

EAST AFRICA METALS INC.  
(an exploration stage company)

UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2018 and 2017

Expressed in Canadian dollars

(Unaudited – prepared by management)

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

**EAST AFRICA METALS INC.**

(an exploration stage company)

Condensed Interim Consolidated Balance Sheets - unaudited

Expressed in Canadian dollars, unless otherwise stated

	September 30, 2018	December 31, 2017
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 190,651	\$ 2,268,310
Accounts receivable (Note 7)	179,905	311,450
Prepaid expenses and deposits	197,158	110,318
	567,714	2,690,078
Mineral property interests (Note 8)	21,253,765	20,906,067
Property and equipment (Note 10)	666,915	835,897
	\$ 22,488,394	\$ 24,432,042
<b>Liabilities and Equity</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 1,636,223	\$ 1,070,261
Loan payable (Note 12(a)(v))	328,100	621,200
	1,964,323	1,691,461
<b>Non-current liability</b>		
Leasehold inducement	32,786	52,456
<b>Total liabilities</b>	1,997,109	1,743,917
<b>Equity</b>		
Share capital (Note 11(b))	50,382,075	48,894,803
Bonus shares obligation (Note 11(d))	184,375	295,000
Warrants (Note 11(e))	197,473	882,630
Contributed surplus (Note 11(d))	149,729,744	147,733,060
Accumulated other comprehensive income	3,855,902	3,311,074
Deficit	(187,469,876)	(181,998,823)
	16,879,693	19,117,744
Non-controlling interest (Note 8)	3,611,592	3,570,381
	20,491,285	22,688,125
	\$ 22,488,394	\$ 24,432,042
Nature of operations and going concern (Note 1)		
Tanzanian Definitive Agreement (Note 2)		
Subsequent events (Notes 1, 12, and 16)		
Contingencies (Note 15)		

Approved on behalf of the Board

(signed) "David Parsons"

(signed) "Sean Waller"

**EAST AFRICA METALS INC.**

(an exploration stage company)

Condensed Interim Consolidated Statements of Operations – unaudited

Expressed in Canadian dollars, unless otherwise stated

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2018	2017	2018	2017
<b>Expenses</b>				
Amortization (Note 10)	\$ 12,580	\$ 13,724	\$ 39,014	\$ 40,948
Directors and advisory board fees	17,250	19,125	55,626	74,769
Exploration and evaluation expenditure (Note 9)	431,169	665,411	2,413,973	4,295,770
Investor/shareholder communications and filing fees	43,272	61,049	542,574	594,138
Legal, audit and audit related fees	86,801	8,490	270,087	54,459
Management consulting fees and expenses	131,150	162,881	411,813	556,608
Office and administration	58,667	115,270	277,507	347,529
Rent and occupancy costs	70,606	69,507	206,560	200,318
Salary and benefits	71,695	58,775	229,239	234,064
Share-based compensation (Note 11(d))	31,601	--	1,104,962	161,457
	954,791	1,174,232	5,551,355	6,560,060
Foreign exchange loss (gain)	(7,510)	30,364	2,975	156,915
Interest expense (Note 12(a)(v))	9,000	--	30,900	9,880
Interest and miscellaneous income	--	(4,429)	--	(28,480)
Net loss for the period	956,281	1,200,167	5,585,230	6,698,375
Net loss attributable to:				
Shareholders	935,665	1,162,994	5,471,053	6,493,839
Non-controlling interest	20,616	37,173	114,177	204,536
	956,281	1,200,167	5,585,230	6,698,375
<b>Loss per share, basic and diluted</b>	\$ 0.01	\$ 0.01	\$ 0.03	\$ 0.05
<b>Weighted average number of common shares used in the calculation of loss per share – basic and diluted</b>	163,249,759	147,897,161	162,268,814	139,516,778

Condensed Interim Consolidated Statements of Comprehensive Income (Loss) – unaudited  
(Expressed in Canadian dollars)

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2018	2017	2018	2017
<b>Net loss for the period</b>	\$ 956,281	\$ 1,200,167	\$ 5,585,230	\$ 6,698,375
<b>Items that may be reclassified to statement of operations</b>				
<b>Currency translation adjustment</b>				
Attributable to shareholders of Company	283,921	694,975	(544,828)	1,318,944
Attributable to shareholders of non-controlling interest	90,290	196,808	(155,388)	375,266
<b>Comprehensive loss for the period</b>	1,330,492	2,091,950	4,885,014	8,392,585
Attributable to shareholders of Company	1,219,586	1,857,969	4,926,225	7,812,783
Attributable to shareholders of non-controlling interest	110,906	233,981	(41,211)	579,802
	\$ 1,330,492	\$ 2,091,950	\$ 4,885,014	\$ 8,392,585

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

## EAST AFRICA METALS INC.

(an exploration stage company)

Condensed Interim Consolidated Statements of Changes in Equity - unaudited

For the three and nine months ended September 30, 2018 and 2017

Expressed in Canadian dollars, unless otherwise stated

	Common Shares Without Par Value		Bonus Shares Obligation	Warrants	Contributed Surplus	Accumulated Other Comprehensive Income	Deficit	Total Common Shareholders' Equity	Non- Controlling Interest	Total Equity
	Shares	Amount								
Balance, December 31, 2017	157,838,411	\$ 48,894,803	\$ 295,000	\$ 882,630	\$ 147,733,060	\$ 3,311,074	\$(181,998,823)	\$ 19,117,744	\$ 3,570,381	\$ 22,688,125
Shares issued on exercise of warrants (Notes 11(b) and (e))	3,771,680	942,920	--	(80,364)	80,364	--	--	942,920	--	942,920
Shares issued on exercise of stock options (Notes 11(b) and (d))	1,860,000	433,727	--	--	(136,376)	--	--	297,351	--	297,351
Bonus shares obligation (Note 11(d))	375,000	110,625	(110,625)	--	--	--	--	--	--	--
Share-based compensation (Note 11(d))	--	--	--	--	1,447,903	--	--	1,447,903	--	1,447,903
Expiry of warrants (Note 11(e))	--	--	--	(604,793)	604,793	--	--	--	--	--
Currency translation adjustment on foreign operations	--	--	--	--	--	544,828	--	544,828	155,388	700,216
Net loss for the period	--	--	--	--	--	--	(5,471,053)	(5,471,053)	(114,177)	(5,585,230)
Balance, September 30, 2018	163,845,091	\$ 50,382,075	\$ 184,375	\$ 197,473	\$ 149,729,744	\$ 3,855,902	\$(187,469,876)	\$ 16,879,693	\$ 3,611,592	\$ 20,491,285

  

