



EAST AFRICA METALS INC.
(an exploration stage company)

UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2019 and 2018

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

	March 31, 2019	December 31, 2018
Assets		
Current assets		
Cash and cash equivalents	\$ 260,917	\$ 60,683
Accounts receivable (Note 7)	29,600	92,982
Prepaid expenses and deposits	1,933,112	164,361
	2,223,629	318,026
Mineral property interests (Note 8)	21,894,897	22,360,505
Property and equipment (Note 10)	519,612	630,039
	\$ 24,638,138	\$ 23,308,570
Liabilities and Equity		
Current liabilities		
Accounts payable and accrued liabilities (Note 6)	\$ 2,406,469	\$ 2,236,336
Loan payable (Note 12(a)(iii))	346,100	335,400
Total current liabilities	2,752,569	2,571,736
Non-current liabilities		
Leasehold inducement (Note 5)	--	26,230
Total liabilities	2,752,569	2,597,966
Equity		
Share capital (Note 11(b))	\$ 52,085,760	50,382,075
Bonus shares obligation (Note 11(d))	184,375	184,375
Warrants (Note 11(e))	790,332	197,473
Contributed surplus (Note 11(d))	149,799,954	149,739,954
Accumulated other comprehensive income	4,402,461	4,761,059
Deficit	(189,106,196)	(188,411,825)
	18,156,686	16,853,111
Non-controlling interest (Note 8)	3,728,883	3,857,493
	21,885,569	20,710,604
	\$ 24,638,138	\$ 23,308,570
Nature of operations and going concern (Note 1)		
Significant events and transactions (Note 2)		
Subsequent events (Notes 8,11 and 12)		
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	
	March 31, 2019	March 31, 2018
Expenses		
Amortization (Note 10)	\$ 12,508	\$ 13,624
Directors and advisory board fees	33,265	19,251
Exploration and evaluation expenditure (Note 9)	289,344	606,408
Investor/shareholder communications and filing fees	49,152	290,485
Legal, audit and audit related fees	23,722	53,592
Management consulting fees and expenses	90,722	152,097
Office and administration	54,631	118,884
Rent and occupancy costs	58,761	70,604
Salaries and benefits	69,440	79,358
Write-off of property and equipment (Note 10)	38,346	--
	719,891	1,404,303
Foreign exchange loss	850	34,549
Interest expense (Note 12(a)(iii))	12,200	12,900
Recovery of leasehold inducement (Note 5)	(19,687)	--
Net loss for the period	713,254	1,451,752
Net loss attributable to:		
Shareholders	694,371	1,397,494
Non-controlling interest	18,883	54,258
Loss per share, basic and diluted	\$ 0.005	\$ 0.01
Weighted average number of common shares used in the calculation of loss per share – basic and diluted	168,854,519	160,769,332

Consolidated Statements of Comprehensive (Income) Loss – unaudited

Expressed in Canadian dollars, unless otherwise stated

	Three months ended	
	March 31, 2019	March 31, 2018
Net loss for the period	\$ 713,254	\$ 1,451,752
Items that may be reclassified to statement of operations		
Currency translation adjustment		
Attributable to shareholders of Company	358,598	(477,567)
Attributable to shareholders of non-controlling interest	109,727	(137,810)
Comprehensive loss for the period	1,181,579	836,375
Attributable to shareholders of Company	1,052,969	919,927
Attributable to shareholders for non-controlling interest	128,610	(83,552)
	\$ 1,181,579	\$ 836,375

EAST AFRICA METALS INC.

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Condensed Interim Consolidated Statements of Changes in Equity - unaudited

