2 2014 related to changes in the value of the Canadian dollar between April 1, 2014, to June 30, 2014, and the timing of purchases and expenditures. The Company acquired US dollars during the period and changes in in the value of the US dollar compared to Canadian dollar contributed to the overall loss in Q2 2014. This compares to a gain of $104,438 in Q4 2013.

Finance Income

In Q2 2014, the Company recorded finance income of $65,256 compared to $Nil in Q4 2013. The recognition of finance income is related to the Tigray loan receivable and the accretion of the fair value of the share purchase warrants, interest receivable and associated costs for the period up to May 7, 2014, the Effective Date of the Tigray Arrangement.

SUMMARY OF QUARTERLY RESULTS – UNAUDITED

Quarter ended	Revenue	Loss(1)	Loss per share, basic
Fiscal 2014			
June 30, 2014	Nil	(2,006,250)	(0.02)
March 31, 2014	Nil	(1,301,362)	(0.02)
Fiscal 2013 – H/Y(3)			
December 31, 2013	Nil	(840,091)	(0.01)
September 30, 2013	Nil	(1,507,838)	(002)
Fiscal 2013			
June 30, 2013	Nil	(1,374,482)(2)	(0.02)
March 31, 2013	Nil	(4,474,057)	(0.02)
December 31, 2012	Nil	(3,065,293)	(0.02)
September 30, 2012	Nil	(4,256,398)	(0.02)

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

(2) In Q4 2013, the decrease is primarily due to reduced exploration activity at Magambazi property as the Company continues to explore strategic opportunities including identifying a joint venture partner or potential buyers of the property.

(3) A shortened six month transitional fiscal year as a result of the change of year end from June 30 to December 31, effective December 31, 2013.

LIQUIDITY

As at June 30, 2014, the Company had cash and cash equivalents of $2,005,349, short-term investments of $12,606,307, other current assets of $1,644,650 and current liabilities of $1,071,729, compared to cash and cash equivalents of $6,184,190, short-term investments of $11,659,449, other current assets of $6,252,629 and current liabilities of $786,540 as at December 31, 2013.

Management believes that the Company's working capital as at June 30, 2014, of $15,184,577 (December 31, 2013 - $23,309,728) is adequate to support its operations, exploration and acquisition and development opportunities for the coming twelve months.

Liquidity risk is the risk that the Company will not be able to meet its obligations associated with the financial liabilities. The Company has a planning and budget process in place by which it anticipates and determines the funds necessary to support normal operation requirements and development of its mineral property interests. The Company coordinates the planning and budgeting process with its financing activities through the capital management process.

The Company's investment policy is to invest its cash in highly liquid short-term interest bearing investments with maturities greater than 90 days from the original date of acquisition, selected with regards to the expected timing of expenditures from continuing operations. The Company ensures that sufficient funds are raised from equity placements to meet its operating requirements, after taking into account existing cash.

CAPITAL RESOURCES

The Company has historically met its exploration capital requirements through the completion of equity placements and may be impacted by continued poor market conditions and further downward trends. Trends affecting the Company's liquidity may be dictated by the demands on financial resources created by the advancing nature of the Company's exploration assets and the pursuit of a growth strategy that targets property acquisition, with the exploration commitments and the Company's ability to access the financial resources required to meet these demands. As the exploration properties advance through exploration, they typically require more capital-intensive programs that apply pressure to the Company's financial resources. Additional planned exploration programs and any future pre-development programs will result in a decrease to the Company's current liquidity.

In acquiring the required capital to pursue the Company's business plan, capital will be generated from a combination of accessing equity markets, procuring industry partners for its primary exploration assets or sale of exploration assets for equity positions or cash. In the event that additional funding is required, there can be no assurances that such funds will be available and/or on terms acceptable by the Company.

Trends that affect the market generally, and the perception of the Company within the marketplace, can affect the Company's ability to access capital in both a positive and negative way. Trends in this general market are defined by fluctuations in the global economy and the demand for metals and commodity prices. Trends in the perception of the Company in the resource marketplace may be affected by general trends in the resource equity markets which may in turn impact the Company's performance in creating shareholder value and in demonstrating the ability to manage the Company's affairs and achieve mandated objectives.

Uncertainty is a prevalent element in exploration and therefore can, on occasion, impede the Company's ability to meet its financial requirements and result in an inability to advance exploration assets and meet objectives in a timely manner.