	Common Shares Without Par Value		Warrants	Contributed Surplus	Accumulated Other Comprehensive Income	Deficit	Total Common Shareholders' Equity	Non- Controlling Interest	Total Equity
	Shares	Amount							
Balance, December 31, 2016	119,656,513	\$ 40,328,702	\$ 1,280,432	\$ 146,458,190	\$ 4,530,842	\$(172,874,525)	\$ 19,723,641	\$ 4,174,770	\$ 23,898,411
Private Placement (Notes 11(b) and (e))	20,000,000	4,579,603	620,397	--	--	--	5,200,000	--	5,200,000
Finders' fees (Note 11 (b))	--	(191,991)	(26,009)	--	--	--	(218,000)	--	(218,000)
Share issue costs	--	(27,710)	(3,102)	--	--	--	(30,812)	--	(30,812)
Shares issued on exercise of stock options (Notes 11(b) and (d))	376,222	77,872	--	(28,332)	--	--	49,540	--	49,540
Shares issued on exercise of warrants (Notes 11(b) and (e))	7,033,591	1,637,726	(328,550)	328,550	--	--	1,637,726	--	1,637,726
Shares issued on exercise of Tigray stock options (Notes 11(b) (d) and (e))	830,835	192,048	--	(33,434)	--	--	158,614	--	158,614
Share-based compensation (Note 11(d))	--	--	--	161,457	--	--	161,457	--	161,457
Expiry of warrants (Note 11(e))	--	--	(854,925)	854,925	--	--	--	--	--
Currency translation adjustment on foreign operations	--	--	--	--	(1,318,944)	--	(1,318,944)	(375,266)	(1,694,210)
Net loss for the period	--	--	--	--	--	(6,493,839)	(6,493,839)	(204,536)	(6,698,375)
Balance, September 30, 2017	147,897,161	\$ 46,596,250	\$ 688,243	\$ 147,741,356	\$ 3,211,898	\$(179,368,364)	\$ 18,869,383	\$ 3,594,968	\$ 22,464,351

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

**EAST AFRICA METALS INC.**

(an exploration stage company)

Condensed Interim Consolidated Statements of Cash Flows - unaudited

Expressed in Canadian dollars, unless otherwise stated

	<b>Nine months ended September 30,</b>	
	<b>2018</b>	<b>2017</b>
<b>Cash flows provided by (used for) operating activities</b>		
Loss for the period	\$ (5,585,230)	\$ (6,698,375)
Items not involving cash		
Amortization – administration (Note 10)	39,014	40,948
Amortization – exploration and evaluation (Notes 9 and 10)	157,183	195,766
Amortization – leasehold inducement	(19,670)	(19,673)
Interest expense (Note 12(a)(v))	30,900	--
Provision for taxes recoverable (Notes 7 and 9)	6,118	--
Share-based compensation – administration (Note 11)	1,104,962	161,457
Share-based compensation – exploration and evaluation (Notes 9 and 11)	342,941	--
Unrealized foreign exchange loss	5,378	135,928
Changes in operating assets and liabilities		
Accounts receivable and taxes recoverable	122,108	(356,147)
Prepaid expenses, deposits, materials and supplies	(86,060)	(48,828)
Accounts payable and accrued liabilities	643,332	(440,387)
	<b>(3,239,024)</b>	<b>(7,029,311)</b>
<b>Cash flows provided by (used for) investing activities</b>		
Mineral property interests acquisitions (Note 8)	(20,989)	(17,034)
Definitive Agreement deposit (Notes 2 and 8)	361,281	--
Purchase of equipment (Note 10)	(4,716)	(6,450)
	<b>335,576</b>	<b>(23,484)</b>
<b>Cash flows provided by (used for) financing activities</b>		
Private Placement (Note 11(b))	--	5,200,000
Finders fees	(100,100)	(218,000)
Share issue costs	--	(30,812)
Proceeds from related party borrowings (Note 12(a)(v))	--	1,100,000
Repayment of related party borrowings (Note 12(a)(v))	(324,000)	(509,880)
Exercise of stock options (Notes 11(b) and (d))	297,351	49,540
Exercise of Tigray stock options (Notes 11(b) and (d))	--	158,614
Exercise of warrants (Notes 11(b) and (e))	942,920	1,637,726
	<b>816,171</b>	<b>7,387,188</b>
Effects of exchange rate changes on cash and cash equivalents	9,618	(69,016)
Increase (decrease) in cash and cash equivalents	(2,077,659)	265,377
Cash and cash equivalents, beginning of period	2,268,310	367,690
Cash and cash equivalents, end of period	<b>\$ 190,651</b>	<b>\$ 633,067</b>
<b>Non-cash investing and financing activities</b>		
Expiry of warrants – fair value	\$ 604,793	\$ 854,925
Bonus shares obligation	110,625	--

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

## **EAST AFRICA METALS INC.**

(an exploration stage company)

Notes to the Condensed Interim Consolidated Financial Statements – unaudited

For the three and nine months ended September 30, 2018 and 2017

Expressed in Canadian dollars, unless otherwise stated

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

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

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

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

These unaudited condensed interim consolidated financial statements (“Interim Financial Statements”) are prepared on a going concern basis, which contemplates that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. For the nine months ended (“period ended”) September 30, 2018, the Company incurred a net loss attributable to shareholders totaling \$5,471,053 (2017 – \$6,493,839) and as at September 30, 2018, had an accumulated deficit of \$187,469,876 (December 31, 2017 – \$181,998,823) and working capital deficit of \$1,396,609 (December 31, 2017 – working capital surplus of \$998,617).

Based on the Company’s financial position as at September 30, 2018, the available funds are not considered adequate to meet requirements for the estimated operations, exploration expenditures, the Terakimti Gold Heap Leach (“Terakimti HL”) project development expenditures and the outcome of the arbitration (Note 2) in the coming twelve-month period. These requirements may be adversely impacted by an absence of normal available financing due to the continued uncertainty in the markets for mineral exploration companies. To address its financing requirements, the Company will seek financing through and not limited to the sale of non-strategic assets, debt financing, strategic alliances, gold streaming contracts or similar hybrid instruments, equity financing and optioning its mineral properties. However, there is no assurance that such financing will be available. This uncertainty casts significant doubt upon the Company’s ability to continue as a going concern. If the going concern assumption were not appropriate for these Interim Financial Statements, then adjustments would be necessary to the carrying values of assets, liabilities, the reported income and expenses and the consolidated balance sheets classifications used. Such adjustments could be material.

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

#### *Ethiopian Binding Memorandum of Understanding - termination*

On September 28, 2017, the Company executed a binding memorandum of understanding (“Ethiopian MOU”) with Luck Winner Investment Limited (“LW”) providing for project development financing of up to US\$250,000,000 and a non brokered private placement (“Private Placement”) of 52,100,000 units at a price of \$0.26 per unit for aggregate gross proceeds of approximately CAD\$13,550,000. During the year ended December 31, 2017, the Company issued 7,700,000 units for gross proceeds of \$2,002,000, to Luck Sky Resources Investments Limited (“LSR”), an affiliate of LW.