For the three months ended March 31, 2019 and 2018

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, 2018	163,845,091	\$ 50,382,075	\$ 184,375	\$ 197,473	\$ 149,739,954	\$ 4,761,059	\$ (188,411,825)	\$ 16,853,111	\$ 3,857,493	\$20,710,604
Private placement (Notes 11(b) and (e))	14,543,500	1,726,249	--	600,711	--	--	--	2,326,960	--	2,326,960
Finders' fees (Notes 11(b) and (e))	--	(12,783)	--	(4,448)	--	--	--	(17,231)	--	(17,231)
Share issue costs	--	(9,781)	--	(3,404)	--	--	--	(13,185)	--	(13,185)
Shares subscription received (Note 11(b))	--	--	--	--	60,000	--	--	60,000	--	60,000
Currency translation adjustment on foreign operations	--	--	--	--	--	(358,598)	--	(358,598)	(109,727)	(468,325)
Net loss for the period	--	--	--	--	--	--	(694,371)	(694,371)	(18,883)	(713,254)
Balance, March 31, 2019	178,388,591	\$ 52,085,760	\$ 184,375	\$ 790,332	\$ 149,799,954	\$ 4,402,461	\$ (189,106,196)	\$ 18,156,686	\$ 3,728,883	\$21,885,569
	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))	900,000	208,521	--	--	(64,521)	--	--	144,000	--	144,000
Bonus shares obligation (Note 11(d))	250,000	73,750	(73,750)	--	--	--	--	--	--	--
Expiry of warrants (Note 11(e))	--	--	--	(13,507)	13,507	--	--	--	--	--
Currency translation adjustment on foreign operations	--	--	--	--	--	477,567	--	477,567	137,810	615,377
Net loss for the period	--	--	--	--	--	--	(1,397,494)	(1,397,494)	(54,258)	(1,451,752)
Balance, March 31, 2018	162,760,091	\$ 50,119,994	\$ 221,250	\$ 788,759	\$ 147,762,410	\$ 3,788,641	\$ (183,396,317)	\$ 19,284,737	\$ 3,653,933	\$22,938,670

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

EAST AFRICA METALS INC.

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Condensed Interim Consolidated Statements of Cash Flows - unaudited

Expressed in Canadian dollars, unless otherwise stated

	Three months ended March 31,	
	2019	2018
Cash flows provided by (used for) operating activities		
Loss for the period	\$ (713,254)	\$ (1,451,752)
Items not involving cash		
Amortization – administration (Note 10)	12,508	13,624
Amortization – exploration and evaluation (Notes 9 and 10)	47,426	49,218
Leasehold inducement amortization and recovery (Note 5)	(26,230)	(6,558)
Write-off of property and equipment	38,346	--
Interest expense (Note 12(a)(iii))	12,200	12,900
Provision for taxes recoverable (Note 9)	4,823	14,351
Unrealized foreign exchange loss (gain)	(794)	25,002
Changes in operating assets and liabilities		
Accounts receivable and taxes recoverable	58,543	139,053
Prepaid expenses, deposits, materials and supplies	(1,769,265)	(94,134)
Accounts payable and accrued liabilities	187,867	(354,120)
	(2,147,830)	(1,652,416)
Cash flows provided by (used for) investing activities		
Mineral property interests acquisitions	--	(4,612)
Definitive Agreement deposit (Note 8)	--	361,281
Purchase of equipment	--	(371)
	--	356,298
Cash flows provided by (used for) financing activities		
Private Placement (Note 11(b))	2,326,960	--
Finders fees	(17,231)	(100,100)
Share issue costs	(13,185)	--
Shares subscription received (Note 11(b))	60,000	--
Repayment of related party borrowings (Note 12(a)(iii))	--	(324,000)
Exercise of stock options (Notes 11(b) and (d))	--	144,000
Exercise of warrants (Notes 11(b) and (e))	--	942,920
	2,356,544	662,820
Effects of exchange rate changes on cash and cash equivalents	(8,480)	(8,660)
Increase (decrease) in cash and cash equivalents	200,234	(641,958)
Cash and cash equivalents, beginning of period	60,683	2,268,310
Cash and cash equivalents, end of period	\$ 260,917	\$ 1,626,352
Non-cash investing and financing activities		
Expiry of warrants	\$ --	\$ 13,507
Bonus shares obligation	--	73,750

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

EAST AFRICA METALS INC.

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Notes to the Condensed Interim Consolidated Financial Statements – unaudited

For the three months ended March 31, 2019 and 2018

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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 1100, 595 Howe Street, Vancouver, British Columbia, Canada. On July 11, 2013, the Company commenced trading on the TSX Venture Exchange as a Tier 2 mining issuer under the trading symbol “EAM”.

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

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

These unaudited condensed interim consolidated financial statements (“Interim Financial Statements”) are prepared on a going concern basis, which contemplates that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. For the three months ended (“period ended”) March 31, 2019, the Company incurred a net loss attributable to shareholders totaling \$694,371 (2018 – \$1,397,494) and as at March 31, 2019, had an accumulated deficit of \$189,106,196 (December 31, 2018 – \$188,411,825) and working capital deficit (current assets less current liabilities) of \$(528,940) (December 31, 2018 – working capital deficit \$(2,253,710)).

