EAST AFRICA METALS INC.
(an exploration stage company)

CONSOLIDATED FINANCIAL STATEMENTS

For the years ended June 30, 2013 and 2012

Expressed in Canadian dollars

October 25, 2013

Independent Auditor's Report

To the Shareholders of East Africa Metals Inc.

We have audited the accompanying consolidated financial statements of East Africa Metals Inc. ("the Company"), which comprise the consolidated balance sheets as at June 30, 2013 and June 30, 2012 and the consolidated statements of operations, comprehensive loss, changes in equity and cash flows for the years ended June 30, 2013 and June 30, 2012, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of East Africa Metals Inc. as at June 30, 2013 and June 30, 2012 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

/s/ PricewaterhouseCoopers LLP

Chartered Accountants

Vancouver, British Columbia

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

	June 30, 2013	June 30, 2012
Assets		
Current assets		
Cash and cash equivalents (Note 7)	$ 5,072,586	$ 43,783,600
Short-term investments	13,240,050	50,943,512
Restricted cash (Notes 1 and 20(b))	3,999,994	--
Accounts receivable (Notes 8 and 15)	1,572,481	1,117,564
Marketable securities and other assets (Note 10)	956,275	535,500
Prepaid expenses and deposits	493,466	773,595
	25,334,852	97,153,771
Mineral property interests (Note 12)	5,961,798	5,309,906
Investment in Candente Gold Corp. (Note 10)	--	177,309
Property and equipment (Note 11)	1,843,254	2,399,438
	$ 33,139,904	$ 105,040,424
Liabilities and Equity		
Current liabilities		
Accounts payable and accrued liabilities (Notes 9 and 15)	$ 821,819	$ 1,457,531
	821,819	1,457,531
Equity		
Share capital (Note 14 (b))	33,873,666	203,210,286
Warrants (Note 14 (e))	--	2,263,787
Contributed surplus	145,279,147	31,199,887
Accumulated other comprehensive income	28,119	601,550
Deficit	(146,862,847)	(133,692,617)
	32,318,085	103,582,893
	$ 33,139,904	$ 105,040,424

Nature of operations and spinout transaction (Note 1)
Subsequent events (Note 20)

Approved on behalf of the Board

(signed) “Andrew Lee Smith”

(signed) “Dr. Antony Harwood”

EAST AFRICA METALS INC.

(an exploration stage company)

Consolidated Statements of Operations

Expressed in Canadian dollars, unless otherwise stated

	Years ended June 30, 2013	2012
Expenses		
Amortization (Note 11)	$ 276,103	$ 228,917
Corporate transaction costs	1,830,556	--
Directors and advisory board fees	282,198	194,483
Exploration and evaluation expenditure (Note 13)	4,611,066	28,994,825
Investor/shareholder communications and filing fees	402,437	708,707
Legal, audit and audit related fees	975,442	1,242,021
Management consulting fees	1,133,415	815,703
Project generation	246,970	--
Office and administration	888,416	520,395
Rent and occupancy costs	213,723	269,925
Salary and benefits	1,652,389	608,509
Share-based compensation (Note 14 (d))	1,404,630	193,861
	13,917,345	33,777,346
Loss from operations	(13,917,345)	(33,777,346)
Foreign exchange gain (loss)	(72,002)	558,649
Change in fair value of other assets (Note 10)	(85,318)	--
Interest income	904,435	1,294,575
Net loss	(13,170,230)	(31,924,122)
Loss per share, basic and diluted (Note 14 (b))	$ (0.20)	$ (0.47)
Weighted average number of common shares used in the calculation of loss per share – basic and diluted (Note 14 (b))	66,830,772	67,305,842

Consolidated Statements of Comprehensive Loss

Expressed in Canadian dollars, unless otherwise stated

	Years ended June 30, 2013	2012
Net loss	$ (13,170,230)	$ (31,924,122)
Currency translation adjustment	297,785	430,730
Unrealized loss on investments, net of deferred income tax (Note 10)	(871,216)	(1,300,088)
Comprehensive loss	$ (13,743,661)	$ (32,793,480)

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

EAST AFRICA METALS INC.

(an exploration stage company)

Consolidated Statements of Changes in Equity

Expressed in Canadian dollars, unless otherwise stated

	Common Shares Without Par Value						
	Shares	Amount	Warrants	Contributed Surplus	Accumulated Other Comprehensive Income	Deficit	Total Equity
Balance, June 30, 2011	198,859,984	$202,409,229	$ 2,292,271	$ 30,957,134	$ 1,470,908	$ (101,768,495)	$ 135,361,047
Issued for cash							
Warrants exercised (Note 14(e))	84,119	100,769	(28,484)	--	--	--	72,285
Stock options exercised (Note 14(d))	764,000	700,288	--	(288,816)	--	--	411,472
Share-based compensation (Note 14(d))	--	--	--	531,569	--	--	531,569
Unrealized loss on investments (Note 10)	--	--	--	--	(1,300,088)	--	(1,300,088)
Currency translation adjustment on foreign operations	--	--	--	--	430,730	--	430,730
Net loss	--	--	--	--	--	(31,924,122)	(31,924,122)
Balance, June 30, 2012	199,708,103	203,210,286	2,263,787	31,199,887	601,550	(133,692,617)	103,582,893
Issued for cash							
Stock options exercised (Note 14(d))	2,209,535	1,044,569	--	(417,976)	--	--	626,593
Share-based compensation (Note 14(d))	--	--		1,852,260	--	--	1,852,260
Unrealized loss on investments (Note 10)	--	--	--	--	(871,216)	--	(871,216)
Warrants expired, unexercised (Note 14(e))	--	--	(2,263,787)	2,263,787	--	--	--
Arrangement Agreement (Notes 1,2 and 14(b))	(201,917,638)	(170,381,189)	--	110,381,189	--	--	(60,000,000)
Issuance of shares (Note 14 (b))	67,305,842	--	--	--	--	--	--
Currency translation adjustment on foreign operations	--	--	--	--	297,785	--	297,785
Net loss	--	--	--	--	--	(13,170,230)	(13,170,230)
Balance, June 30, 2013	67,305,842	$ 33,873,666	$ --	$ 145,279,147	$ 28,119	$ (146,862,847)	$ 32,318,085