On March 29, 2018, the Company announced that further to and following the closing of the LSR financing, LW and East Africa have agreed to terminate the Ethiopian MOU. The remaining Private Placement of 44,400,000 units was not completed. Despite the best efforts of both parties, negotiations failed to define a viable transaction that would be in the best interests of East Africa shareholders and LW. The Company has initiated discussions with a number of interested parties for the project financing of the Terakimti HL project located on the Harvest Property and/or all the Ethiopian Properties.

## **EAST AFRICA METALS INC.**

(an exploration stage company)

Notes to the Condensed Interim Consolidated Financial Statements – unaudited

For the three and nine months ended September 30, 2018 and 2017

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### **2. Significant events and transactions (continued)**

#### Tanzanian Definitive Agreement - arbitration

On June 10, 2015, East Africa signed a binding agreement with an arm's length private exploration and development company (the "Developer") with companies in Hong Kong and Tanzania, to acquire and develop East Africa's Handeni Properties and Other Properties in Tanzania (the "Tanzanian Assets"). On March 5, 2016, the "Tanzanian Effective Date", the Company completed the execution of the Definitive Agreement and the Gold Purchase Agreement (together the "Tanzanian Definitive Agreements") with the Developer. The Tanzanian Definitive Agreements requires, among other things, the payment of US\$2,000,000 (US\$750,000 paid as of September 30, 2018) in cash for a 100% interest in the Tanzanian Assets, including the Magambazi project, camp, equipment and other assets within 12 months of the Tanzanian Effective Date. On January 16, 2018, the Company completed the updated terms ("Addendum") for the Tanzanian Definitive Agreements and agreed with the Developer to assign the rights and obligations of the Tanzanian Definitive Agreements and Addendum to the Developer's new entity incorporated in Hong Kong. On April 6, 2018, the Company announced that it had commenced the arbitration process with the view to terminate the Tanzanian Definitive Agreements and Addendum as a result of the failure of the Developer to adhere to the terms of the Tanzanian Definitive Agreements and Addendum and the Company may submit a claim for damages (see Note 15). The Company believes this failure represents an immediate threat to the Company's Tanzanian mining and exploration licenses including potential claims in Tanzania. Under the Tanzanian Definitive Agreements, on termination the payments received are non-refundable. The arbitration process is on-going and the Company has commenced discussions with the Tanzanian Government of the status of the Magambazi project. In August 2018, Canaco Tanzania Ltd ("CTL"), a subsidiary of East Africa, received a default notice from the Tanzanian Government advising of certain issues attributed to development and operational actions that are non-compliant with the Tanzanian Mining Act. CTL had been given 45 days to initiate action to address matters of non-compliance. With the on-going court case in Tanzania (Note 15) the Government has postponed its assessment of the Company's proposed remediation program until the court case concludes. The Company expects to submit the default notice as evidence in the on-going arbitration.

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

These Interim Financial Statements have been prepared in accordance with IAS 34 – Interim Financial Reporting as issued by the International Accounting Standards Board ("IASB"). Accordingly, certain disclosures included in the annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs") as issued by the IASB have been condensed or omitted. These Interim Financial Statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2017. The accounting policies applied in the preparation of these Interim Financial Statements are consistent with those applied and disclosed in the Company's audited consolidated financial statements for the year ended December 31, 2017. These Interim Financial Statements were approved by the Board of Directors on November 27, 2018.

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

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

The preparation of these Interim Financial Statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses and disclosures of contingencies. Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the Interim Financial Statements is included in the notes to these Interim Financial Statements where applicable. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. The Company has identified the following critical accounting policies under which significant judgments, estimates and assumptions are made where actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the Company's balance sheet reported in future periods.

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Notes to the Condensed Interim Consolidated Financial Statements – unaudited

For the three and nine months ended September 30, 2018 and 2017

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### **4. Significant accounting estimates and judgments (continued)**

#### **(a) Going Concern**

These Interim Financial Statements have been prepared on the assumption that the Company is able to continue as a going concern. The Company has estimated its development, exploration and operational expenditure for the coming 12 months from historical and projected costs of its development, exploration and corporate programs. The Company's expected commitments is based on management's best estimates of operating conditions for continued engineering and metallurgical work on the Terakimti HL project, development funding for the Terakimti HL project, updated mineral resource work on the Adyabo Property, and exploration and corporate requirements in the context of current economic conditions and capital market climate. Management has judged the Company's ability to raise additional capital/funding and continue as a going concern, and has concluded that the going concern basis of accounting is appropriate. Refer to Note 1 for further details.

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

Denwill is consolidated as a structured entity and the purpose of which is for the benefit of the Company to acquire primary mining licenses (“PML”) related to the Magambazi project (Handeni Properties), restricted to citizens of Tanzania (see Note 8). During the year ended June 30, 2011, the Company provided funds to Denwill for the payments for the Magambazi PMLs. Concurrently, during the year ended June 30, 2011, the Company and Denwill entered into an agreement whereby the Company was granted an option to acquire all of the issued and outstanding shares of Denwill for US\$40,000, which has not yet been exercised. The Company has assessed it has control over Denwill as 1) Denwill's two directors are directors of East Africa's 100% owned Tanzanian subsidiary CTL, 2) the Company provides funds for the payments of PML's, and 3) has the power to direct the exploration activities, which affects the risks and rewards from the Magambazi project.

#### **(c) Contingencies - International Arbitration**

An amount recognized as a provision, including legal, contractual, constructive and other exposures or obligations, is the best estimate of the consideration required to settle the related liability, including any related interest charges, taking into account the risks and uncertainties surrounding the obligation. In addition, contingencies will only be resolved when one or more future events occur or fail to occur. An assessment of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events. The Company assesses its liabilities and contingencies based upon the best information available, relevant tax laws and other appropriate requirements.

As identified in Note 2, the Company signed an Addendum with the Developer in January 2018 and due to disputes with the Developer commenced binding arbitration in April 2018. Included in these disputes are matters arising in Tanzania which East Africa and its Tanzanian subsidiaries have been included in a legal claim over a contractual disagreement with the Developer. Management and its legal advisors believe there is no basis for East Africa and its subsidiaries to be named in the claim and accordingly the Company has filed its objections with the courts with intent to be removed from the claim. The Tanzanian Definitive Agreements provides that on termination all payments are non-refundable. The Company has judged that payments collected to date are not refundable. The results of the arbitration or legal matters in Tanzania may deem otherwise.

