



EAST AFRICA METALS INC.  
INTERIM MD&A - QUARTERLY HIGHLIGHTS  
FOR THE THREE MONTHS ENDED  
MARCH 31, 2018

This Interim MD&A - Quarterly Highlights (“Interim MD&A”) provides a review of the business activities of East Africa Metals Inc. (collectively, with its subsidiaries, “East Africa” or the “Company”) for the three months ended March 31, 2018 (“Q1 2018”), compared to the three months ended March 31, 2017 (“Q1 2017”). This Interim MD&A has been prepared in compliance with section 2.2.1 of Form 51-102F1, in accordance with National Instrument 51-102 – Continuous Disclosure Obligations. This Interim MD&A has been prepared on the basis of available information up to May 29, 2018 and should be read in conjunction with the Company’s unaudited condensed interim financial statements (“Interim Financial Statements”) for the three months ended March 31, 2018, the audited consolidated financial statements (“Annual Financial Statements”) for the year ended December 31, 2017, the corresponding notes to the Annual Financial Statements which have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and Management’s Discussion and Analysis for the year ended December 31, 2017 (“Annual MD&A”). These documents are available on SEDAR at [www.sedar.com](http://www.sedar.com). All dollar amounts are expressed in Canadian dollars except where indicated otherwise.

### **Cautionary Statement Regarding Forward-Looking Information**

*This Interim MD&A may contain certain forward-looking statements concerning anticipated development in the Company’s operations in future periods, “forward-looking information,” within the meaning of applicable Canadian securities legislation. The forward-looking statements are set forth in this Interim MD&A and may include statements regarding exploration results and budgets, mineral resource estimates, work programs, capital expenditures, timelines, strategic plans, market price of commodities or other statements that are not statement of fact. Generally, forward-looking information can be identified by the use of forward-looking terminology such as “anticipate”, “believe”, “plan”, “expect”, “intend”, “estimate”, “forecast”, “project”, “budget”, “schedule”, “may”, “will”, “could”, “might”, “should” or variations of such words or similar words or expressions. Forward-looking information is based on reasonable assumptions that have been made by the Company as at the date of such information and is subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking information, including but not limited to: the outcome of the arbitration case with the Developer; if the arbitration case is successful that the Company can occupy the site and advance the project; if the arbitration is successful the Tanzanian Definitive Agreement payments are refundable or awarded damages to the Company are recoverable; recoverability of the Ethiopian and Tanzanian VAT receivable; early exploration; the ability of East Africa to identify any other corporate opportunities for the Company; the possibility that the Company may not be able to generate sufficient cash to service its planned operations and may be forced to take other options; the risk the Company may not be able to continue as a going concern; the availability of project financing to develop the Harvest Project into a mining operation; the risks associated with obtaining necessary licenses or permits including and not limited to Ethiopian Government approval of any future mining license applications and Resource Target Extensions for the Company’s Ethiopian Projects; risks associated with mineral exploration and development; metal and mineral prices; availability of capital; accuracy of the Company’s projections and estimates, including the initial and any updates to the mineral resource for the Adyabo, Harvest and Magambazi Projects; realization of mineral resource estimates; interest and exchange rates; competition; stock price fluctuations; availability of drilling equipment and access; actual results of exploration activities; government regulation; political or economic developments; foreign taxation risks; environmental risks; insurance risks; capital expenditures; operating or technical difficulties in connection with development activities; personnel relations; the speculative nature of strategic metal exploration and development including the risks of contests over title to properties; and changes in project parameters as plans continue to be refined, as well as those risk factors set out in the Company’s listing application dated July 8, 2013, the Company’s Annual MD&A and this Interim MD&A. The estimate of mineral resources may be materially affected by environmental, permitting, legal, title, sociopolitical, or other relevant issues. The quantity and grade of reported inferred mineral resources as the estimation is uncertain in nature and there has been insufficient exploration to define any inferred mineral resources as an indicated or measured mineral resource and it is uncertain if further exploration will result in upgrading inferred mineral resources to an indicated or measured mineral resource category. Forward-looking statements are based on assumptions management believes to be reasonable, including but not limited to the non-refundable Tanzanian Definitive payments and successful outcome of the arbitration; price of gold; the demand for gold; the ability to carry on exploration and development activities; the timely receipt of any required approvals; the ability to obtain qualified personnel, equipment and services in a timely and cost-efficient manner; the ability to operate in a safe, efficient and effective manner; and the regulatory framework including and not limited to license approvals, social and environmental matters, and such other assumptions and factors as set out herein. Although the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. The Company does not update or revise forward looking information even if new information becomes available unless legislation requires the Company to do so. Accordingly, readers should not place undue reliance on forward-looking information contained herein, except in accordance with applicable securities laws.*

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## INTRODUCTION

East Africa was incorporated on December 7, 2012, under the Canada Business Corporations Act. The address of the Company's corporate office and principal place of business is Suite 700, 1055 W. Georgia 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".