Based on the Company’s financial position as at March 31, 2019, the available funds are not considered adequate to meet requirements for the estimated operations, exploration expenditures, the Terakimti Oxide Gold Project (“Terakimti HL”) development expenditures and the outcome of the arbitration (Note 2) in the coming twelve-month period. These requirements may be adversely impacted by an absence of normal available financing due to the continued uncertainty in the markets for mineral exploration companies. To address its financing requirements, the Company will seek financing through and not limited to the closing the Tibet Huayu LOI (refer to Note 2), sale of non-strategic assets, debt financing, strategic alliances, gold streaming contracts or similar hybrid instruments, equity financing and optioning its mineral properties. However, there is no assurance that such financing will be available. This uncertainty casts significant doubt upon the Company’s ability to continue as a going concern. If the going concern 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 Joint Venture and Development of the Harvest and Adyabo Properties

In February 2019, the Company entered into a binding letter of intent (“LOI”) with Tibet Huayu Mining Co., Ltd (“Tibet Huayu”) for the Ethiopian Properties. The LOI contemplates East Africa transferring a portion of its equity interests in its Ethiopian subsidiary companies to Tibet Huayu and the parties entering into joint venture contracts for the purpose of development and operation of East Africa’s Ethiopian Properties. The Company owns 70% of the Harvest Mining PLC (“Harvest PLC”) and 100% of the Tigray Resources Incorporated PLC (“TRI PLC”). Harvest PLC holds the Terakimti HL mining license and TRI PLC holds the Mato Bula mining license and Da Tambuk mining license.

The transaction defined in the binding LOI includes terms that in exchange for a 55% interest of Harvest PLC and a 70% interest in TRI PLC, Tibet Huayu will:

- Provide a cash payment of US\$1,700,000 to East Africa;
- Execute the definitive agreement; and
- Finance, develop and operate the Terakimti HL, Da Tambuk and Mato Bula Projects

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2. Significant events and transactions (continued)

Ethiopian Joint Venture and Development of the Harvest and Adyabo Properties (continued)

On completion of the proposed transaction:

- The Harvest PLC equity interest allocation of post-tax profits after government distributions is expected to be Tibet Huayu 55%; Ezana Mining Development PLC (“Ezana”) 30%; and the Company 15%.
- The TRI PLC equity interest allocation of post-tax profits after government distributions is expected to be Tibet Huayu 70% and the Company 30%.

East Africa will retain the mineral rights and all exploration obligations for the prospective targets not incorporated in the three mining licenses (“EAM Mineral Resources”). East Africa shall give Tibet Huayu a right of first refusal of reasonable duration to acquire the EAM Mineral Resources. For consideration of the future EAM Mineral Resources negotiations will be based on i) cash payment and ii) allocated % of post-tax profits of the new mineral resources. The closing of the transaction is subject to, including and not limited to, regulatory, government and other required approvals.

Tanzanian Definitive Agreements - Arbitration

On June 10, 2015, East Africa signed a binding agreement with an arm's length private exploration and development company (the “Developer”), to acquire and develop East Africa's Handeni Properties and Other Properties in Tanzania (the “Tanzanian Assets”). On March 5, 2016, the “Tanzanian Effective Date”, the Company completed the execution of the Definitive Agreement and the Gold Purchase Agreement (together the “Tanzanian Definitive Agreements”) with the Developer. The Tanzanian Definitive Agreements required, among other things, the payment of US\$2,000,000 (US\$750,000 paid as of March 31, 2019) in cash for a 100% interest in the Tanzanian Assets, including the Magambazi Project, camp, equipment and other assets. On January 16, 2018, the Company completed updated terms (the “Addendum”) for the Tanzanian Definitive Agreements and agreed with the Developer to assign the rights and obligations of the Tanzanian Definitive Agreements and Addendum to the Developer's new entity incorporated in Hong Kong.