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

Capital Expenditures

During the six months ended June 30, 2014, the Company expended $134,300 (Q4 2013 - $283,017) on maintenance payments of mineral property interests which have been capitalized. In addition, as a result of the Tigray Arrangement the Company acquired the Harvest and Adyabo projects and recognized $14,527,698 in mineral property interest and $215,939 in property and equipment additions (refer to the section "*Corporate Transactions and Outlook*" for further details).

Mineral property capital expenditures and acquisitions are summarized as follows:

	Tanzania, Handeni properties	Tanzania, other properties	Harvest project	Adyabo project	Total
Acquisition costs					
As at December 31, 2013	$ 2,815,705	$ 3,295,454	$ --	$ --	$ 6,111,159
Property payments	12,954	120,681	665	--	134,300
Acquisition of Tigray	--	--	14,163,673	364,025	14,527,698
Write-off	--	(4,938)	--	--	(4,938)
Foreign exchange	6,723	7,462	(272,104)	(7,313)	(265,232)
As at June 30, 2014	$ 2,835,382	$ 3,418,659	$ 13,892,234	$ 356,712	$ 20,502,987

FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are measured on an ongoing basis at fair value or amortized cost. As at June 30, 2014, the classifications of the financial instruments are shown in the table below:

	Loans and receivables	Other financial liabilities	Total carrying value
As at June 30, 2014			
Cash	$ 2,005,349	$ --	$ 2,005,349
Short-term investments	12,606,307	--	12,606,307
Accounts receivable	954,672	--	954,672
Accounts payable and accrued liabilities	--	(936,243)	(936,243)
Warrants derivative liability	--	(135,486)	(135,486)
	$ 15,566,328	$ (1,071,729)	$ 14,494,599

Fair values

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

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

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

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

The fair values of the Company's financial instruments measured as at June 30, 2014, constitute Level 2 for the warrants derivative liability. The following table presents the Company's financial assets that are measured at fair value as at June 30, 2014:

	Level 1	Level 2	Level 3	Total
As at June 30, 2014				
Warrants derivative liability	$ --	$ (135,486)	$ --	$ (135,486)
	$ --	$ (135,486)	$ --	$ (135,486)

Management of financial risk

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

Currency risk

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company operates in Tanzania and Ethiopia and a portion of its expenses are incurred in Euros, Australian dollars, US dollars Ethiopian Birr and Tanzanian shillings. A significant change in the currency exchange rates between the Canadian dollar relative to these currencies could have an effect on the Company's results of operations. The Company has not hedged its exposure to currency fluctuations.

As at June 30, 2014, the Company is exposed to currency risk through the following assets and liabilities dominated in United States dollars ("USD"), Tanzanian shillings ("TSH"), Ethiopian Birr ("ETB"), Euro ("EUR") and Australian dollars ("AUD"):

	USD	TSH	ETB	EUR	AUD
As at June 30, 2014					
Cash and cash equivalents	$ 1,452,555	152,815,897	861,549	€ --	$ --
Accounts receivable	2,091	39,175,067	107,792	--	--
Accounts payable and accrued liabilities	(342,964)	(210,644,361)	(361,381)	(27,128)	(8,422)
	$ 1,111,682	(18,653,397)	607,960	€ (27,128)	$ (8,422)

Based on the above net exposure as at June 30, 2014, and assuming that all other variables remain constant, a 10% depreciation or appreciation of the Canadian dollar against these currencies would result in an increase/decrease of \$115,967 (December 31, 2013 – \$182,098) in the Company's consolidated statements of operations.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company's interest rate risk arises from the interest rate impact on cash and cash equivalents and short term investments. The Company earns interest on its cash and cash equivalents and short term investments based on current market interest rates, which during the six months ended June 30, 2014, ranged between 0.3% to 2.1% (period ended December 31, 2013 – 1.4% to 2.1%).

Based on the amount of cash and cash equivalents and short term investments as at June 30, 2014, and assuming that all other variables remain constant, a 0.5% change in the applicable interest rate would result in an increase/ decrease of \$73,058 (December 31, 2013 – \$89,218) to the interest earned in the Company statements of operations per annum.

Credit risk

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and cash equivalents, short-term investments and receivables. Cash and cash equivalents and short-term investments consist of GIC's and short-term deposits issued by major Canadian banks. Receivables mainly consist of insurance receivable and trade receivables from related parties. The carrying amount of cash and cash equivalents, receivables from related parties and other accounts receivable represents the Company's maximum exposure to credit risk.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations associated with the financial liabilities. The Company has a planning and budget process in place by which it anticipates and determines the funds necessary to support normal operation requirements and development of its mineral property interests. The Company coordinates the planning and budgeting process with its financing activities through the capital management process.