## DESCRIPTION OF THE BUSINESS

East Africa is a mineral exploration company focused on the identification, acquisition, exploration, development and/or sale of base and precious metal resource properties in Federal Democratic Republic of Ethiopia ("Ethiopia") and United Republic of Tanzania ("Tanzania"). East Africa's key mineral assets include its 70% owned Harvest Project and the 100% owned Adyabo Project (together the "Ethiopian Projects") in Ethiopia, and the Handeni Properties, including the Magambazi Project, and Other Properties (the "Tanzanian Assets") in Tanzania. The Company has released Mineral Resources Estimates for its Terakimti (Harvest Project), Da Tambuk (Adyabo Project – Adi Dairo) and Mato Bula (Adyabo Project – West Shire) deposits in Ethiopia and the Magambazi deposit in Tanzania. Additional information on the Company's mineral property interests discussed in this MD&A can be found on the Company's website at [www.eastafricametals.com](http://www.eastafricametals.com).

## KEY OPERATING MILESTONES

### Preliminary Economic Assessments

On April 30, 2018, the Company announced receipt from Tetra Tech Canada Inc. ("Tetra Tech") of positive results from Preliminary Economic Assessments for its three gold projects in Ethiopia. Separate Preliminary Economic Assessment studies ("PEAs") have been received for the Company's 100% owned Mato Bula Gold Copper Project ("Mato Bula"), 100% owned Da Tambuk Gold Project ("Da Tambuk") and 70% owned Terakimti Gold Heap Leach project ("Terakimti") in the Tigray Regional National State of Northern Ethiopia. Each of the projects demonstrates robust economics utilizing industry standard mining and processing technology.

The key technical and base case pre-tax and post-tax metrics for each project are presented below:

PARAMETER <sup>(3)</sup>		Units	PROJECT		
			Mato Bula	Da Tambuk	Terakimti <sup>(1)</sup>
Mine Plan		Tonnes	3,335,000	650,000	1,086,000
Grade	Gold	g/t	3.0	4.9	3.1
	Copper	%	0.26%	N/A	N/A
	Silver	g/t	0.70	2.3	22.9
Metal Recoveries	Gold	%	86.4%	93.0%	65.0%
	Copper	%	87.4%	N/A	N/A
	Silver	%	50.0%	50.0%	30.0%
Recovered Metals	Gold	Ozs	278,000	95,000	71,000
	Copper	Lbs (x000)	13,353	N/A	N/A
	Silver	Ozs	38,300	24,000	229,000
	Au Equiv	Ozs	305,000	95,000	74,000
Capital Cost		US\$(x000)	\$54,200	\$34,030	\$17,180
Sustaining Capital		US\$(x000)	\$5,600	\$8,030	\$1,720
Operating Cost	Site - C1	US\$/tonne	\$47.53	\$61.85	\$34.10
<b>Metal Prices</b>					
Gold Price	US\$/oz		\$1,325	\$1,325	\$1,325
Copper Price	US\$/lb		\$3.00	N/A	N/A
Silver Price	US\$/oz		\$17.00	\$17.00	\$17.00

PARAMETER <sup>(3)</sup>		Units	PROJECT		
			Mato Bula	Da Tambuk	Terakimti <sup>(1)</sup>
<b>PRE-TAX</b>					
Cash Flow		US\$(x000)	\$139,710	\$31,160	\$29,360
NPV @8%		US\$(x000)	\$83,820	\$20,670	\$19,470
IRR		%	34.1%	37.8%	37.4%
<b>POST-TAX</b>					
Cash Flow	LOM	US\$ (x000)	\$97,700	\$20,615	\$20,890
NPV @8%		US\$ (x000)	\$56,660	\$13,020	\$13,180
IRR		%	28.4%	28.6%	30.1%
<b>OTHER METRICS</b>					
Payback		Years	3.0	1.9	2.4
C1 Op Cost		US\$/oz Au	\$412	\$420	\$465
AISC		US\$/oz Au	\$620	\$642	\$649

Notes:

(1) Metrics are presented for 100% attributable to Terakimti operation. Metrics attributable to East Africa would be 70% of values presented above as per Joint Venture agreement terms.

(2) Cash Flows presented are not discounted.

(3) Values may not reconcile to others disclosures within the PEA disclosure due to rounding.