On April 6, 2018, the Company announced that it had commenced the arbitration process with the view to terminate the Tanzanian Definitive Agreements and Addendum as a result of certain disputes that East Africa has with the Developer under the terms of the Tanzanian Definitive Agreements and Addendum and the Company may submit a claim for damages. Included in these disputes are matters arising in Tanzania which East Africa and its Tanzanian subsidiaries have been included in a legal dispute over a contractual disagreement with the Developer. Management and its legal advisors believe there is no basis for East Africa and its subsidiaries to be named in the dispute and accordingly the Company has filed its objections with the courts with the intent to be removed from the legal dispute. Under the Tanzanian Definitive Agreements, on termination the payments received are non-refundable.

In August 2018, Canaco Tanzania Limited (“CTL”), a subsidiary of East Africa, received a default notice from the Tanzanian Government advising of certain issues attributed to development and operational actions that are non-compliant with the Tanzanian Mining Act. CTL has been given 45 days to initiate action to address the matters of non-compliance and the Company provided a proposed program to address the matters. With the on-going legal dispute in Tanzania, the Tanzanian Government has postponed its assessment of the Company's proposed program until the legal hearing case concludes. As at March 31, 2019, the arbitration process and legal disputes are ongoing and the Company continues discussions with the Tanzanian Government regarding the status of the Tanzanian Assets.

3. Statement of compliance and basis of preparation

These 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 (“IFRS”) 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, 2018.

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, 2018. These Interim Financial Statements were approved by the Board of Directors on May 28, 2019.

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(an exploration stage company)

Notes to the Condensed Interim Consolidated Financial Statements – unaudited

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Expressed in Canadian dollars, unless otherwise stated

3. Statement of compliance and basis of preparation (continued)

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.

(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 are based on management's best estimates of operating conditions for maintaining operations at the Ethiopian Properties and Tanzanian Assets until the Tibet Huayu (refer to Note 2) transaction is closed and funds received, and exploration and corporate requirements in the context of current economic conditions and capital market climate. Management has judged the Company's ability to raise additional capital/funding and continue as a going concern, and has concluded that the going concern basis of accounting is appropriate. 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”), restricted to citizens of Tanzania, in Magambazi (Handeni Properties – 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 the Company's 100% owned Tanzanian subsidiary CTL, 2) the Company provides funds for the payments of PML's, and 3) has the power to direct the exploration activities, which affects the risks and rewards from the Magambazi Project.

(c) Contingencies - International Arbitration

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

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For the three months ended March 31, 2019 and 2018

Expressed in Canadian dollars, unless otherwise stated

4. Significant accounting estimates and judgments (continued)

(c) Contingencies - International Arbitration (continued)

As identified in Note 2, the Company signed an Addendum with the Developer in January 2018 and due to disputes with the Developer commenced binding arbitration in April 2018. Included in these disputes are matters arising in Tanzania which East Africa and its Tanzanian subsidiaries have been included in legal disputes based on a contractual disagreement with the Developer. Management and its legal advisors believe there is no basis for East Africa and its subsidiaries to be named in the legal dispute in Tanzania and accordingly the Company has filed its objections with the courts with intent to be removed from the legal dispute. The Tanzanian Definitive Agreements provides that on termination all payments are non-refundable. The results of the arbitration or legal disputes in Tanzania may deem otherwise.

(d) Measurement uncertainty – Tanzanian Mineral Property Interests Assets

Management identified the ongoing International Arbitration and Tanzanian legal disputes (see Note 4(c)) as indicators of impairment and performed an impairment assessment on its Tanzanian Assets. During the legal dispute, the Company received a default notice advising of certain issues attributed to development and operational actions that are non-compliant with the Tanzanian Mining Act and the Company submitted a proposed program to address the issues. With the on-going court case in Tanzania (refer to Note 15) the Tanzanian Government has postponed its assessment of the Company's proposed program until the court case concludes. As a result of the aforementioned, the Company has accrued payments for annual Mining Licenses ("ML") and Prospecting Licenses ("PL"). In the event the Tanzanian Government requires payment for the MLs and PLs and the Company is unable to make the payments by the required time the Company may lose title to these assets.