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

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

	Years ended June 30, 2013	2012
Cash flows provided by (used for) operating activities		
Net loss	$ (13,170,230)	$ (31,924,122)
Items not involving cash		
Amortization – administration (Note 11)	276,103	228,917
Amortization – exploration and evaluation (Note 13)	385,278	227,521
Share-based compensation – administration (Note 14 (d))	1,404,630	193,861
Share-based compensation – exploration and evaluation (Note 13 & 14(d))	447,630	337,708
Foreign exchange gain (loss)	72,002	(471,955)
Change in fair value of share purchase warrants (Note 10)	85,318	--
Changes in operating assets and liabilities		
Accounts receivable	(454,917)	(714,899)
Prepaid expenses	280,129	303,766
Restricted cash (Notes 1 and 20(b))	(3,999,994)	--
Accounts payable and accrued liabilities	(598,255)	(2,710,890)
	(15,272,306)	(34,530,093)
Cash flows provided by (used for) investing activities		
Purchase of marketable securities and other assets (Note 10)	(1,200,000)	--
Mineral property acquisitions (Note 12)	(457,655)	(530,633)
Purchase of equipment (Note 11)	(75,290)	(1,359,493)
Cash contributed to Tigray Resources Inc.	--	(3,866,400)
Redemption of short-term investments	92,901,513	3,691,046
Purchase of short-term investments	(55,198,051)	--
Proceeds from sale of equipment	--	129,479
	35,970,517	(1,936,001)
Cash flows provided by (used for) financing activities		
Arrangement Agreement (Notes 1 and 2)	(60,000,000)	--
Proceeds from exercise of stock options (Notes 14 (d))	626,593	411,472
Shares issued for cash, net of share issue costs	--	72,285
	(59,373,407)	483,757
Effects of exchange rate changes on cash and cash equivalents	(35,818)	504,105
Decrease in cash and cash equivalents	(38,711,014)	(35,478,232)
Cash and cash equivalents, beginning of year	43,783,600	79,261,832
Cash and cash equivalents, end of year	$ 5,072,586	$ 43,783,600
Non-cash investing and financing activities		
Arrangement Agreement (Notes 1 and 2)	$ 110,381,189	--
Expiry of warrants (Note 14 (e))	2,263,787	--

1. Nature of operations, arrangement agreement and spinout transaction

East Africa Metals Inc. (“East Africa Metals” or the “Company) was incorporated on December 7, 2012, under the Canada Business Corporations Act. The address of the Company’s corporate office and principal place of business is Suite 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”.

The Company was initially a wholly-owned subsidiary of Canaco Resources Inc. (“Canaco”) and was formed for the purpose of a spinout of the assets of Canaco which included all the assets and liabilities of Canaco other than $60,000,000 in cash and certain liabilities pursuant to the spinout transaction.

Arrangement Agreement and spinout transaction

On April 4, 2013, Canaco closed a share purchase agreement between Canaco, Shark Minerals Inc. (“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 "Arrangement Agreement”). In connection with the Arrangement Agreement and effective on the same date, Canaco also completed a share consolidation (the "Consolidation") on the basis of one (1) new share for three (3) existing shares resulting in issued capital of 106,834,124 common shares and changed its name to Orca Gold Inc. (“Orca Gold”). At the closing of the Arrangement Agreement and the Consolidation, Orca Gold is 63% owned by former Canaco shareholders and 37% owned by former Shark shareholders.

Immediately prior to the Arrangement Agreement 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 Metals and (b) distributed all of the shares of East Africa Metals to the shareholders of Canaco immediately prior to giving effect to the Arrangement Agreement on the basis of one (1) East Africa Metals share for every three (3) pre-Consolidation Canaco shares held by shareholders as of the effective date of the Spinout. In addition to the cash noted above, $4,000,000 was set aside in an account jointly controlled by Orca Gold and East Africa Metals to cover any potential future costs that may be incurred after April 4, 2013, as a result of the British Columbia Securities Commission (“BCSC”) hearing. Under the terms of the Arrangement Agreement and Spinout, once the BCSC hearing and outcome are concluded, the unexpended balance of these funds will be released to East Africa Metals. Until that date, East Africa Metals will reflect these funds as restricted cash on its balance sheet (Refer to Note 20(b)).

2. Continuity of interests accounting

The legal form of the Spinout provided that on April 4, 2013, Canaco transferred materially all of the assets and liabilities of Canaco to East Africa Metals, except for cash of $60,000,000 and sufficient funds to pay certain liabilities outstanding as at April 4, 2013. For accounting purposes, under a continuity of business basis of presentation the continuing business of East Africa Metals, and its related comparatives will be the historical results of Canaco. Accordingly an adjustment of $110,381,189 from share capital to contributed surplus reflects the share capital of the East Africa Metals as a result of the Spinout. In addition, the $60,000,000 cash retained by Orca Gold was treated as a reduction of East Africa Metals share capital.

3. Statement of compliance

These consolidated financial statements of the Company and its subsidiaries are prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”).

These consolidated financial statements were authorized for issue in accordance with a resolution from the Board of Directors on October 25, 2013.

4. Significant accounting policies

(a) Basis of presentation

These consolidated financial statements have been prepared on an accrual basis and are on an historical costs basis, except for certain financial instruments which are measured at fair value. The preparation of the consolidated financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment of complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

These consolidated financial statements are prepared in Canadian dollars, with all amounts rounded to the nearest dollars, unless otherwise stated.

(b) Consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries: Canaco Resources (BC) 2009 Inc., Canaco Tanzania Limited (Tanzania), Canaco Resources Holdings Inc., Canaco Tanzania Holdings Inc. (both Holding companies continued from Barbados and incorporated in the British Virgin Islands), and of Denwill Mining Services Limited (a special purpose entity ("SPE")) for the purposes of consolidation. All intercompany transactions are eliminated on consolidation. The functional currency of the Company and its subsidiaries in the British Virgin Islands is the Canadian dollar and the functional currency of its Tanzanian subsidiaries is the US dollar ("USD").

(c) Cash and cash equivalents

Cash is cash on deposit with banks and cash equivalents are money market investments with maturities on the date of acquisition of 90 days or less. Cash and cash equivalents are readily convertible to cash and are subject to insignificant changes in value.

(d) Short-term investments

Short-term investments include amounts held as cash term deposits in banks with maturities at date of purchase of between 90 days and one year.

(e) Foreign currency translation

(i) Transactions and balances

Foreign currency transactions are translated into the functional currency of an entity using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses result from the settlement of foreign currency transactions and from the translation of monetary assets and liabilities denominated in currencies other than an operation's functional currency. These gains and losses are recognized in the consolidated statements of operations.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

(ii) Translation of foreign operations results into the presentation currency

The results and balance sheets of all the Company's subsidiaries with functional currencies different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each consolidated balance sheet presented are translated at the closing rate at the date of the consolidated balance sheet;
- Income and expenses are translated at monthly average exchange rates, unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions; and
- All resulting exchange differences are recognized as a currency translation adjustment in the statements of comprehensive income (loss).

4. Significant accounting policies (continued)

(e) Foreign currency translation (continued)

(ii) Translation of foreign operations results into the presentation currency (continued)

The parent company has monetary items that are inter-company receivables from foreign operations. A monetary item for which settlement is neither planned nor likely to occur in the foreseeable future is in substance a part of the parent company's net investment in that foreign operation. On consolidation, such exchange differences are recognized in the statements of comprehensive income and accumulated other comprehensive income in equity. When a foreign operation is sold, such exchange differences are recognized in the consolidated statements of operations as part of the gain or loss on sale.