The Company's investment policy is to invest its cash in highly liquid short-term interest bearing investments with maturities greater than 90 days from the original date of acquisition, selected with regards to the expected timing of expenditures from continuing operations.

The Company ensures that sufficient funds are raised from equity placements to meet its operating requirements, after taking into account existing cash. As at June 30, 2014, the Company believes it has sufficient cash on hand to meet its current liabilities and its expected administrative, acquisition and explorations requirements for the coming fiscal year.

TRANSACTIONS WITH RELATED PARTIES

In the normal course of business, the Company transacted with individuals and companies considered to be related parties. Related party transactions involve normal commercial compensation for services rendered by senior management, officers, and directors of the Company, by companies with which they were associated as owners, contractors or employees. For the three months ended and as at June 30, 2014, the Company had recorded the following significant related party transactions:

For the six months ended June 30, 2014, the Company incurred goods and services for Tigray and True North Gems Inc. totaling $504,698 (Fiscal 2013 - $285,790) for shared office, administration and exploration expenses.

As at June 30, 2014, the Company had receivables of $127,234 (December 31, 2013 - $755,926) from True North Gems Inc. and Nickel North Exploration Corp. for outstanding payments for shared office, administration, and exploration expenses.

For the six months ended June 30, 2014, the Company incurred management consulting fees of $126,667 (Fiscal 2013 - $985,750). Of this amount $104,167 (Fiscal 2013 - $918,750) were paid to a privately held company controlled by the CEO for management services. The decrease predominately relates to change of control payments of $675,000 made in Q4 2013 in connection with the Shark Arrangement.

As at June 30, 2014, a payable of $15,000 (December 31, 2013 - $144,500) was payable to SinoTech for geological, administrative and language translation services. SinoTech has a control interest in the Company.

Fees, salaries and benefits, which can include share-based compensation, paid to directors and senior key management totalled $165,747 for the six months ended June 30, 2014 (Fiscal 2013 - $821,453). Senior key management includes the CEO, VP of Exploration, and the CFO. The significant decrease relates to the severance payments related to the Shark Arrangement. As at June 30, 2014, the Company recorded a payable of $29,213 (December 31, 2013 - $30,469) for past director and consulting services provided by directors and officers and reimbursement of expenses.

On December 3, 2013, the Company entered into a $2,000,000 loan agreement with Tigray, company with directors in common. The loan is due and payable in full on June 3, 2014, subject to a six-month extension period. The loan is secured by a charge on the shares of Tigray Resources Holdings Inc., a wholly-owned subsidiary of Tigray, which holds the controlling interest in Tigray's Ethiopian subsidiaries and mineral projects. For the six months ended June 30, 2014, the Company earned interest income from the loan of $229,280 (Fiscal 2013 - $Nil). As a result of the Tigray Arrangement the loan was recognized as part of the consideration for the acquisition of Tigray. Refer to the "*Corporate Transactions and Outlook – East Africa and Tigray*" section for further details.

On May 7, 2014, the Company announced that they had completed the Tigray Arrangement pursuant to which East Africa has agreed to acquire all of the issued and outstanding common shares of Tigray (other than the Tigray shares it already owned). Refer to the "*Corporate Transactions and Outlook – East Africa and Tigray*" section for further details.

CRITICAL ACCOUNTING ESTIMATES

The details of the Company's accounting policies are presented in Note 4 of the audited consolidated financial statements for the six months ended December 31, 2013. The Company's financial statements are prepared in accordance with IFRS.

The preparation of the consolidated 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. 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 policy under which significant judgments, estimates and assumptions are made where actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the Company's balance sheet reported in future periods.

(a) Investment in structured entity – Denwill Mining Services Limited ("Denwill")

Denwill is consolidated as a structured entity (formerly a Special Purpose Entity), and the purpose of which is for the benefit of the Company to acquire PMLs in Magambazi, restricted to citizens of Tanzania. During the year ended June 30, 2011, the Company provided funds to Denwill for the payments for the Magambazi PMLs. Concurrently, during the year ended June 30, 2011, the Company and Denwill entered into an agreement whereby the Company is 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 Denwill's three directors are directors of the Company's Tanzanian subsidiary, it provides funds for the payments of PML's and it has the power to direct the exploration activities, which affects the risks and rewards from the Magambazi property.

(b) Asset acquisitions

The Company has determined that the acquisition of Tigray was an asset acquisition rather than a business combination. This is considered a significant judgment that could have a material impact on the assets and liabilities recognized. The purchase consideration is allocated to the identifiable assets acquired and liabilities assumed based on their fair values at the date of acquisition. The determination of the fair value requires the management to make assumptions, estimates and judgments regarding future events. The allocation process is inherently subjective and impacts the amounts assigned to individually identifiable assets and liabilities.