Management's impairment assessment, which is predicated on the Company resolving the current legal disputes and the notice of default on the MLs and PLs, identified that the carrying amount did not exceed the recoverable amount of the Tanzanian Assets adjusted for the Tanzanian Government's non-dilutive not less than 16% free-carried interest. Management used the fair value less costs of disposal adjusted by the 16% free-carried interest to the recoverable amount. In estimating the fair value less costs of disposal, the Company used a market approach. The Company's market approach calculated a fair value of comparable companies (the "Peer") using an average of the Peer's enterprise value to ounces. The Peer enterprise value inputs include the Peer market capitalization, cash and liabilities. The Peer's enterprise value and the gold equivalent ounces of its properties are used to calculate an enterprise value / ounce (EV/ounce) value.

In estimating fair value less costs of disposal, management's judgment was involved in identifying the Peer group. Management assumptions included criteria that would identify the Peer characteristics similar to the Company and its Tanzanian Assets. The criteria included market capitalization, continent of operations (Africa), commodity, stage of development and amount of mineral resources.

The Company judged there is no impairment to East Africa's Tanzanian Mineral Property interests as the Tanzanian Government has postponed its default assessment as a result of the commencement of the International Arbitration in Canada and legal disputes in Tanzania. The Tanzanian Government will assess the default notice after judgment of the Tanzanian legal dispute has concluded. The Company continues to monitor the impact of the arbitration and Tanzanian legal disputes on its Tanzanian Assets.

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

As at March 31, 2019, \$536,018 (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.

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5. Adoption of new or revised IFRS

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

IFRS 16 Financial Instruments

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

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

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

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

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

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

Short-term leases and leases of low-value assets

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

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

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

6. Accounts Payable and Accrued Liabilities

	March 31, 2019	December 31, 2018
Current		
Trade payables and related parties	\$ 1,617,781	\$ 1,496,684
Accrued liabilities	788,688	739,652
	<u>\$ 2,406,469</u>	<u>\$ 2,236,336</u>

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For the three months ended March 31, 2019 and 2018

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7. Accounts receivable

	March 31, 2019	December 31, 2018
Current		
Taxes recoverable	\$ 29,600	\$ 92,982
	29,600	92,982
Non-current		
Taxes recoverable	536,018	543,698
Taxes recoverable provision (Note 4(e))	(536,018)	(543,698)
	\$ --	\$ --

Non-current taxes receivable relates to VAT refund claim 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 for the period ended March 31, 2019, of \$4,823 (2018 – \$14,351) and the remaining difference in the movement from the prior year relates to the translation on the foreign provision to Canadian dollars. The Company continues to pursue approval of VAT refund claims from the various foreign governments. Refer to Note 4(e) 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
Acquisition costs					
As at December 31, 2018	\$ 1,680,276	\$ 2,075,994	\$ 17,762,877	\$ 841,358	\$ 22,360,505
Property payments	10,249	--	--	--	10,249
Foreign exchange	(53,567)	(44,062)	(363,278)	(14,950)	(475,857)
As at March 31, 2019	\$ 1,636,958	\$ 2,031,932	\$ 17,399,599	\$ 826,408	\$ 21,894,897

	Tanzania, Handeni properties	Tanzania, other properties	Ethiopia Harvest property	Ethiopia Adyabo property	Total
Acquisition costs					
As at December 31, 2017	\$ 1,766,355	\$ 2,000,603	\$ 16,334,501	\$ 804,608	\$ 20,906,067
Property payments	4,612	--	--	--	4,612
Tanzanian Definitive Agreement deposit (Note 2)	(361,281)	--	--	--	(361,281)
Foreign exchange	65,244	57,840	454,424	11,691	589,199
As at March 31, 2018	\$ 1,474,930	\$ 2,058,443	\$ 16,788,925	\$ 816,299	\$ 21,138,597

Harvest Property

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

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

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8. Mineral property interests (continued)

Adyabo Property

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

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

Tanzania – Handeni & Other Properties

As identified in Note 2, the Company had entered into the Tanzanian Definitive Agreements and Addendum and the Company subsequently commenced an arbitration process with a view to terminate these agreements (refer to Note 2 and Note 4(c) for further details). The properties are located in the Handeni district, Tanga Region of Tanzania. The Company's Handeni Properties are comprised of two mining licenses covering the Magambazi Project with CTL holding one mining license and Denwill holding the second mining license. The Company has an option agreement to acquire 100% interest of Denwill, a structured entity controlled by East Africa, upon payment of US\$40,000. As at March 31, 2019, 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 expenditure")