(f) Financial instruments

Financial assets and liabilities are initially recognized at fair value on the consolidated balance sheet when the Company becomes a party to the contractual provisions of the instrument. Measurement in subsequent periods depends on the financial instrument's classification.

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

- Cash and cash equivalents have been designated as loans and receivables.
- Receivables and short-term deposits have been designated as loans and receivables and are thus recorded at amortized cost, net of anticipated collection costs, if any.
- Accounts payable and accrued liabilities are initially recorded at fair value and subsequently measured at amortized cost.
- Held for trading financial instruments ("other assets") are measured at fair value. All gains and losses are included in the consolidated statements of operations in the period in which they arise.
- Available-for-sale ("Marketable Securities") are non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized in other comprehensive income ("OCI"). Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from OCI and recognized in the consolidated statements of operations.

The three levels of the fair value hierarchy are:

- Level 1 – Valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – Valuation based on directly or indirectly observable inputs (other than Level 1 inputs) such as quoted interest or currency exchange rates; and
- Level 3 – Valuation based on significant inputs that are not based on observable market data such as discounted cash flow methodologies based on internal cash flow forecasts.

(g) Impairment of financial assets

Financial assets, other than those at fair value through consolidated statements of operations, are assessed for indicators of impairment at each reporting date. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

4. Significant accounting policies (continued)

(h) Mineral property interests and exploration and evaluation expenditures

Acquisition of mineral property interests

The Company capitalizes the direct costs of acquiring and maintaining mineral property interests. Option payments are considered acquisition costs if the Company has the intention of exercising the underlying option.

From time to time, the Company acquires and disposes of mineral property interests pursuant to the terms of option agreements. Options are exercisable entirely at the discretion of the optionee, and accordingly, are recorded as mineral property costs (recoveries) when payments are made or received until the original cost is recovered and after which subsequent recoveries are charged to the consolidated statements of operations.

Ownership in mineral property interests involves certain inherent risks due to the difficulties of determining and obtaining clear title to claims as well as the potential for problems arising from the frequently ambiguous conveyance history characteristics of many mineral properties.

Exploration and evaluation expenditures ("Exploration expenditures")

The Company's exploration expenditures are charged to the consolidated statements of operations in the period incurred until such time as it has been determined that a property has economically recoverable reserves, in which case subsequent exploration and development expenditures are capitalized. Exploration expenditures include salary costs of geologists, field employees and local management.

(i) Property and equipment

Property and equipment are stated at cost as at the date of acquisition or completion and are available for their intended use. Residual values, method of amortization and useful lives of the assets are reviewed annually and adjusted if expectations differ from previous estimates. Amortization related to property and equipment used in exploration and evaluation activities are classified within exploration expenditures.

The Company amortizes property and equipment using the straight-line method over their useful lives as follows:

- Buildings and roads 5-10 years
- Office furniture and equipment 5 years
- Computer equipment and software 2-3 years
- Leasehold improvements over the term of the lease

Gains and losses on disposals of property and equipment are determined by comparing the proceeds with the carrying amount of the asset and are included as part of other gains and losses in the consolidated statements of operations.

(j) Impairment of non-financial assets

(i) Impairment

The Company's mineral property interests and property and equipment are reviewed for indications of impairment at each reporting period. If indication of impairment exists, the asset's recoverable amount is estimated.

The Company performs an impairment test when events or circumstances occur which indicate the assets may not be recoverable. The recoverable amount is the greater of the asset's fair value less costs to sell and value in use. Impairment tests are carried on a project by project basis with each project representing a cash generating unit. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount and recognized in the consolidated statements of operations.

(ii) Reversal of impairment

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

4. Significant accounting policies (continued)

(k) Share-based compensation

The Company grants stock options to directors, officers, employees and service providers. Each tranche in an award is considered a separate award with its own vesting period and fair values. The Company applies the fair-value method of accounting for share-based compensation. The fair value is calculated using the Black-Scholes option pricing model.

Share-based compensation for employees and others providing similar services are determined based on the grant date fair value. Share-based compensation for non-employees is determined based on the fair value of the goods or services received or option granted measured at the date on which the Company obtains such goods or services.

Share-based compensation expense is recognized over each tranche's vesting period, in the consolidated statements of operations or capitalized as appropriate, based on the number of awards that vest less the estimated forfeitures. The number of forfeitures likely to occur is estimated on grant date. If and when stock options are exercised, the applicable amounts of contributed surplus are transferred to share capital.

(l) Income tax

Income tax on the statement of operations for the years presented comprises current and deferred tax. Income tax is recognized in the consolidated statements of operations except to the extent that it relates to items recognized directly in equity, in which case the income tax is also recognized directly in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, adjusted for any adjustment to tax payable in respect of previous years.

In general, deferred tax is recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except, in the case of subsidiaries, where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are presented as non-current. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities, when they relate to income taxes levied by the same taxation authority and when the Company intends to settle its current tax assets and liabilities on a net basis.

(m) Loss per share

Basic loss per share is computed by dividing loss attributable to common shareholders by the weighted average number of common shares outstanding during the year. The diluted loss per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on earnings per share. The dilutive effect of outstanding options and their equivalents are reflected in diluted earnings per share by application of the treasury method, whereby all 'in the money" options and warrants are assumed to have been exercised at the beginning of the year and the proceeds from the exercise are assumed to have been used to purchase common shares at the average market price during the year. If the Company incurs losses, basic and diluted loss per share are the same as the exercise of options and warrants is considered to be anti-dilutive.

4. Significant accounting policies (continued)

(n) Share capital

(i) The proceeds from the exercise of stock options and warrants, in addition to the estimated fair value attributable to these equity instruments, are recorded as share capital when exercised. Warrants issued are recorded at the estimated fair value using the Black-Scholes pricing model.

(ii) Share capital issued for non-monetary consideration is recorded at an amount based on estimated fair market value reduced by an estimate of transaction costs incurred when issuing shares for cash.

(iii) On unit offerings, the Company prorates the proceeds between the relative fair values of the shares issued and the Black-Scholes value of the warrants issued.

(o) Comprehensive income (loss)

Comprehensive income (loss) is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders and includes items that are not included in consolidated statements of operations such as unrealized gains or losses on available-for-sale investments, gains or losses on certain derivative instruments and foreign currency gains or losses related to a translation of foreign operations. The Company's comprehensive income (loss) and cumulative translation adjustments are presented in the consolidated statements of comprehensive income (loss) and the consolidated statements of changes in equity.

(p) Special purpose entities ("SPE")

The Company accounts for SPE in accordance with SIC-12 "Consolidation – special purpose entities" ("SIC 12"). An enterprise holding other than a voting interest in a SPE could, subject to certain conditions, be required to consolidate the SPE if it is considered its primary beneficiary whereby it would absorb the majority of the SPE's expected losses, receive the majority of its expected residual returns, or both. The Company has determined that Denwill Mining Services Limited ("Denwill") is a SPE and has consolidated its results.