#### **(d) Measurement uncertainty – Ethiopian Mineral Property Interests assets**

The Company's exploration licenses at the Harvest and the Adyabo Properties expired during the year ended December 31, 2017. In December 2017, the Company received a mining license for the Terakimti HL project, which is part of the Harvest Property. In September 2018, the Company received the Draft Model Agreements (the “DMAs”) for the Mato Bula and Da Tambuk Projects that set out the rights and obligations with respect to the development and operation of both Projects, and once executed, will result in the issuance of a mining license for each project. The Company completed a review of the DMAs and proposed a number of revisions to the Ministry of Mines and Petroleum (the “MoMP”). The Company is in on-going discussions with the MoMP regarding the MDAs. In addition, the Company has submitted to the MoMP proposed work programs, to extend the mining area of the previously received Terakimti HL mining license and proposed Adyabo mining license areas to include the remaining prospective resource targets within the Harvest and Adyabo Properties exploration areas (the “Resource Target Extensions”).

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For the three and nine months ended September 30, 2018 and 2017

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### **4. Significant accounting estimates and judgments (continued)**

#### **(d) Measurement uncertainty – Ethiopian Mineral Property Interests assets (continued)**

As the Company has received a mining license for the Terakimti HL project, management has judged there are no impairment indicators on the Harvest Property. Management identified the absence of exploration licenses and the MoMP's current assessment of the Adyabo mining licenses as an indicator of impairment and performed an impairment assessment on its Adyabo Property. Management identified two CGUs: 1) Adi Dairo (Da Tambuk mining license application) and 2) West Shire (Mato Bula mining license application). Adi Dairo and West Shire are part of the Adyabo Property. Management's impairment assessment identified that the carrying amount did not exceed the recoverable amount for each of the Adyabo CGUs. Management used the fair value less costs of disposal adjusted by the 5% free-carried government interest to the recoverable amount. In estimating the fair value less costs of disposal, the Company used a market approach. The Company's market approach calculated a fair value of comparable companies ("Peer") using an average of Peer's enterprise value to ounces for each CGU. The Peer enterprise value inputs include the Peer market capitalization, cash and liabilities. The Peer's enterprise value and the gold equivalent ounces of its properties are used to calculate an enterprise / ounce value.

In estimating fair value less costs of disposal, management's judgement was involved in identifying the Peer group. Management assumptions included criteria that would identify the Peer characteristics similar to the Company and its Adyabo Property assets. The criteria included market capitalization, continent of operations (Africa), commodity, stage of development and amount of mineral resources. The Company concluded there is no impairment to the Adyabo Property Mineral Property interests carrying amount.

Management judged that its rights to the develop the Adyabo Property and/or obtain Resource Target Extensions have not been denied based on the recently issued mining license for the nearby Terakimti HL project, MoMP's comments to the Company on the mining license applications, and ongoing discussions with the MoMP.

If the MoMP does not approve the Resource Target Extensions (or similar rights) or finalize the mining license applications for the Adyabo Property, the Company may lose title to these assets. If this were to occur, it would represent a trigger for an impairment assessment on the Adyabo Mineral Property Interest assets.

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

As at September 30, 2018, \$514,646 (see Note 7) was due to the Company's foreign subsidiaries in Tanzania and Ethiopia from the foreign governments for VAT. The Company is due refunds of certain taxes based on consumption, of which the timing of realization is uncertain. If these recoverable taxes are not collected, it could reduce the carrying value of these assets. Given limited methods available to recover these taxes and the length of time it takes to recover the taxes, management has recorded a provision for 100% of the taxes recoverable with the corresponding amount recorded in exploration expenditures.

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

The Company has adopted the following new and revised standards, along with any consequential amendments, effective January 1, 2018. These changes were made in accordance with the applicable transitional provisions.

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

The final version of IFRS 9, Financial Instruments, was issued in July 2014 to replace IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 has two measurement categories for financial assets: amortized cost and fair value.

Classification is determined at initial recognition in one of the following categories: fair value through profit and loss ("FVTPL"), fair value through other comprehensive income ("FVOCI") or at amortized cost. In addition, the standard amended some of the requirements of IFRS 7, Financial Instruments: Disclosures, including the requirement for added disclosures about investments in equity instruments measured at FVOCI and guidance on financial liabilities and derecognition of financial instruments. The Company adopted the standard on January 1, 2018. Retrospective application was required and there was no requirement to restate comparative periods disclosed.

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Notes to the Condensed Interim Consolidated Financial Statements – unaudited

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### 5. Adoption of new or revised IFRSs (continued)

#### a) *IFRS 9 Financial Instruments* (“IFRS 9”) (continued)

The Company has assessed the classification and measurement of its financial assets and financial liabilities under IFRS 9 and have summarized the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 in the following table:

	Measurement Categories	
	IAS 39	IFRS 9
<b>Financial instruments:</b>		
Cash and cash equivalent	Amortized cost	Amortized cost
Receivables and short-term deposits	Amortized cost	Amortized cost
Available for sale	FVOCI	FVTPL
Long term investments	FVTPL and FVOCI	FVOCI
Accounts payable	Amortized cost	Amortized cost
Lease liabilities	Amortized cost	Amortized cost
Loan payable	Amortized cost	Amortized cost

The following is the new accounting policy for financial instruments under IFRS 9:

**Financial instruments** – The Company recognizes financial assets and liabilities on the balance sheet when the Company becomes party to the contractual provisions of the instrument.

**Cash and cash equivalents** – Cash and cash equivalents include cash on hand, deposits held with banks, and other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are classified and measured at amortized cost.

**Accounts receivable and accounts payable** – Accounts receivable and accounts payable are non-interest bearing and are initially measured at fair value, subsequently recorded at amortized cost which approximates fair value due to the short-term to maturity. Where necessary, accounts receivable are net of expected credit losses. Accounts receivable are classified as financial assets measured at amortized cost and accounts payable and accrued liabilities are classified as financial liabilities measured at amortized cost.

**Available for sale** – Available for sale are measured at fair value. All gains and losses are included in the statements of operations in the period in which they arise.

**Long-term investments** – Equity investments in entities that are not subsidiaries, joint ventures or investments in associates are designated FVTPL unless they are irrevocably designated, on an individual basis, as FVOCI. These investments are measured at fair value on acquisition and at each reporting date. Any unrealized holding gains and losses related to long-term investments designated as FVOCI are excluded from net earnings and are included in other comprehensive income (“OCI”). Upon disposal, any accumulated gains and losses remain in equity.

**Lease liabilities** – Lease liabilities are interest bearing and are initially measured at the present value and subsequently recorded at amortized cost.

**Loan payable** – The Company initially recognizes all financial liabilities at fair value and classifies them as subsequently measured at either FVTPL or amortized cost, as appropriate. For debt subsequently measured at amortized cost, the effective interest rate method is used. IFRS 9 requires debt to be classified as FVTPL is measured at fair value on each financial period end date with gains and losses flowing through the statement of operations. For debt that is optionally classified as FVTPL, the part of the fair value change related to the Company’s own credit risk is recorded in OCI rather than the statement of operations.