	Tanzania, Handeni & Other Properties	Ethiopia Harvest Property	Ethiopia Adyabo Property	Three months ended March 31, 2019
Exploration expenditures				
Amortization	\$ 39,615	\$ 4,732	\$ 3,079	\$ 47,426
Camp and administration costs	71,970	35,378	70,869	178,217
Drilling	--	2,313	2,408	4,721
Geochemistry	889	3,273	3,857	8,019
Geology	--	726	--	726
Preliminary resource and engineering studies	--	2,119	--	2,119
Project management and consulting	3,988	--	--	3,988
Provision for taxes recoverable	861	1,615	2,347	4,823
Technical services	--	12,097	27,208	39,305
Total for the period	117,323	62,253	109,768	289,344
Cumulative Exploration Expenditures as at December 31, 2018	70,814,068	4,801,078	10,674,609	86,289,755
Cumulative Exploration Expenditures as at March 31, 2019	\$ 70,931,391	\$ 4,863,331	\$ 10,784,377	\$ 86,579,099

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

	Tanzania, Handeni & Other Properties	Ethiopia Harvest Property	Ethiopia Adyabo Property	Three months ended March 31, 2018
Exploration expenditures				
Amortization	\$ 37,698	\$ 4,323	\$ 7,197	\$ 49,218
Camp and administration costs	120,751	61,205	119,980	301,936
Drilling	--	4,183	2,767	6,950
Geochemistry	782	3,384	3,865	8,031
Geology	942	1,129	--	2,071
Preliminary resource and engineering studies	--	71,592	90,201	161,793
Project management and consulting	3,795	--	--	3,795
Provision for taxes recoverable	4,082	7,107	3,162	14,351
Technical services	1,905	27,308	29,050	58,263
Total for the period	169,955	180,231	256,222	606,408
Cumulative Exploration Expenditures as at December 31, 2017	70,814,068	4,801,078	10,674,609	86,289,755
Cumulative Exploration Expenditures as at March 31, 2018	\$ 70,984,023	\$ 4,981,309	\$ 10,930,831	\$ 86,896,163

10. Property and equipment

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

	Buildings and roads	Office and field equipment	Computers and software	Leasehold improvements	Vehicles	Total
Cost						
As at December 31, 2018	\$ 2,027,929	\$ 693,574	\$ 404,469	\$ 567,786	\$ 166,535	\$ 3,860,293
Additions	--	--	--	--	--	--
Write-off	--	(44,595)	--	(187,880)	--	(232,475)
Foreign exchange	(42,214)	(8,964)	(630)	(2,118)	(3,405)	(57,331)
As at March 31, 2019	\$ 1,985,715	\$ 640,015	\$ 403,839	\$ 377,788	\$ 163,130	\$ 3,570,487
Accumulated amortization						
As at December 31, 2018	\$ 1,632,904	\$ 530,544	\$ 395,211	\$ 528,645	\$ 142,950	\$ 3,230,254
Amortization	--	2,230	884	9,394	--	12,508
Exploration amortization	33,628	7,121	781	--	5,896	47,426
Write-off	--	(35,997)	--	(158,132)	--	(194,129)
Foreign exchange	(33,091)	(6,554)	(498)	(2,119)	(2,922)	(45,184)
As at March 31, 2019	1,633,441	497,344	396,378	377,788	145,924	3,050,875
Net book value						
As at March 31, 2019	\$ 352,274	\$ 142,671	\$ 7,461	\$ --	\$ 17,206	\$ 519,612
As at December 31, 2018	395,025	163,030	9,258	39,141	23,585	630,039

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10. Property and equipment (continued)

	Buildings and roads	Office and field equipment	Computers and software	Leasehold improvements	Vehicles	Total
Cost						
As at December 31, 2017	\$ 1,861,949	\$ 657,958	\$ 397,773	\$ 559,459	\$ 153,143	\$ 3,630,282
Additions	--	--	371	--	--	371
Foreign exchange	52,803	11,203	681	2,650	4,260	71,597
As at March 31, 2018	\$ 1,914,752	\$ 669,161	\$ 398,825	\$ 562,109	\$ 157,403	\$ 3,702,250
Accumulated amortization						
As at December 31, 2017	\$ 1,352,779	\$ 468,518	\$ 386,312	\$ 482,743	\$ 104,033	\$ 2,794,385
Amortization	--	2,230	2,000	9,394	--	13,624
Exploration amortization	35,753	6,213	306	--	6,946	49,218
Foreign exchange	38,328	7,608	582	2,649	3,030	52,197
As at March 31, 2018	\$ 1,426,860	\$ 484,569	\$ 389,200	\$ 494,786	\$ 114,009	\$ 2,909,424
Net book value						
As at March 31, 2018	\$ 487,892	\$ 184,592	\$ 9,625	\$ 67,323	\$ 43,394	\$ 792,826
As at December 31, 2017	509,170	189,440	11,461	76,716	49,110	835,897