5. Significant accounting estimates and judgments

The preparation of these 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.

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

The Company has identified the following critical accounting policies under which significant 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 years.

(a) Investment in Tigray Resources Inc. ("Tigray") - share purchase warrants

Share purchase warrants held as other assets are measured at fair value using the Black-Scholes Option Pricing Model. The fair value estimates derived through the use of this model are subject to the use of subjective assumptions similar to those described for share-based compensation. Historical price volatility, forfeiture rate and option life were used as a starting point for the development of future expectations. Tigray commenced operations in July 2011 and has limited historical volatility. As a result, volatility was calculated using an average of volatilities from comparable exploration companies working in Africa (Refer to Note 10).

5. Significant accounting estimates and judgments (continued)

(b) Continuity of interests accounting

There is currently no guidance in IFRS on the accounting treatment for combinations among entities under common control. IAS 8 – Accounting policies, changes in accounting estimates and errors ("IAS 8") requires management, if there is no specifically applicable standard of interpretation, to develop a reliable policy that is relevant to the decision making needs of users.

The Company has determined to apply the concept of continuity of interest basis of accounting for transactions under common control as detailed under United States generally accepted accounting principles ("US GAAP"). US GAAP requires an acquirer in a combination between entities or businesses under common control to recognize the assets acquired and liabilities assumed in the transaction at their carrying amounts in the accounts of the transferring entity at the date of the transfer.

As described in Note 1 and 2, on April 4, 2013, Canaco 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 Metals and distributed all of the shares of East Africa Metals 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 the management of the Company. As there was no substantive change in the Company, the Arrangement Agreement 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 Metals, and its related comparatives will be the historical results of Canaco.

(c) Investment in Tigray Resources Inc.

As disclosed in Note 10, the Company acquired 8,000,000 units of Tigray's non-brokered private placement (the "Equity Placement"). The Company and Tigray have Directors and officers in common. On completion of the Equity Placement, the Company held 8,000,000 common shares and 4,000,000 share purchase warrants, representing approximately 13.4% of the then outstanding common shares of Tigray, assuming exercise of all warrants. Management has considered whether Tigray is an associate because of the acquisition of shares in Tigray which was an independent business decision of East Africa Metals given that there are two pre-existing directors in common of the respective entities. Management concluded that the investment should be categorized as available-for-sale rather than as an associate as the share ownership is below 20% and does not provide any rights to Board appointments of Tigray nor other indicators of significant influence. Management believes that the directors in common do not exercise any significant influence on behalf of East Africa over the direction of Tigray in fulfillment of their fiduciary responsibilities. As a result, East Africa Metals is not required to record its initial investment in Tigray using the equity method of accounting.

6. Adoption of new or revised IFRSs and IFRSs not yet effective

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 Standards impacted that are applicable to the Company are as follows:

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

IFRS 9 introduces the new requirements for the classification, measurement and derecognition of financial assets and financial liabilities. Specifically, IFRS 9 requires all recognized financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortized cost or fair value. IFRS 9 is effective for annual periods beginning on or after January 1, 2015, with earlier application permitted. The Company is currently evaluating the impact of this new standard on the Company's financial assets and financial liabilities.

(b) IFRS 10 Consolidated Financial Statements ("IFRS 10")

IFRS 10 establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. IFRS 10 supersedes IAS 27 "Consolidated and Separate Financial Statements" and SIC-12 "Consolidation – Special Purpose Entities" and is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. Adoption of this standard is not expected to have a significant impact on the consolidated financial statements.

6. Adoption of new or revised IFRSs and IFRSs not yet effective (continued)

(c) IFRS 11 Joint Arrangements ("IFRS 11")

IFRS 11 introduces new accounting requirements for joint arrangements, replacing IAS 31 Interests in Joint Ventures. The option to apply the proportional consolidation method when accounting for jointly controlled entities is removed. Additionally, IFRS 11 eliminates jointly controlled assets to now only differentiate between joint operations and joint ventures. A joint operation is a joint arrangement whereby the parties that have joint control have rights to the assets and obligations for the liabilities. A joint venture is a joint arrangement whereby the parties that have joint control have rights to the net assets. This accounting requirement is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted. Adoption of this standard is not expected to have a significant impact on the consolidated financial statements.

(d) IFRS 12 Disclosure of Interests in Other Entities ("IFRS 12")
IFRS 12 applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. IFRS 12 is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. The Company assess that additional disclosures will be required in the 2014 consolidated financial statements. The Company shall disclose the significant judgements and assumptions it has made in determining the nature of its interest in another entity or arrangement, and in determining the type of arrangement in which it has an interest; and information about its interests in subsidiaries, joint arrangements and associates; and structured entities that are not controlled by the Company.

(e) IFRS 13 Fair Value Measurements ("IFRS 13")

IFRS 13 defines fair value, sets out in a single IFRS framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 applies to standards that require or permit fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements), except in specified circumstances. In addition, IFRS 13 requires specific disclosures about fair value measurement. IFRS 13 is to be applied for annual periods beginning on or after January 1, 2013. Earlier application is permitted. Adoption of this standard is not expected to have a significant impact on the consolidated financial statements.

(f) IAS 36 Impairment of Assets ("IAS 36")

In May 2013, the IASB issued limited scope amendments to IAS 36 which is applicable on a retrospective basis for years beginning on or after January 1, 2014 with optional early adoption permitted. The effect of these amendments includes the following:

• Removal of the requirement introduced as a consequential amendment of issuance of IFRS 13 to disclose recoverable amount when a CGU contains goodwill or indefinite lived intangible assets but there has been no impairment;

• Require disclosure of the recoverable amount of an asset or CGU when an impairment loss has been recognized or reversed; and

• Require detailed disclosure of how the fair value less cost to dispose has been measured when an impairment loss has been recognized or reversed, including the level of the fair value hierarchy for which the fair value measurement is categorized.

The adoption of these amendments is not expected to have a significant impact on the consolidated financial statements.

(g) Other amendments

In addition, there have been amendments to existing standards, including IAS 27, Separate Financial Statements, and IAS 28, Investments in Associates and Joint Ventures. IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 – 13. Adoption of these standards is not expected to have a significant impact on the consolidated financial statements.

Expressed in Canadian dollars, unless otherwise stated

7. Cash and cash equivalents

	June 30, 2013	June 30, 2012
Cash	$ 2,890,767	$ 12,675,296
Cash equivalents	2,181,819	31,108,304
	$ 5,072,586	$ 43,783,600

8. Accounts receivable

Accounts receivable includes insurance receivable related to the BCSC hearing costs (Refer to Note 20 (b)) which are covered under the Company's insurance policy.