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### **5. Adoption of new or revised IFRSs (continued)**

#### **a) *IFRS 9 Financial Instruments* (“IFRS 9”) (continued)**

Impairment of financial assets – At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to twelve month expected credit losses. 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 objectively related to an event occurring after the impairment was recognized.

Derecognition of financial assets – Financial assets are derecognized when the investments mature or are sold, and substantially all the risks and rewards of ownership have been transferred. Gains and losses on derecognition of financial assets classified as FVTPL or amortized cost are recognized within the statement of operations. Accumulated gains or losses on financial assets classified as FVOCI remain within accumulated other comprehensive income.

#### **(b) *IFRS 2 Share-based Payments* (“IFRS 2”)**

In June 2016, the IASB issued amendments to IFRS 2, classifying how to account for certain types of share-based payment transactions, including the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, accounting for share-based payment transactions with a net settlement feature for withholding tax obligations, and accounting for modifications to the terms and conditions of a share-based payment that changes the classification of the share-based payment transaction from cash-settled to equity-settled. IFRS 2 is effective for annual periods beginning on or after January 1, 2018. The Company has concluded that there is no impact on the adoption of this standard.

#### **(c) *IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration* (“IFRIC 22”)**

On December 8, 2016, the IASB issued IFRIC 22, which addresses the exchange rate to use in transactions that involve advance consideration paid or received in a foreign currency. The standard provides guidance on how to determine the date of the transaction for the purpose of determining the spot exchange rate used to translate the asset, expense or income on initial recognition that relates to, and is recognized on the de-recognition of, a non-monetary prepayment asset or a non-monetary defined income liability. It is effective January 1, 2018. The Company has concluded that there is no impact on the adoption of this standard.

### **6. IFRSs not yet effective**

Certain new standards, interpretations, amendments and improvements to existing standards for adoption after January 1, 2018 or later were issued by the IASB or International Financial Reporting Interpretations Committee. The Standards that are applicable to the Company are as follows:

#### **(a) *IFRS 16 Leases* (“IFRS 16”)**

In January 2016, the IASB announced its new leasing standard, *IFRS 16*. The new standard will eliminate the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. IFRS 16 requires the presentation of a single on-balance sheet accounting model that is similar to current finance lease accounting. The new standard will take effect for fiscal years starting on or after January 1, 2019. The Company expects the new standard to result in some leases, which are currently accounted for under the operating lease method, being added to the balance sheet. The Company has elected not to early adopt and continues to assess the impact of adoption.

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### 7. Accounts receivable

	September 30, 2018	December 31, 2017
<b>Current</b>		
Tanzanian Definitive Agreement (Note 2)	\$ --	\$ 129,542
Related parties and other receivables	101,147	93,830
Taxes recoverable	78,758	88,078
	179,905	311,450
<b>Non-current</b>		
Taxes recoverable	514,646	514,633
Taxes recoverable provision (Note 4(e))	(514,646)	(514,633)
	\$ --	\$ --

Non-current taxes receivable relates to VAT refund claims from foreign governments. The Company recorded a provision against its recoverable taxes given limited methods available to recover such taxes and the length of time it will take to recover such taxes. The Company recorded a taxes recoverable provision of \$56,651 (2017 – \$Nil) for the period ended September 30, 2018. The provision was partially reduced by VAT returned to a subsidiary in Ethiopia with the corresponding reversal of \$50,533 and net impact of \$6,118 within exploration expenditures (Note 9). The remaining difference in movement from the prior year relates to the translation on the foreign provision to CAD. The Company continues to pursue approval of VAT refund claims from the various foreign governments. Refer to Note 4(e) for further details. The Tanzanian Definitive Agreements receivable relates to outstanding instalment payments, recoverable operating expenses and share of professional fees for the Tanzanian Assets (refer to Notes 2 and 4(c) for further details).

### 8. Mineral property interests

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

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

	Tanzania, Handeni properties	Tanzania, other properties	Ethiopia Harvest Property	Ethiopia Adyabo Property	Total
<b>Acquisition costs</b>					
As at December 31, 2016	\$ 1,929,119	\$ 2,175,344	\$ 17,482,161	\$ 833,958	\$ 22,420,582
Property payments	11,003	5,846	--	185	17,034
Property payments recoveries	(12,121)	(34,701)	--	--	(46,822)
Foreign exchange	(173,730)	(156,272)	(1,233,011)	(31,712)	(1,594,725)
As at September 30, 2017	\$ 1,754,271	\$ 1,990,217	\$ 16,249,150	\$ 802,431	\$ 20,796,069

#### Harvest Property

In December 2017, the Company received a mining license for the Terakimti HL project (Note 4(d)) which includes the requirement to complete construction within 2 years. In the event there are unforeseen delays with the development, the mining proclamations allow for retention periods extensions. The mining license has a term of 6 years with the ability for renewal of up to 10 years on the approval of the MoMP and is due to expire in December 2023. The Company has a 70% interest in the Harvest Property in Ethiopia with the remaining 30% held with Ezana Mining Development PLC.

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### 8. Mineral property interests (continued)

#### Harvest Property (continued)

The Harvest Property previously consisted of three primary exploration concessions on the Harvest Property exploration license. The three primary concessions are known as Hamlo, Terakimti, and Igub. The exploration concessions had terms of 10 years and expired in January 2017. The Company has submitted a Resource Target Extensions or similar rights applications for the remaining prospective targets within the Harvest Property exploration area.

#### Adyabo Property

In September 2018, the Company has received the DMAs from the MoMP for the Da Tambuk and Mato Bula Projects, collectively the Adyabo Property. The MoMP is currently reviewing recommendations proposed by the Company to clarify and revise certain particulars within the DMAs. The Adyabo Property previously consisted of two exploration licenses, West Shire and Adi Dairo, with terms of 10 years and the licenses expired in 2017 (refer to Note 4(d)). The two mining applications include the Da Tambuk and Mato Bula Projects located on the Adyabo Property. The Company has submitted a Resource Target Extensions (or similar rights) applications for the remaining prospective targets within the Adyabo Property exploration area.

The Company holds 100% interest in the Adyabo Property with the option to buy back 1.0% of the Net Smelter Return for a cash payment of \$5,000,000 to the optionor. Once the Company has received government approval on a positive feasibility study, the Company shall issue 550,000 common shares and 400,000 warrants to the optionor, and on commencement of commercial production, the Company shall issue 275,000 common shares and 200,000 warrants to the optionor. These 600,000 issuable warrants in addition to 1,040,000 warrants issued on the anniversary dates to the optionor expired in May 2017.