### Metal Price Sensitivities - Post Tax

PARAMETER <sup>(2)</sup>	Units	Base Case	Lowest Case	5 Year Ave	Long Term
<b>Metals Prices</b>					
Gold Price	US\$/oz	\$1,325	\$1,200	\$1,250	\$1,379
Copper Price	US\$/lb	\$3.00	\$2.50	\$2.75	\$3.25
Silver Price	US\$/oz	\$17.00	\$17.00	\$17.00	\$17.00
<b>MATO BULA – Gold, Copper and Silver</b>					
Cash Flow <sup>(1)</sup>	US\$(x000)	\$97,700	\$75,050	\$84,325	\$107,340
NPV @ 8%	US\$(x000)	\$56,660	\$39,460	\$46,490	\$63,980
IRR	%	28.4%	22.5%	25.0%	30.8%
Payback	Years	3.0	3.7	3.4	1.8
<b>DA TAMBUK – Gold and Silver</b>					
Cash Flow <sup>(1)</sup>	US\$(x000)	\$20,615	\$12,600	\$15,805	\$24,080
NPV @ 8%	US\$(x000)	\$13,020	\$6,060	\$8,840	\$16,025
IRR	%	28.6%	17.7%	22.1%	33.2%
Pay back	Years	1.9	3.2	3.1	1.7

PARAMETER <sup>(2)</sup>	Units	Base Case	Lowest Case	5 Year Ave	Long Term
<b>TERAKIMTI – Gold and Silver</b>					
Cash Flow <sup>(1)</sup>	US\$(x000)	\$20,890	\$15,130	\$17,430	\$23,380
NPV @ 8%	US\$(x000)	\$13,180	\$8,340	\$10,280	\$15,275
IRR	%	30.1%	21.9%	25.2%	33.7%
Payback	Years	2.4	2.8	2.6	2.3

(1) Cash Flows presented are not discounted.

(2) Values may not reconcile to others disclosures within the PEA disclosure due to rounding.

Each of the PEA studies has been completed by Tetra Tech’s mining and process engineering team in Vancouver, B.C. The PEAs are based on the mineral resource estimates for Mato Bula, Da Tambuk, and Terakimti as previously disclosed by East Africa. The mineral resource estimates were completed by David Thomas P.Ge., Q.P. of Fladgate Exploration Consulting Corporation as follows:

- Adyabo Project Mineral Resource Estimate, David Thomas, P. Geo. (Effective Date: May 31, 2016), East Africa news release June 14, 2016.
- Updated Terakimti Oxide Mineral Resource Estimate at a 0.5 g/t Gold Equivalent Cut-Off, David Thomas, P. Geo. (Effective Date: October 18, 2015), East Africa news release October 27, 2015
- Terakimti Mineral Resource Estimate David Thomas, P. Geo., Effective Date: January 17, 2014, East Africa news release January 27, 2014.

Metallurgical test work for the Mato Bula Gold Copper and Da Tambuk Gold projects has been completed by Blue Coast Research, an independent metallurgical laboratory in Parksville B.C. Canada. Metallurgical test work for the Terakimti Gold Heap Leach project was completed by SGS Minerals Services (“SGS”) in Johannesburg, South Africa. Additional metallurgical test work for Terakimti was performed by McClelland Laboratories Inc. (“McClelland”) in Reno Nevada. Blue Coast Research, SGS, and McClelland are internationally recognized for their metallurgical testing expertise.

#### **Technical Report and Cautionary Statement NI 43-101:**

Each of the PEAs were prepared in accordance with National Instrument 43-101 Standards of Disclosure for Mineral Projects. Each of the PEA Reports will be filed by the Company with SEDAR within 45 days of the news release.

Readers are cautioned that a PEA is preliminary in nature. These PEAs include Indicated and Inferred mineral resources. Inferred mineral resources are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves, and there is no certainty that the PEA results will be realized. Mineral resources that are not mineral reserves do not have demonstrated economic viability.

#### **Additional Project Information**

All three projects are located within 10 km of existing paved highways and the National power grid, and approximately 35 km from the town of Shire, which has an airport and extensive services. The Mato Bula and Da Tambuk projects are located 5 km apart and offer the opportunity to share access road and power line construction costs. The Terakimti Gold Heap Leach project is approximately 15 km from Mato Bula and Da Tambuk.

#### **Mato Bula Gold Copper Project**

- Post-tax NPV of US\$56.6M for base case using US\$1,325/oz Au, US\$3.00/lb copper and US\$17.00/oz silver, at an 8% discount rate.
- Payback of pre-production capital in 3 years from start of production.
- C1 cash operating cost of US\$412/oz Au including all on-site costs and AISC cost of US\$620/oz Au calculated with all on-site and off-site costs, TCRC charges, sustaining costs and net of by-product credits.