	June 30, 2013	June 30, 2012
Insurance receivable and taxes receivable	$ 956,040	$ 754,457
Related parties (Note 15)	616,441	363,107
	$ 1,572,481	$ 1,117,564

9. Accounts payable and accrued liabilities

	June 30, 2013	June 30, 2012
Trade payables	$ 403,241	$ 1,303,045
Accrued liabilities	418,578	154,486
	$ 821,819	$ 1,457,531

10. Marketable securities, other assets and investment

	Candente Gold Corp.		Tigray Resources Inc.		Total
	Quantity (Shares / warrants)	**Carrying Value**	**Quantity**	**Carrying Value**	**Carrying Value**
Marketable securities					
As at June 30, 2011	1,700,000	$ 884,000	--	$ --	$ 884,000
Releases from escrow	1,275,000	564,449	--	--	564,449
Change in fair value	--	(912,949)	--	--	(912,949)
As at June 30, 2012	2,975,000	535,500	--	--	535,500
Releases from escrow	1,275,000	177,309	--	--	177,309
Additions	--	--	8,000,000	1,013,407	1,013,407
Change in fair value	--	(457,809)	--	(413,407)	(871,216)
As at June 30, 2013	4,250,000	255,000	8,000,000	600,000	855,000
Other assets (warrants)					
As at June 30, 2012	--	--	--	--	--
Additions	--	--	4,000,000	186,593	186,593
Change in fair value	--	--	--	(85,318)	(85,318)
As at June 30, 2013	--	--	4,000,000	101,275	101,275
As at June 30, 2013	**4,250,000**	**$ 255,000**	**12,000,000**	**$ 701,275**	**$ 956,275**

Expressed in Canadian dollars, unless otherwise stated

10. Marketable securities, other assets and investment (continued)

	Candente Gold Corp.		Tigray Resources Inc.		Total
	Quantity (Shares / warrants)	**Carrying Value**	**Quantity**	**Carrying Value**	**Carrying Value**
Investment					
As at June 30, 2011	2,550,000	$ 1,128,897	--	$ --	$ 1,128,897
Releases from escrow	(1,275,000)	(564,449)	--	--	(564,449)
Change in fair value	--	(387,139)	--	--	(387,139)
As at June 30, 2012	1,275,000	177,309	--	--	177,309
Releases from escrow	(1,275,000)	(177,309)	--	--	(177,309)
As at June 30, 2013	--	$ --	--	$ --	$ --

Candente Gold Corp.

On January 4, 2010, Candente Gold's common shares were listed on the TSX and have been marked to market since that date with changes in fair value recorded in other comprehensive income. For the year ended June 30, 2013, an unrealized marked to market loss of $457,809 (June 30, 2012 – $1,300,088) was recorded in other comprehensive income.

The common shares were subject to a Voluntary Escrow Agreement; whereby, 10% of the shares were released on the date Candente Gold was listed on the TSX and the balance was released in equal tranches of 15% every six months over a three-year period. For the year ended June 30, 2013, the Company has reclassified 1,275,000 (June 30, 2012 – 1,275,000) common shares that are no longer held in escrow, as marketable securities and all common shares have been released from escrow.

Tigray Resources Inc.

During the year ended June 30, 2013, the Company acquired 8,000,000 units of Tigray's Equity Placement at a price of $0.15 per unit. The Company and Tigray have Directors and officers in common. Each unit comprises one common share and one-half of one non-transferable common share purchase warrant. Each whole warrant allows the holder to purchase one common share of Tigray at an exercise price of $0.20 for a period of two years from the date of closing. On completion of the Equity Placement, the Company held 8,000,000 common shares and 4,000,000 share purchase warrants, representing approximately 13.4% of the then outstanding common shares of Tigray, assuming exercise of all warrants.

The Company's investment in common shares of Tigray was valued at the closing bid price of the shares on the Exchange on June 30, 2013. The fair value of the share purchase warrants was estimated using the Black-Scholes Option Pricing Model with the following inputs:

	2013	2012
Expected life	1.8years	--
Volatility	113.05%	--
Dividend yield	--	--
Risk free rate	1.25%	--

For the year ended June 30, 2013, an unrealized marked to market loss of $413,407 (June 30, 2012 – $Nil) was recorded in other comprehensive income and a change in fair value of share purchase warrants of ($85,318) (June 30, 2012 - $Nil) was included in consolidated statements of operations for the year.

Expressed in Canadian dollars, unless otherwise stated

11. Property and equipment

Details of the Company's property and equipment are as follows:

	Buildings and roads	Office furniture and equipment	Computers and software	Leasehold improvements	Total
Cost					
As at June 30, 2012	$ 1,526,018	$ 779,503	$ 417,450	$ 353,554	$ 3,076,525
Additions	47,785	1,560	25,945	--	75,290
Disposals	--	(951)	(6,924)	--	(7,875)
Foreign exchange	19,812	16,122	2,566	2,642	41,142
As at June 30, 2013	$ 1,593,615	$ 796,234	$ 439,037	$ 356,196	$ 3,185,082

	Buildings and roads	Office furniture and equipment	Computers and software	Leasehold improvements	Total
Accumulated amortization					
As at June 30, 2012	$ 181,366	$ 213,374	$ 167,711	$ 114,636	$ 677,087
Amortization	--	57,238	139,903	78,962	276,103
Disposals	--	(301)	(4,134)	--	(4,435)
Exploration amortization	216,122	100,418	25,428	43,310	385,278
Foreign exchange	2,334	423	3,428	1,610	7,795
As at June 30, 2013	$ 399,822	$ 371,152	$ 332,336	$ 238,518	$ 1,341,828

Net book value					
As at June 30, 2013	$ 1,193,793	$ 425,082	$ 106,701	$ 117,678	$ 1,843,254

	Buildings and roads	Office furniture and equipment	Computers and software	Leasehold improvements	Total
Cost					
As at June 30, 2011	$ 729,769	$ 607,899	$ 165,289	$ 294,261	$ 1,797,218
Additions	756,734	295,393	249,028	58,338	1,359,493
Disposals	--	(142,522)	--	--	(142,522)
Foreign exchange	39,515	18,733	3,133	955	62,336
As at June 30, 2012	$ 1,526,018	$ 779,503	$ 417,450	$ 353,554	$ 3,076,525

	Buildings and roads	Office furniture and equipment	Computers and software	Leasehold improvements	Total
Accumulated amortization					
As at June 30, 2011	$ 54,941	$ 101,258	$ 45,253	$ 17,073	$ 218,525
Depreciation	--	48,186	106,105	81,697	235,988
Disposals	--	(13,043)	--	--	(13,043)
Exploration depreciation	124,204	72,612	14,907	15,798	227,521
Foreign exchange	2,221	4,361	1,446	68	8,096
As at June 30, 2012	$ 181,366	$ 213,374	$ 167,711	$ 114,636	$ 677,087

Net book value					
As at June 30, 2012	$ 1,344,652	$ 566,129	$ 249,739	$ 238,918	$ 2,399,438

Expressed in Canadian dollars, unless otherwise stated

12. Mineral property interests

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

	Tanzania, Handeni properties	Tanzania, other properties	Total
Acquisition costs			
As at June 30, 2011	$ 2,051,073	$ 2,387,133	$ 4,438,206
Property payments	236,012	294,621	530,633
Foreign exchange	194,088	146,979	341,067
As at June 30, 2012	2,481,173	2,828,733	5,309,906
Property payments	102,211	355,444	457,655
Foreign exchange	98,223	96,014	194,237
As at June 30, 2013	$ 2,681,607	$ 3,280,191	$ 5,961,798

Tanzania – Handeni properties

The Handeni Gold Project consists of two contiguous claims, Magambazi and Kilindi. The properties are located in the Handeni district, Tanga Region of Tanzania. The Kilindi property is 100% owned by the Company and is subject to a Prospecting Licence ("PL").