(c) Continuity of interests accounting

As described, during the year-ended June 30, 2013, Canaco transferred all of its assets other than certain assets and $60,000,000 in cash, short-term investments and certain liabilities as defined in the agreement, to East Africa and distributed all of the shares of East Africa to the shareholders of Canaco. As a result there was no substantive change to the shareholder's interest, the assets of the company, other than $60,000,000 in cash and short-term investments, and the management of the Company. As there was no substantive change in the Company, management concluded the Shark Arrangement represents a rearrangement of the legal interests. Consequently, for accounting purposes, under a continuity of business basis of presentation the continuing business of East Africa, and its related comparatives will be the historical results of Canaco.

CHANGE IN ACCOUNTING POLICES INCLUDING INITIAL ADOPTION

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the International Accounting Standards Board ("IASB") or International Financial Reporting Interpretations Committee ("IFRIC"). The Company has adopted the following new and revised standards, along with any consequential amendments, effective January 1, 2014. These changes were made in accordance with the applicable transitional provisions.

(a) Amendment to *IAS 36, Impairment of Assets* ("IAS 36")

IAS 36 was amended in May 2013 to make small changes to the disclosures required by IAS 36 when an impairment loss is recognized or reversed. The amendments require the disclosure of the recoverable amount of an asset or cash generating unit ("CGU") at the time an impairment loss has been recognized or reversed and detailed disclosure of how the associated fair value less costs of disposal has been determined. The amendments are effective for accounting periods beginning on or after January 1, 2014, with earlier adoption permitted. The Company has concluded there was no significant impact of adopting this standard.

(b) Accounting for levies imposed by governments

IFRIC 21, Accounting for levies imposed by governments ("IFRIC 21") is an interpretation on the accounting for levies. IFRIC 21 will affect entities that are subject to levies that are not income taxes within the scope of IAS 12 Income Taxes. IFRIC 21 is effective for annual periods beginning on or after January 1, 2014, and should be applied retrospectively. Earlier adoption is permitted. The Company has concluded there was no significant impact of adopting this standard.

<u>IFRS Accounting policies not yet effective</u>

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC. The Standards impacted that are applicable to the Company are as follows:

(a) *IFRS 9 Financial Instruments* ("IFRS 9")

The final version of *IFRS 9, Financial instruments* ("IFRS 9"), was issued by the IASB in July 2014 and will replace *IAS 39 Financial Instruments: Recognition and Measurement*. IFRS 9 introduces a model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially reformed approach to hedge accounting. The new single, principle based approach for determining the classification of financial assets is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments, which will require more timely recognition of expected credit losses. It also includes changes in respect of credit risk in measuring liabilities elected to be measured at fair value, so that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognized in profit or loss. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, however is available for early adoption. In addition, the credit changes can be early applied in isolation without otherwise changing the accounting for financial instruments. The Company is in the process of assessing the impact of IFRS 9 and has not yet determined when it will adopt the new standard.

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 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.

RISK FACTORS

Financial Risk

The Company relies on equity financings to fund its activities. While it has been successful in raising funds in the past, there is no guarantee that adequate funds will be available in the future. The Company had cash and cash equivalents of $2,005,349, short-term investments of $12,606,307, and working capital of $15,184,577 as at June 30, 2014. Based on current planned expenditures at its mineral property interests in Tanzania, management believes that the Company has sufficient capital resources to fund current levels of activity for the coming twelve months.

The Company's corporate head office is in Vancouver, Canada and the Company maintains the majority of its funds in Canadian dollars. Since the onset of the credit crisis in 2008 there still exists significant fluctuation in the value of the Canadian dollar against other currencies and because the Company operates in foreign countries it may be exposed to significant currency risk. In addition, its operations may be affected by rapid price fluctuation in the countries it operates in.

Environmental Risk

The Company is subject to substantial environmental requirements which could cause a restriction or suspension of certain operations. The current and anticipated future operations and exploration activities of the Company in Tanzania require permits from various governmental authorities and such operations and exploration activities are and will be governed by federal, regional and local laws and regulations governing various elements of the mining industry including, without limitation, land use, the protection of the environment, prospecting, development, production, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, and other matters. The Company's projects are all in the exploration stage and as a result activities at Handeni, Harvest and Adyabo have caused little environmental impact to date due to the early stage of its activity. The Company conducts certain environmental restoration efforts including drill rig platform cleanup and the sealing of drill holes among other cleanup activities to rehabilitate areas affected by its operations and it is the Company's intention to ensure that the environmental impact on areas where it operates is mitigated by restoration and rehabilitation of affected areas.