#### Tanzania – Handeni & Other Properties

As identified in Notes 2 and 4(c), the Company had entered into the Tanzanian Definitive Agreements and Addendum, on which the Company subsequently commenced an arbitration process with a view to terminate these agreement. The properties are located in the Handeni district, Tanga Region of Tanzania. The Company's Handeni Properties are comprised of two mining licenses covering the Magambazi project with CTL holding one mining license and Denwill holding the second mining license. The Company has an option agreement to acquire 100% interest in Denwill, a structured entity controlled by East Africa, upon payment of US\$40,000. As at September 30, 2018, the option has not yet been exercised. The Company's "Other Properties" consists of two claims and are located in the Handeni district, Tanga Region of Tanzania.

### 9. Exploration and evaluation expenditure ("exploration expenditures")

	Tanzania, Handeni & Other Properties	Ethiopia Harvest Property	Ethiopia Adyabo Property	Three months ended September 30, 2018	Nine months ended September 30, 2018
<b>Exploration expenditures</b>					
Amortization	\$ 38,953	\$ 4,610	\$ 10,763	\$ 54,326	\$ 157,183
Camp and administration costs	165,626	41,815	66,758	274,199	943,833
Drilling	--	2,341	2,369	4,710	16,278
Geochemistry	867	3,089	3,423	7,379	23,383
Geology	--	924	--	924	11,919
Preliminary resource and engineering studies	--	28,780	19,450	48,230	461,153
Property management and consulting	3,921	--	--	3,921	11,589
Provision for (recovery of) taxes recoverable	26,451	(49,219)	2,671	(20,097)	6,118
Reclamation provision	--	--	--	--	279,606
Share-based compensation	--	--	--	--	342,941
Technical services	--	37,403	20,174	57,577	159,970
Total for the period	\$ 235,818	\$ 69,743	\$ 125,608	\$ 431,169	\$ 2,413,973
Cumulative exploration expenditures as at December 31, 2017					86,289,755
Cumulative exploration expenditures as at September 30, 2018					\$ 88,703,728

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**9. Exploration and evaluation expenditure (“exploration expenditures”) (continued)**

	<b>Tanzania, Handeni &amp; Other Properties</b>	<b>Ethiopia Harvest Property</b>	<b>Ethiopia Adyabo Property</b>	<b>Three months ended September 30, 2017</b>	<b>Nine months ended September 30, 2017</b>
<b>Exploration expenditures</b>					
Amortization	\$ 40,947	\$ 4,998	\$ 15,514	\$ 61,459	\$ 195,766
Camp and administration costs	108,294	65,139	100,557	273,990	954,548
Drilling	--	8,509	80,252	88,761	2,049,829
Geochemistry	784	2,969	17,261	21,014	41,430
Geology	--	2,405	9,548	11,953	371,550
Geophysics	--	--	31,923	31,923	118,178
Preliminary resource and engineering studies	--	17,700	79,840	97,540	281,662
Property management and consulting	6,576	--	--	6,576	20,582
Technical services	68	19,718	52,409	72,195	262,225
<b>Total for the period</b>	<b>\$ 156,669</b>	<b>\$ 121,438</b>	<b>\$ 387,304</b>	<b>\$ 665,411</b>	<b>\$ 4,295,770</b>
Cumulative exploration expenditures as at December 31, 2016					80,724,892
Cumulative exploration expenditures as at September 30, 2017					\$ 85,020,662

**10. Property and equipment**

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

	<b>Buildings and roads</b>	<b>Office and field equipment</b>	<b>Computers and software</b>	<b>Leasehold improvements</b>	<b>Vehicles</b>	<b>Total</b>
<b>Cost</b>						
As at December 31, 2017	\$ 1,861,949	\$ 657,958	\$ 397,773	\$ 559,459	\$ 153,143	\$ 3,630,282
Additions	--	379	4,337	--	--	4,716
Foreign exchange	60,519	12,843	783	3,037	4,883	82,065
As at September 30, 2018	\$ 1,922,468	\$ 671,180	\$ 402,893	\$ 562,496	\$ 158,026	\$ 3,717,063
<b>Accumulated amortization</b>						
As at December 31, 2017	\$ 1,352,779	\$ 468,518	\$ 386,312	\$ 482,743	\$ 104,033	\$ 2,794,385
Amortization	--	6,689	4,143	28,182	--	39,014
Exploration amortization	114,047	20,833	1,129	--	21,174	157,183
Foreign exchange	43,740	8,694	666	3,036	3,430	59,566
As at September 30, 2018	\$ 1,510,566	\$ 504,734	\$ 392,250	\$ 513,961	\$ 128,637	\$ 3,050,148
<b>Net book value</b>						
As at September 30, 2018	\$ 411,902	\$ 166,446	\$ 10,643	\$ 48,535	\$ 29,389	\$ 666,915
As at December 31, 2017	509,170	189,440	11,461	76,716	49,110	835,897

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### 10. Property and equipment (continued)

	Buildings and roads	Office and field equipment	Computers and software	Leasehold improvements	Vehicles	Total
<b>Cost</b>						
As at December 31, 2016	\$ 2,091,536	\$ 1,185,068	\$ 509,819	\$ 566,154	\$ 163,910	\$ 4,516,487
Additions	--	2,761	3,689	--	--	6,450
Disposals	--	(4,139)	(9,411)	--	--	(13,550)
Foreign exchange	(150,067)	(80,409)	(9,243)	(7,187)	(11,561)	(258,467)
As at September 30, 2017	\$ 1,941,469	\$ 1,103,281	\$ 494,854	\$ 558,967	\$ 152,349	\$ 4,250,920
	Buildings and roads	Office and field equipment	Computers and software	Leasehold improvements	Vehicles	Total
<b>Accumulated amortization</b>						
As at December 31, 2016	\$ 1,332,232	\$ 917,586	\$ 493,288	\$ 451,861	\$ 77,270	\$ 3,272,237
Amortization	--	6,689	6,077	28,182	--	40,948
Exploration amortization	131,149	37,763	1,066	--	25,788	195,766
Disposals	--	(4,139)	(9,411)	--	--	(13,550)
Foreign exchange	(99,858)	(67,649)	(9,047)	(7,187)	(6,614)	(190,355)
As at September 30, 2017	\$ 1,363,523	\$ 890,250	\$ 481,973	\$ 472,856	\$ 96,444	\$ 3,305,046
As at September 30, 2017	\$ 577,946	\$ 213,031	\$ 12,881	\$ 86,111	\$ 55,905	\$ 945,874
As at December 31, 2016	759,304	267,482	16,531	114,293	86,640	1,244,250

### 11. Share capital

As at September 30, 2018, the Company's share capital consisted of the following:

- Authorized: Unlimited common shares without par value.
- Issued and outstanding: 163,845,091 (December 31, 2017 – 157,838,411) common shares.