For the year ended June 30, 2013, the Company had:

a) through a SPE, made the second payment of US$50,000 on a Handeni PML exploration and purchase option agreement ("Agreement') to acquire 100% interest in the PML. The Agreement includes payments of US$50,000 in year one (paid); US$50,000 in year two (paid) and US$50,000 in year three. The Company has a purchase option to acquire the PML for US$400,000. The Agreement is subject to a 2.0% Net Smelter Returns Royalty ("NSR") with an option for the Company to buy back 1.0% of the NSR for US$250,000.

b) through the SPE, made the second payment of US$50,000 on a second Handeni PML exploration and option agreement ("2nd Agreement"), with a different third party than noted in a). The 2nd Agreement includes payments of US$50,000 in year one (paid); US$50,000 in year two (paid) and US$50,000 in year three. The Company has a purchase option to acquire the PML for US$400,000. The 2nd agreement is subject to a 2.0% NSR with an option for the Company to buy back 1.0% of the NSR for US$250,000.

c) completed the second payment of US$120,000 on the Kwadijava PML exploration and purchase option agreement. The agreement includes payments of US$100,000 in Year 1 (paid); US$120,000 in year two (paid) and US$140,000 in year three. The Company has a purchase option of US$1,200,000 to be exercised before January 7, 2014, subject to a NSR of 2.0% on gold and/or other base metals. The Company has an option to buy back 1.0% of the NSR. If the purchase option is exercised prior to January 7, 2014, the value of any unexpired payments as noted above will be deducted from the purchase consideration.

Tanzania – Other properties

The Company's "Other properties" consists of 5 non-contiguous claims. The properties are located in the Handeni district, Tanga Region of Tanzania. During the year ended June 30, 2012, the Company entered into an option agreement with Strike Gold Corp. ("Strike Gold") whereby Strike Gold could earn an 80% interest in the Boma property. In the same period, Strike Gold terminated the proposed option agreement and pursuant to a termination clause in the agreement, the Company received a cash payment of $50,000 from Strike Gold. In addition, during the year ended June 30, 2012, the Company had acquired a PL in the Handeni District for US$220,000.

Expressed in Canadian dollars, unless otherwise stated

13. Exploration and evaluation expenditure

Details of the Company's exploration expenditure are as follows:

	Tanzania, Handeni Properties	Tanzania other properties	Year ended June 30, 2013
Exploration and evaluation expenditure			
Amortization	$ 385,278	$ --	$ 385,278
Camp and administration costs	1,122,982	186,272	1,309,254
Drilling	154,875	--	154,875
Geochemistry	44,210	314,344	358,554
Geology	47,648	339,646	387,294
Project development	873,749	--	873,749
Project management and consulting	262,598	--	262,598
Share-based compensation	447,630	--	447,630
Technical services	206,231	225,603	431,834
Total for the year ended June 30, 2013	3,545,201	1,065,865	4,611,066
Cumulative exploration expenditure as at June 30, 2012	59,775,112	17,283	59,792,395
Cumulative exploration expenditure as at June 30, 2013	$ 63,320,313	$ 1,083,148	$ 64,403,461

	Tanzania, Handeni Properties	Tanzania other properties	Year ended June 30, 2012
Exploration and evaluation expenditure			
Amortization	$ 227,521	$ --	$ 227,521
Camp and administration costs	1,728,888	--	1,728,888
Drilling	21,857,508	--	21,857,508
Geochemistry	907,398	--	907,398
Geology	229,224	3,226	232,450
Project development	3,112,783	--	3,112,783
Project management and consulting	79,686	--	79,686
Share-based compensation	337,708	--	337,708
Technical services	496,826	14,057	510,883
Total for the year	28,977,542	17,283	28,994,825
Cumulative exploration expenditure as at June 30, 2011	30,797,570	--	30,797,570
Cumulative exploration expenditure as at June 30, 2012	$ 59,775,112	$ 17,283	$ 59,792,395

14. Share capital

As at June 30, 2013, the Company's share capital consisted of the following:

(a) Authorized: Unlimited common shares without par value

(b) Issued and outstanding: 67,305,842 (June 30, 2012 – 199,708,103) common shares

On April 4, 2013, as a result of the Arrangement Agreement (Refer to Note 1), Canaco's outstanding shares of 201,917,638 were assigned to Orca. Immediately prior to the Arrangement Agreement, on the basis of one (1) East Africa Metals share for every three (3) pre-Consolidation Canaco shares, 67,305,842 shares were distributed to Canaco shareholders. As a result of the Arrangement Agreement the Company's Loss per Share for the period ending June 30, 2012, was calculated using 67,305,842 weighted average number of common shares. The recalculated Loss per Share for the year ended June 30, 2012, was ($0.47).

Expressed in Canadian dollars, unless otherwise stated

14. Share capital (continued)

(b) Issued and outstanding (continued)

For the year ended June 30, 2013, Canaco, prior to April 4, 2013, issued 2,209,535 common shares (June 30, 2012 – 764,000) on the exercise of stock options. For the year ended June 30, 2012, the Company issued 84,119 common shares on the exercise of warrants and for the year ended June 30, 2013, no warrants were exercised.

(c) Escrowed shares

As at June 30, 2013, 507,553 (June 30, 2012 – 1,522,665) common shares are held in escrow. The release of these shares is based on the future exploration expenditures, discovery of an ore deposit and achieving commercial mineral production.

(d) Share-based compensation

The Company has established a share purchase option plan whereby the Board of Directors may grant options to directors, officers, employees or consultants in order to more closely align the grant-recipients' interests with those of shareholders.

The Company has been authorized by its shareholders to grant stock options of up to ten percent (10%) of the number of common shares issued and outstanding. Options granted are subject to a maximum term of ten years from the date of grant. The exercise price of an option must be determined in accordance with the share purchase option plan. Options vest at the time the stock options are granted unless determined otherwise by the Board of Directors, other than options granted to consultants performing investor relations activities, which vest in stages over twelve months with no more than one quarter vesting in any three-month period.

As result of the Arrangement Agreement on April 4, 2013, the management and accounting of the 14,445,000 outstanding stock options continued with Orca (Refer to Note 1).