11. Share capital

As at March 31, 2019, the Company's share capital consisted of the following:

- Authorized: Unlimited common shares without par value.
- Issued and outstanding: 178,388,591 (December 31, 2018 – 163,845,091) common shares.

On February 28, 2019, the Company completed the first tranche of a private placement of 14,543,500 units at a price of \$0.16 per unit for total proceeds of \$2,326,960. Each unit consist one common share of the Company and one non-transferrable warrant. Each whole warrant will entitle the holder thereof to purchase one common share at an exercise price of \$0.30 for a period of 24 months from the date of closing. The Company recorded a finders' fee of 7% of the private placement for \$17,231 in cash and issued 107,695 warrants with a fair value of \$4,358 (Note 11(e)).

Subsequent to the period ended March 31, 2019, the Company completed the second tranche of the private placement and issued additional 1,152,500 units at a price of \$0.16 per unit for total proceeds of \$184,400 of which \$60,000 was received by March 31, 2019. No finder fees were paid for the second tranche.

For the period ended March 31, 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 expired (Note 11(e)).

For the period ended March 31, 2018, the Company issued 900,000 common shares for proceeds of \$144,000 on the exercise of stock options (Note 11(d)) and issued 250,000 common shares for bonus shares (see Note 11(d)).

- Escrowed shares

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

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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 stock option plan. Stock options vest at the time the stock options are granted unless determined otherwise by the Board of Directors, other than stock options granted to consultants performing investor relations activities, which vest in stages over twelve months with no more than one quarter vesting in any three-month period.

In 2016, the Company's board of directors approved the grant of up to 2,750,000 bonus shares, subject to the issuance of the mining license for the Harvest Property. In 2017, the Company received the mining license for the Harvest Property (Note 8) and issued 1,750,000 bonus shares to certain officers. For the period ended March 31, 2019, the Company did not issue bonus shares to officers (2018 – 250,000). As at March 31, 2019, the Company has bonus share obligation of \$184,375 (December 31, 2018 – \$184,375), representing 625,000 (December 31, 2018 – 625,000) bonus shares yet to be issued.

For the period ended March 31, 2019 and 2018, the Company did not grant stock options. There were no stock options exercised for the period ended March 31, 2019. For the period ended March 31, 2018, 900,000 stock options were exercised with a weighted average exercise price of \$0.16. The weighted average of the Company's share price at the time of exercise was \$0.25

Details of stock options activity during the period ended March 31, 2019 and 2018 are as follows:

	Number of options outstanding	Weighted average exercise price
Outstanding and exercisable, December 31, 2018 and March 31, 2019	26,494,278	\$ 0.18
	Number of options outstanding	Weighted average exercise price
Balance, December 31, 2017	15,494,278	\$ 0.13
Exercised	(900,000)	0.16
Outstanding and exercisable, March 31, 2018	14,594,278	\$ 0.12

The following table summarizes information about the stock options outstanding and exercisable at March 31, 2019:

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	0.13 years	May 16, 2019	23,778	\$ 0.14	
250,000	0.22	0.55 years	October 16, 2019	250,000	0.22	
8,470,500	0.10	1.80 years	January 15, 2021	8,470,500	0.10	
900,000	0.10	1.98 years	March 23, 2021	900,000	0.10	
450,000	0.15	2.08 years	April 29, 2021	450,000	0.15	
500,000	0.29	3.07 years	April 25, 2022	500,000	0.29	
15,600,000	0.22	4.25 years	June 29, 2023	15,600,000	0.22	
300,000	0.22	4.46 years	September 14, 2023	300,000	0.22	
26,494,278	\$ 0.18	3.29 years		26,494,278	\$ 0.18	

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11. Share capital (continued)

(e) Warrants

On February 28, 2019, the Company completed the first tranche of a private placement and issued 14,651,195 warrants. A value of \$600,711 was allocated to the warrants based on the relative fair values of the common shares and the warrants. The fair value of the warrants was estimated using the Black-Scholes model based on the following assumptions: expected dividend yield of 0%, expected volatility of 100.03%, risk-free rate of 1.78% and expected life of 1.50 year. There were no warrants exercised for the period ended March 31, 2019.