For the period ended September 30, 2018, the Company elected to accelerate the expiry of the warrants issued under a Private Placement financing completed on May 31, 2016. The warrants were originally set to expire on May 31, 2018 and expired on February 5, 2018. A total of 3,771,680 warrants were exercised at a price of \$0.25 per share for total proceeds of \$942,920. The related weighted average share price at the time of exercise was \$0.30 per share. The remaining 634,700 warrants have expired and are cancelled (Note 11(e)).

For the period ended September 30, 2018, the Company issued 1,860,000 common shares for proceeds of \$297,351 on the exercise of stock options (Note 11(d)) and issued 375,000 common shares for bonus shares (see Note 11(d)).

For the nine months ended September 30, 2017, the Company issued 7,033,591 common shares for proceeds of \$1,637,726 on the exercise of warrants, 376,222 common shares for proceeds of \$49,540 on the exercise of stock options, and 830,835 common shares for proceeds of \$158,614 on the exercise of Tigray Resources Inc. ("Tigray") stock options (Note 11(d)).

On March 07, 2017, the Company completed the Private Placement of 20,000,000 units at a price of \$0.26 per unit for gross proceeds of \$5,200,000. Each unit consists of one common share of the Company and one-half of one non-transferable warrant. Each whole warrant will entitle the holder thereof to purchase one common share at an exercise price of \$0.45 for a period of 18 months from the date of closing (Note 11(e)). The Company recorded a finders' fee of 4% of the Private Placement for \$218,000.

- Escrowed shares

As at September 30, 2018, 675,045 (December 31, 2017 – 675,045) common shares are held in escrow. The release of these shares is based on the future exploration expenditure, discovery of an ore deposit and achieving commercial mineral production.

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### 11. Share capital (continued)

#### (d) Share-based compensation

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

In 2016, the Company's board of directors approved the grant of up to 2,750,000 bonus shares, subject to the issuance of the mining license for the Harvest Property. In 2017, the Company received the mining license for the Harvest Property (Note 8) and issued 1,750,000 bonus shares to certain officers. For the period ended September 30, 2018, the Company issued additional 375,000 bonus shares to certain executives and reclassified \$110,625 bonus shares obligation to share capital. As at September 30, 2018, the Company has bonus share obligation of \$184,375 (December 31, 2017 – \$295,000), representing 625,000 (December 31, 2017 – 1,000,000) bonus shares yet to be issued.

For the period ended September 30, 2018, the Company issued 16,200,000 stock options (2017 – 1,000,000), which vested on the grant date, with a fair value of \$1,447,903 (2017 – \$161,457) of which \$1,104,962 (2017 – \$161,457) was recorded as share-based compensation and \$342,941 (2017 – \$Nil) was recorded as share-based compensation within exploration expenditures (Note 9). The stock options were valued using Black-Scholes model based on the following assumptions: expected dividend yield of 0% (2017 – 0%), expected volatility of 81.82% to 84.14% (2017 – 101.27%), risk-free rate of 1.88% to 2.11% (2017 – 0.73%), and expected life of 2.5 years (2017 – 2.5 years).

For the period ended September 30, 2018, 1,860,000 (2017 – 376,222) options were exercised with a weighted average exercise price of \$0.16 (2017 – \$0.13 per share). The weighted average of the Company's share price at the time of exercise was \$0.23 (2017 – \$0.25 per share). For the period ended September 2018, 3,590,000 (2017 – 600,000) options expired unexercised.

As at September 30, 2018, there were Nil (December 31, 2017 – 1,539,390) Tigray stock options outstanding that on exercise would be exchanged for Nil (December 31, 2017 – 846,665) East Africa shares (Note 11(e)). For the period ended September 30, 2018, there were Nil Tigray stock options exercised (2017 – 1,510,610). The 2017 Tigray stock options were exercised with an exercise price of \$0.105. Under the terms of the East Africa's acquisition of Tigray in the year ended December 31, 2014, the exercised stock options were exchanged for 830,835 East Africa common shares at the exchange ratio of 0.55. The weighted average of the Company's share price at the time of exercise was \$0.26 per share.

Details of stock options activity during the period ended September 30, 2018 and 2017 are as follows:

	<b>Number of options outstanding</b>	<b>Weighted average exercise price</b>
Balance, December 31, 2017	15,494,278	\$ 0.13
Issued	16,200,000	0.22
Exercised	(1,860,000)	0.16
Expired	(3,590,000)	0.16
Outstanding and exercisable, September 30, 2018	26,244,278	\$ 0.18

	<b>Number of options outstanding</b>	<b>Weighted average exercise price</b>
Balance, December 31, 2016	15,770,500	\$ 0.12
Issued	1,000,000	0.29
Exercised	(376,222)	0.13
Expired	(600,000)	0.14
Outstanding and exercisable, September 30, 2017	15,794,278	\$ 0.13

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### 11. Share capital (continued)

#### (d) Share-based compensation (continued)

The following table summarizes information about the stock options outstanding and exercisable at September 30, 2018:

Options outstanding				Options exercisable	
Number outstanding	Weighted average exercise price	Weighted average remaining life	Expiry date	Number exercisable	Weighted average exercise price
23,778	\$ 0.14	0.62 years	May 16, 2019	23,778	\$ 0.14
8,470,500	0.10	2.30 years	January 15, 2021	8,470,500	0.10
900,000	0.10	2.48 years	March 23, 2021	900,000	0.10
450,000	0.15	2.58 years	April 29, 2021	450,000	0.15
500,000	0.29	3.57 years	April 25, 2022	500,000	0.29
15,600,000	0.22	4.75 years	June 29, 2023	15,600,000	0.22
300,000	0.22	4.96 years	September 14, 2023	300,000	0.22
26,244,278	\$ 0.18	3.82 years		26,244,278	\$ 0.18

#### (e) Warrants

For the period ended September 30, 2018, 3,771,680 (2017 – 7,033,591) warrants were exercised with a weighted average exercise price of \$0.25 (2017 – \$0.23) for proceeds of \$942,920 (2017 – \$1,637,726). The related weighted average share price at the time of exercise was \$0.30 (2017 – \$0.25).

For the period ended September 30, 2018, 10,000,000 warrants, in connection with the Private Placement of 20,000,000 units completed on March 07, 2017, expired unexercised. Gross proceeds of \$620,397 were allocated to the warrants based on the relative fair values of the common shares and the warrants. The fair value of the warrants was estimated using the Black-Scholes model based on the following assumptions: expected dividend yield of 0%, expected volatility of 105.95%, risk-free rate of 0.79% and expected life of 1.00 year. If at any time after the date that is four months after the date of issuance of the warrants, the Company's common shares have a closing price on the Exchange (or such other exchange on which the common shares may be traded at such time) of \$0.65 per share or greater for a period of 10 consecutive trading days, the Company will be entitled to accelerate the expiry date of the warrants upon 20 days' notice given by news release, and the warrants will then expire on the 20th day after the date of such notice.