The Company is subject to environmental requirements which could cause a restriction or suspension of certain operations. The current and anticipated future operations and exploration activities of the Company in Tanzania and Ethiopia require permits from various governmental authorities and such operations and exploration activities are and will be governed by federal, regional and local laws and regulations governing various elements of the mining industry including, without limitation, land use, the protection of the environment, prospecting, development, production, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, and other matters.

Globally, environmental legislation is evolving towards stricter standards and enforcement, more stringent environmental impact assessments of new mining projects and increasing liability exposure for companies and their directs and officers. There is no assurance that future environmental regulations will not adversely affect the Company's operations

Exploration Risk

The Company has no production of minerals and its properties are all 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. Some of the factors that affect the financial viability of a given mineral deposit include its size, grade and proximity to infrastructure. Government regulation, taxes, royalties, land tenure, land use, environmental protection and reclamation and closure obligations all 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.

The marketability of minerals is affected by numerous factors beyond the control of the Company. These factors include, but are not limited to, market fluctuations, government regulations relating to prices, taxes and royalties, allowable production, import, exports and supply and demand. 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.

Commercial Viability

The commercial viability of any mineral deposit depends on many factors, not all of which are within the control of management. Some of the factors that affect the financial viability of a given mineral deposit include its size, grade and proximity to infrastructure. Government regulation, taxes, royalties, land tenure, land use, environmental protection, import of specialized equipment and services and reclamation and closure obligations all have an impact on the economic viability of a mineral deposit. Other potential impacts could include the location of the mineral deposit. These unique environments could limit or reduce production possibilities or if conditions are right for potential natural disasters, such as severe weather, could negatively impact facilities, equipment and the safety of its workers dramatically.

Macroeconomic Risk

From a macroeconomic perspective, ongoing global market uncertainty has led to a significant reduction in risk appetite with respect to funding investment into exploration companies. The ability for exploration companies to access capital through traditional means may be significantly diminished, with the possible long-term result that projects may take longer to develop, or may not be developed at all.

Business Acquisition Risk

East Africa may pursue the acquisition of exploration properties and companies. The search for attractive acquisition opportunities and the completion of suitable transactions are time consuming and expensive, divert management attention away from the Company's existing business and may be unsuccessful. Any acquisition that East Africa may choose to complete may be of a significant size, may change the scale of East Africa's business and operations and may expose the Company to new geographic, political, operating, financial and geological risks. The Company's success in its acquisition activities depends on its ability to identify suitable acquisition candidates, negotiate acceptable terms for any such acquisition and integrate the acquired operations successfully with those of the Company. Any acquisitions would be accompanied by risks. Such risks may include there may be a significant change in market prices after East Africa has committed to complete the transaction and established the purchase price or share exchange ratio; or any potential resource may prove to be below expectations; or if the Company chooses to use equity as consideration for such acquisition, existing shareholders may suffer dilution. There can be no assurance that the Company would be successful in overcoming these risks or any other problems encountered in connection with such acquisitions.

Foreign Countries and Political Policy Risk

The Company has interests in exploration properties that are located in the developing country of Tanzania and the mineral exploration of the Company 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 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, income taxes, 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 of judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions.

Amendments to current laws, regulations and permits governing operations and activities of mining or exploration companies, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in expenditures or require abandonment or delays in development of properties. There have been extreme cases in Venezuela, Bolivia and Argentina where active mining interests have been nationalized. Such changes are viewed negatively in the investment community and can lead to share price erosion and difficulty in accessing capital to advance projects. The occurrence of these various factors and uncertainties cannot be accurately predicted and could have an adverse effect on the Company's business, financial condition and results of operations.

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

OTHER MD&A REQUIREMENTS

Additional Disclosure for Venture Issuers without Significant Revenue

Refer to elsewhere in this MD&A or the Company's unaudited condensed interim consolidated 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.

Outstanding Shares

As at August 27, 2014, the Company has 101,699,661 common shares issued and outstanding.

As at August 27, 2014, the remaining following stock options are outstanding:

Options outstanding	Options exercisable	Exercise price
4,900,000	4,900,000	$0.135

As at August 27, 2014, there were no share purchase warrants outstanding.

APPROVAL

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 our filings from SEDAR at www.sedar.com and copies will be provided to anyone who requests it.