Details of stock option activity during the years ended June 30, 2013, and June 30, 2012, are as follows:

	Number of options outstanding	Weighted average exercise price
Balance, June 30, 2011	13,623,535	$ 2.86
Granted	400,000	1.80
Exercised	(764,000)	0.55
Balance, June 30, 2012	13,259,535	2.96
Granted	6,000,000	0.40
Exercised	(2,209,535)	0.28
Expired and forfeited	(2,605,000)	2.65
Arrangement Agreement	(14,445,000)	2.36
Outstanding and exercisable, June 30, 2013	--	$ --

The fair value of the 6,000,000 (June 30, 2012 – 400,000) options which vested on the grant date, totalled $1,852,260 (June 30, 2012 – $531,569), of which $1,404,630 (June 30, 2012 – $193,861) was recorded as share-based compensation expense and $447,630 (June 30, 2012 – $337,708) was recognized as share-based compensation expense within exploration and evaluation expenses. The options were valued using the Black-Scholes model based on the following assumptions:

	2013	2012
Expected life	2.90 years	2.75 years
Volatility	140.24%	137.00%
Dividend yield	--	--
Risk free rate	1.16%	0.94%

Option pricing models require the input of subjective assumptions including the expected volatility. The expected volatility is based on the historical volatility of the Company's common shares. Changes in the subjective input assumptions can materially affect the fair value estimate.

Expressed in Canadian dollars, unless otherwise stated

14. Share capital (continued)

(d) Share-based compensation (continued)

The Company's weighted average share price for options exercised during the year ended June 30, 2013, is as follows:

Month of exercise	Number of options	Weighted average share price in month of exercise
July 2012	80,000	$ 0.35
December 2012	75,000	0.40
January 2013	579,535	0.42
February 2013	125,000	0.50
March 2013	1,350,000	0.41
	2,209,535	$ 0.41

Pursuant to the arrangement for the distribution of an Ethiopian property to Tigray, completed on July 4, 2011, for all outstanding options at that date, the Company retains 98.5% of the value for each stock option exercised and the remaining 1.5% is paid to Tigray. For the year ended June 30, 2013, 2,209,535 (June 30, 2012 – 764,000) stock options were exercised at prices ranging from $0.10 to $0.40 (June 30, 2012 – $0.30 to $0.66) stock to provide $622,357 (June 30, 2012 - $411,472) to the Company, after the deduction of the 1.5% relating to Tigray shares.

(e) Share purchase warrants

As at June 30, 2013, there were no share purchase warrants outstanding. The following share purchase warrant transactions issued in connection with financings made by private placements and exercises of share purchase warrants are summarized as follows:

	Number of warrants
Balance, June 30, 2011	981,584
Warrants exercised	(84,119)
Balance, June 30, 2012	897,465
Warrants expired	(897,465)
Balance, June 30, 2013	--

15. Related party transactions

(a) Related parties

	Years ended June 30, 2013	2012
Services rendered and expenses incurred (vii):		
Services and related expenses (i)	$ 791,346	$ 963,176
Management fees (ii)	1,011,875	316,250
Legal fees	--	13,160

	June 30, 2013	June 30, 2012
Balances receivable from (vii):		
Reimbursement of shared costs (iii)	$ 616,441	$ 363,107
	616,441	363,107
Balances payable to (vii):		
Services rendered (i)	(129,500)	(177,500)
Directors and officers (iv)	(27,607)	--
	$ (157,107)	$ (177,500)

Expressed in Canadian dollars, unless otherwise stated

15. Related party transactions (continued)

(a) Related parties (continued)

(i) Services and related expenses are paid for or received from related parties with directors in common.

(ii) Management fees were paid to a privately held company for the services of an officer of the Company.

(iii) The Company shares office premises with two other companies that have directors in common and expenses were reimbursed at cost.

(iv) Director fees, salaries, severances and terminations paid or accrued to directors and officers of the Company.

(v) During the year ended June 30, 2013, the Company acquired 8,000,000 units of Tigray's Equity Placement at a price of $0.15 per unit. Each unit comprises one common share and one-half of one non-transferable common share purchase warrant. See Note 10 for further information. The Company and Tigray have directors and officers in common.

(vi) During the year end June 30, 2012, the Company settled an outstanding payable to Tigray. The payable relates to the cash provided for working capital and was result of the spin-out of Tigray that occurred during the year end June 30, 2011. This amount was included in the deemed dividend in kind to Canaco shareholders.

(vii) These transactions were in the normal course of business recorded at their exchange amounts, which was established and agreed to by the related parties. The balances payable are included in accounts payable and accrued liabilities and the amounts receivable are included in accounts receivable.

(b) Key management personnel

Key management personnel are those persons that have the authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management includes the Company's directors and members of the senior management group.

Details of key management personnel compensation is as follows:

	Years ended June 30, 2013	**2012**
Directors fees, key management personnel salaries and short-term benefits	$ 1,841,926	$ 1,077,080
Share-based compensation	879,824	202,625
	$ 2,721,750	$ 1,279,705

16. Financial instruments and risk management

Financial assets and financial liabilities are measured on an ongoing basis at fair value or amortized cost. The disclosures in the notes to these financial statements describe how the categories of financial instruments are measured and how income and expenses, including fair value gains and losses, are recognized. As at June 30, 2013, and June 30, 2012, the classifications of the financial instruments are shown in the table below:

	Fair value through profit or loss	**Financial assets available-for-sale**	**Loans and receivables**	**Other financial liabilities**	**Total carrying value**
As at June 30, 2013					
Cash	$ --	$ --	$ 5,072,586	$ --	$ 5,072,586
Short-term investments	--	--	13,240,050	--	13,240,050
Restricted cash	--	--	3,999,994	--	3,999,994
Accounts receivable	--	--	1,394,335	--	1,394,335
Marketable securities and other assets	101,275	855,000	--	--	956,275
Accounts payable and accrued liabilities	--	--	--	(821,819)	(821,819)
	$ 101,275	$ 855,000	$ 23,706,965	$ (821,819)	$ 23,841,421

Expressed in Canadian dollars, unless otherwise stated

16. Financial instruments and risk management (continued)

	Fair value through profit or loss	Financial assets available-for-sale	Loans and receivables	Other financial liabilities	Total carrying value
As at June 30, 2012					
Cash	$ --	$ --	$ 43,783,600	$ --	$ 43,783,600
Short-term investments	--	--	50,943,512	--	50,943,512
Accounts receivable	--	--	1,023,263	--	1,023,263
Marketable securities	--	535,500	--	--	535,500
Investment	--	177,309	--	--	177,309
Accounts payable and accrued liabilities	--	--	--	(1,457,531)	(1,457,531)
	$ --	$ 712,809	$ 95,750,375	$ (1,457,531)	$ 95,005,653

From time to time, the Company may make strategic investments in other private or publicly traded entities. These investments may take the form of common shares and share purchase warrants.