During the period ended September 30, 2018, the remaining 1,539,390 Tigray stock options expired unexercised. During the period ended September 30, 2017, 524,244 East Africa warrants with an exercise price of \$0.23 and expiry of May 7, 2017, were issued on the exercise of 1,510,610 Tigray stock options at the exchange ratio of 0.40.

Details of warrants activity during the period ended September 30, 2018 and 2017 are as follows:

	Number of warrants outstanding	Weighted average exercise price
Balance, December 31, 2017	18,256,380	\$ 0.40
Exercised	(3,771,680)	0.25
Expired	(10,634,700)	0.44
Outstanding and exercisable, September 30, 2018	3,850,000	\$ 0.45

	Number of warrants outstanding	Weighted average exercise price
Balance, December 31, 2016	27,690,695	\$ 0.23
Issued	10,524,244	0.44
Exercised	(7,033,591)	0.23
Expired	(16,624,968)	0.23
Outstanding and exercisable, September 30, 2017	14,556,380	\$ 0.39

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### 11. Share capital (continued)

#### (e) Warrants (continued)

The following table summarizes information about the warrants outstanding and exercisable at September 30, 2018:

Warrants outstanding and exercisable	Weighted average exercise price	Weighted average remaining contractual life	Expiry date
3,850,000	\$ 0.45	1.24 years	December 28, 2019

### 12. Related party transactions

#### (a) Related parties

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Services rendered and expenses incurred (vi):				
Services and related expenses (i)	\$ 12,750	\$ 13,150	\$ 74,400	\$ 66,350
Management and consulting fees (ii)	77,500	77,500	232,500	292,000
Interest expense (v)	9,000	--	30,900	9,880

	September 30, 2018	December 31, 2017
Balances receivable from (vi):		
Reimbursement of shared costs (iii)	\$ 87,938	\$ 87,938
Directors and officers (iv)	11,914	2,156
	99,852	90,094
Balances payable to (vi):		
Services rendered (i)	(60,202)	(30,202)
Directors and officers (iv)	(392,506)	(239,617)
Loan payable (v)	(328,100)	(621,200)
	\$ (780,808)	\$ (891,019)

Related parties transactions:

- (i) Geological and administration services were recorded for the services provided by a director and related parties with directors in common.
- (ii) Management fees were recorded for services provided by a privately held company for the services of an officer of the East Africa and consulting fees to a company with directors in common.
- (iii) The Company shares office premises with two other companies that have directors in common and expenses were reimbursed at cost.
- (iv) As at September 30, 2018, the Company had a receivable of \$11,914 (December 31, 2017 – \$2,156) from one officer of the Company for payroll tax remittance related to bonus shares issued to the officer. Subsequent to September 30, 2018, the outstanding receivable was collected. Included in payable to directors and officers are directors fees, reimbursement of expenses and outstanding salaries.
- (v) On August 31, 2017, SinoTech (Hong Kong) Corporation Limited provided a second short-term unsecured loan to the Company for \$600,000 with an interest rate of 12% per annum. The loan and all accrued and unpaid interest was payable on the earlier of 15 business days after the Company's closing of the LW financing announced in October 2017 or 120 days from the Company's receipt of the loan proceeds. During the period ended September 30, 2018, the Company repaid \$324,000 of the principal and interest, extended the remaining amount of \$300,000 and accrued interest of \$28,100. Subsequent to period ended September 30, 2018, the Company signed a third extension of the maturity date for the remaining loan of \$300,000 until the earlier of (a) 15 Business Days after the Company's closing of any future financing greater than \$3,000,000 or (b) 3 months from September 14, 2018 and bears an interest rate of 12% per annum.

## EAST AFRICA METALS INC.

(an exploration stage company)

Notes to the Condensed Interim Consolidated Financial Statements – unaudited

For the three and nine months ended September 30, 2018 and 2017

Expressed in Canadian dollars, unless otherwise stated

### 12. Related party transactions (continued)

#### (a) Related parties (continued)

(vi) These transactions were in the normal course of business that is recorded at their exchanged amounts and was established and agreed to by the related parties. The balances payable are included in accounts payable and accrued liabilities and the balances 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:

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Directors fees, bonuses, key management personnel salaries and short-term benefits	\$ 167,303	\$ 167,090	\$ 549,466	\$ 637,766
Share-based compensation	--	--	988,739	161,457
	\$ 167,303	\$ 167,090	\$ 1,538,205	\$ 799,223

In 2016, the Company approved the grant of up to 2,750,000 bonus common shares to certain officers at a deemed issue price of \$0.10 per common share, subject to a vesting schedule of the later of July 1, 2016 or the date a mining license for the Company's Harvest Property is issued. In 2017, the Company issued 1,750,000 bonus common shares after the receipt of the mining license for the Harvest Property. During the period ended September 30, 2018, the Company issued 375,000 bonus common shares to certain officers (Note 11(d)).

### 13. Financial instruments

#### *Fair values*

The Company's financial assets and liabilities are classified based on the lowest level of input significant to the fair value measurement based on the fair value hierarchy. As at September 30, 2018, the Company did not have any financial assets and liabilities classified within the three levels of the hierarchy.

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.

### 14. Geographical segment information

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

	Canada	Tanzania	Ethiopia	Total
For the three months ended September 30, 2018				
Net loss	\$ 531,207	\$ 220,412	\$ 204,662	\$ 956,281
For the nine months ended September 30, 2018				
Net loss	3,175,246	1,010,356	1,399,628	5,585,230
As at September 30, 2018				
Total non-current assets	692,688	3,780,959	17,447,033	21,920,680

## EAST AFRICA METALS INC.

(an exploration stage company)

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Expressed in Canadian dollars, unless otherwise stated

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### 14. Geographical segment information (continued)

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	Canada	Tanzania	Ethiopia	Total
For the three months ended September 30, 2017				
Net loss	\$ 523,767	\$ 156,555	\$ 519,845	\$ 1,200,167
For the nine months ended September 30, 2017				
Net loss	2,319,186	445,105	3,934,084	6,698,375
As at September 30, 2017				
Total non-current assets	745,426	4,324,693	17,194,911	22,265,030

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### 15. Contingencies

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

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

In accordance with the Tanzanian Definitive Agreements and the Addendum, the binding arbitration is being decided by a single arbitrator in Vancouver, British Columbia pursuant to the rules of the British Columbia International Commercial Arbitration Centre. The Company has initiated the arbitration proceedings based on what it believes to be failures of the Developer to adhere to the terms of the Tanzanian Definitive Agreements and Addendum and the Company may submit a claim for damages. The final outcome of the arbitration cannot be predicted with certainty.

### 16. Subsequent events

(a) Subsequent to the period ended September 30, 2018, the Company granted 250,000 options to a consultant. The options have an exercise price of \$0.22 per share and an expiry date of October 16, 2019.