For the period ended March 31, 2018, 3,771,680 warrants were exercised with a weighted average exercise price of \$0.25 for proceeds of \$942,920 with the remaining 634,700 warrants expired unexercised. The weighted average of the Company's share price at the time of exercise was \$0.30.

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

	Number of warrants outstanding	Weighted average exercise price
Balance, December 31, 2017	18,256,380	\$ 0.40
Exercised	(3,771,680)	0.25
Expired	(634,700)	0.25
Outstanding and exercisable, March 31, 2018	13,850,000	\$ 0.45

The following table summarizes information about the warrants outstanding and exercisable at March 31, 2019:

Warrants outstanding and exercisable	Weighted average exercise price	Weighted average remaining contractual life	Expiry date
3,850,000	\$ 0.45	0.75 years	December 28, 2019
14,651,195	0.30	1.92 years	February 28, 2021
18,501,195	\$ 0.33	1.67 years	

12. Related party transactions

(a) Related parties

	Three months ended	
	March 31, 2019	March 31, 2018
Services rendered and expenses incurred (v):		
Services and related expenses (i)	\$ --	\$ 14,650
Management and consulting fees (ii)	77,500	77,500
Interest expense (iii)	12,200	12,900

	March 31, 2019	December 31, 2018
Balances payable to (v):		
Services rendered (i)	(90,202)	(75,202)
Directors and officers (iv)	(676,325)	(577,917)
Loan payable (iii)	(346,100)	(335,400)
	\$ (1,112,627)	\$ (988,519)

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12. Related party transactions (continued)

(a) Related parties (continued)

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 Company and consulting fees to a company with directors in common.
- (iii) On August 31, 2017, SinoTech (Hong Kong) Corporation Limited ("SinoTech") provided a second short-term unsecured loan to the Company for \$600,000 with an interest rate of 12% per annum. The loan and all accrued and unpaid interest was payable on the earlier of 15 business days after the Company's closing of an October 2017 financing or 120 days from the Company's receipt of the loan proceeds. In 2018, the Company repaid \$324,000 of the principal and interest, extended the remaining amount of \$300,000 and accrued interest of \$35,400. As at March 31, 2019, \$346,100 is payable and continues to accrued interest. Subsequent to period ended March 31, 2019, the Company is in discussions with SinoTech on renewal terms factoring in the Tibet Huayu LOI closing. The Company expects that the terms will be renewed once the Tibet Huayu has advanced to the definitive agreement stage.
- (iv) Included in the payables to directors and officers are directors fees, management fees, reimbursement of expenses, and salaries.
- (v) These transactions were in the normal course of business that are recorded at their exchanged amounts and were 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	
	March 31, 2019	March 31, 2018
Directors fees, key management personnel salaries, short-term benefits and stock based compensation	\$ 154,634	\$ 177,986

In 2017, the Company issued 1,750,000 bonus shares after the receipt of the mining license for the Harvest Property. On January 26, 2018, the Company issued 250,000 bonus shares to certain officers (Note 11(d)) and for the period ended March 31, 2019, the Company did not issue any bonus shares.

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

The Company's financial assets and liabilities are classified based on the lowest level of input significant to the fair value measurement based on the three levels of the fair value hierarchy. As at March 31, 2019, the Company did not have any financial assets and liabilities classified within the three levels of the hierarchy.

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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 period ended March 31, 2019				
Net loss	\$ 421,485	\$ 117,517	\$ 174,252	\$ 713,254
As at March 31, 2019				
Total non-current assets	629,326	3,798,480	17,986,703	22,414,509

	Canada	Tanzania	Ethiopia	Total
For the period ended March 31, 2018				
Net loss	\$ 819,413	\$ 176,026	\$ 456,313	\$ 1,451,752
As at March 31, 2018				
Total non-current assets	718,078	3,809,018	17,404,327	21,931,423

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.

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

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