For accounting purpose, the Company has determined that any share purchase warrants held are derivative financial instruments and any change in fair value is included in the consolidated statements of operations for the period. The fair value of share purchase warrants is measured using Black-Scholes that uses inputs that are primarily based on market indicators. Any common shares (equities) held are designated as available-for-sale and any change in fair value is included in other comprehensive income (loss), until such time as the common shares are sold or otherwise disposed of at which time any gains or losses will be included in the consolidated statements of operations for the period.

The following table presents the Company’s financial assets that are measured at fair value as at June 30, 2013:

	Level 1	Level 2	Level 3	Total
As at June 30, 2013				
Marketable securities and other assets	$ 855,000	$ 101,275	--	$ 956,275
	$ 855,000	$ 101,275	$ --	$ 956,275

The fair values of the Company’s financial instruments measured at June 30, 2013, constitute Level 1 for marketable securities and Level 2 for other assets (share purchase warrants). For the year ended June 30, 2013, the Company recognized interest income totaling $904,435 (June 30, 2012- $1,294,575). This is primarily interest income from the Company’s cash and cash equivalents and short-term investments.

Management of financial risk

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

Currency risk

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

Expressed in Canadian dollars, unless otherwise stated

16. Financial instruments and risk management (continued)

Currency risk (continued)

As at June 30, 2013, and June 30, 2012, the Company is exposed to currency risk through the following assets and liabilities dominated in Euros, Australian dollars, United States dollars and Tanzanian shillings:

		EUR		AUD		USD	TSH
As at June 30, 2013							
Cash and cash equivalents	€	--	$	--	$	2,869,630	219,397,971
Accounts payable and accrued liabilities		(319)		(1,317)		(11,195)	(5,474,996)
	€	(319)	$	(1,317)	$	2,858,435	213,922,975

		EUR		AUD		USD	TSH
As at June 30, 2012							
Cash and cash equivalents	€	--	$	--	$	16,223,345	277,232,815
Accounts payable and accrued liabilities		(25,666)		--		(2,495)	(35,140,074)
	€	(25,666)	$	--	$	16,220,850	242,092,741

Based on the above net exposure as at June 30, 2013, 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 $312,960 (June 30, 2012 – $1,664,160) in the Company’s consolidated statements of operations.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company’s interest rate risk arises from the interest rate impact on cash and cash equivalent and 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 year ranged between 1.2% to 2.0% (June 30, 2012 – 0.5% to 1.85%).

Based on the amount of cash and cash equivalents and short term investments as at June 30, 2013, and assuming that all other variables remain constant, a 0.5% change in the applicable interest rate would result in an increase/ decrease of $91,563 (June 30, 2012 – $473,636) 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. 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 meets 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 described in Note 17.

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 private placements to meets it operating requirements, after taking into account existing cash. As at June 30, 2013, the Company has sufficient cash on hand to meet its current liabilities and it’s expected administrative and explorations requirements for the coming fiscal year.

Expressed in Canadian dollars, unless otherwise stated

17. Management of capital

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to pursue the development of its mineral properties and to maintain a flexible capital structure which optimizes the cost of capital at an acceptable risk.

In the management of capital, the Company includes the components of equity attributable to common shareholders. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may attempt to issue new shares, issue debt and acquire or dispose of assets. In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The annual and updated budgets are approved by the Board of Directors.

The Company's investment policy is to limit investments to guaranteed investment certificates, banker's acceptance notes, investment savings accounts or money market funds with high quality financial institutions in Canada, selected with regards to the expected timing of expenditures from continuing operations. At present, the Company has investments in savings accounts and guaranteed investment certificates of varying terms.

18. Income tax

The provision for income taxes differs from the amount calculated using the Canadian federal and provincial statutory income tax rates of 25.38% (2012 - 25.75%) as follows:

	2013	2012
Expected tax recovery	$ (3,341,946)	$ (8,220,461)
Stock based compensation and other permanent differences	(756,487)	2,446,119
Tax rate differences	(250,533)	(1,201,017)
Tax impact of restructuring	2,478,807	--
Unrecognized tax assets	1,870,159	6,975,359
Income tax expense	$ --	$ --

As at June 30, 2013, no deferred tax assets are recognized on the following temporary differences as it is not probable that sufficient future taxable profit will be available to utilize such differences:

	June 30, 2013	June 30, 2012
Non-capital loss carry forwards – Canada	$ 357,000	$ 15,711,000
Non-capital loss carry forwards – Tanzania	5,617,000	5,058,000
Financing and other costs	--	6,066,000
Unamortized capital costs in excess of net book value	79,000	328,000
Mineral properties	57,260,000	57,567,000
Unrealized gain on available-for-sale investments	669,000	(713,000)
Total unrecognized deferred tax assets	$ 63,982,000	$ 84,017,000

As a result of the Arrangement Agreement (refer to Notes 1 and 2) Orca Gold became the legal entity and inherited all of Canaco's accumulated non-capital losses up until April 4, 2013. The below non-capital losses represent the losses of East Africa Metals from April 4, 2013. At June 30, 2013, the Company has accumulated non-capital losses of approximately $357,000 (2012 – $15,711,000) which may be carried forward to apply against future year's income for Canadian income tax purposes subject to final determination by taxation authorities, expiring as follows:

Year	$
2033	357,000
	357,000

Expressed in Canadian dollars, unless otherwise stated

19. Geographical segment information

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

	Canada	Tanzania	Total
For the year ended June 30, 2013			
Net loss for the year	$ 9,003,438	$ 4,166,792	$ 13,170,230
As at June 30, 2013			
Total liabilities	(380,868)	(440,951)	(821,819)
Total non-current assets	922,966	6,882,086	7,805,052
Total assets	25,834,579	7,305,325	33,139,904

	Canada	Tanzania	Total
For the year ended June 30, 2012			
Net loss for the year	$ 3,209,887	$ 28,714,235	$ 31,924,122
As at June 30, 2012			
Total liabilities	(680,914)	(776,617)	(1,457,531)
Total non-current assets	1,313,252	6,573,401	7,886,653
Total assets	96,607,218	8,433,206	105,040,424

20. Subsequent events

Subsequent to June 30, 2013:

(a) Grant of stock options

On August 19, 2013, the Company granted an aggregate of 5 million stock options to directors, officers, employees and consultants pursuant to the Company's stock option plan. The options have an exercise price of $0.135 per share and an expiry date of August 19, 2018.

(b) Final Notice of Hearing from the BCSC

On August 7, 2013, the BCSC dismissed the allegations regarding the grant of certain stock options and the disclosure of the infill drill results made by Canaco. Under the terms of the Arrangement Agreement and Spinout, once the BCSC hearing was concluded, the account jointly controlled by Orca Gold and East Africa Metals to cover any potential future costs would be collapsed and the unexpended balance of these funds will be released to East Africa Metals (Refer to Note 1). On September 27, 2013, the jointly controlled account was collapsed and the restricted cash was moved into the Company's operating bank account.