- Average annual metal production of approximately 34,750 ozs gold, 1.67 million pounds copper and 4,780 ozs silver.
- Pre-production capital cost of US\$54.2M million including contingency of 38% on direct costs and 26% on total of direct and indirect costs.
- Open pit mining utilizing drill blast, trucks and shovels, waste stripping ratio of 9/1.
- Processing rate of 1,400 t/day using conventional crush/grind comminution, gravity concentration and flotation to produce a copper-gold concentrate. In addition a gold bearing pyrite concentrate will be produced and treated off-site by Carbon in Leach (“CIL”) technology.
- Life-of-mine metal recoveries of 86.4% for gold, 87.4% for copper, and 50% for silver.
- Concentrate grades average approximately 132 g/t gold, 25.5% copper and 28 g/t silver.
- Minimum 8 year mine life, based on proposed open pit depth of 190 metres.
- Significant potential exists to extend mine life as drilling has identified mineralization along strike and to 370 metres down dip.

### **Da Tambuk Gold Project**

- Post-tax NPV of US\$13.0M and IRR of 28.6% for base case using US\$1,325/oz Au and US\$17.00/oz silver, at 8% discount rate.
- Payback of pre-production capital in 1.9 years from start of production.
- C1 cash operating cost of US\$420/oz Au including all on-site costs and AISC cost of US\$642/oz Au calculated with all on-site and off-site costs, TCRC charges, sustaining costs and net of by-product credits.
- Average metal production of approximately 24,000 ozs gold per year and 6,000 ozs silver per year.
- Pre-production capital cost of approximately US\$34.1M including contingency of 36% on direct costs and 26% total of direct and indirect costs.
- Underground trackless mining utilizing ramp access, cut and fill and open stope mining.
- Processing rate of 550 tonnes per day using crush/grind comminution, gravity concentration and CIL technology.
- Average life-of-mine metal recoveries of 93% for gold and 50% for silver.
- Minimum 4 year mine life based on mining plan depth to 200 metres below surface.
- Excellent potential to extend mine life as drilling has intersected significant mineralization to 260 metres down dip.

### **Terakimti Gold Heap Leach Project**

- Post-tax NPV of US\$13.2M and IRR of 30.1% for base case using US\$1,325/oz Au and US\$17/oz silver, at an 8% discount rate.
- Payback of pre-production capital in 2.4 years from start of production.
- C1 cash operating cost of US\$465/oz Au including all on-site costs and AISC cost of US\$649/oz Au calculated with all on-site and off-site costs, sustaining costs and net of by-product credits.
- Average metal production of approximately 17,800 ozs gold per year and 57,250 ozs silver per year.
- Pre-production capital cost of approximately US\$17.2M including contingency of 25% on direct costs 19% on total of direct and indirect costs.
- Open pit mining utilizing drill blast, shovels and trucks with waste stripping ratio of 3.8/1.

- Processing rate of 715 tonnes per day using two stage crushing, heap leaching and Merrill Crowe technology.
- Average life-of-mine metal recoveries of 65% for gold and 30% for silver.
- 4 year mine life.
- In addition to heap leaching of the gold oxide zone, potential exists to develop supergene gold, copper, and primary sulphide copper, gold, and zinc resources underlying the gold oxide zone.

### **Risk and Opportunities**

As with all mining projects, a number of opportunities and risks exist which may affect the outcome of one or all of the projects. Known opportunities and risks pertaining to all of the projects are identified immediately below, followed by a statement of opportunities and risks specific to each of the projects.

#### **Opportunities for all Projects:**

- Potential exists to optimize metal recoveries and reduce reagent consumptions in the processing circuits.
- Process equipment costs are based on North American supply and assessment of other equipment markets should be conducted to evaluate this cost reduction opportunity.
- The close proximity of the Mato Bula and Da Tambuk projects creates an opportunity for combining of project resources, such as power supply, road access, water sources, administration and technical departments, which could reduce costs. Certain general facilities and services may possibly be shared with the Terakimti project as well.

#### **Risks for all Projects:**

- Volatility of commodity prices.
- Unforeseeable escalation of capital or operating costs.
- Political stability, security and social opposition.
- Unforeseen future changes in host country regulations that may have a direct impact on production and economics of the projects including and not limited to environment aspects and taxes.
- Inherent geological risk and uncertainty.
- Sourcing of skilled employees for mining and processing plant operation/QAQC control.
- Metallurgical performance of the processing plant may be different than projections based on test work completed to date.
- Potential sources of water supply for operations must be confirmed and may vary from the assumptions made in the studies.
- The engineering assumptions and results presented in the PEA's may vary from actual conditions.
- Abnormally high precipitation events during the wet season may cause flooding in the minesite areas and/or restrict access to the project sites.

The news release also contains information on the Environmental and Social Impact Assessment studies, risk and opportunities for each project and other relevant information to the PEAs. Further information can be located in the Company's respective news release and on East Africa's website [www.eastafricametals.com](http://www.eastafricametals.com).

#### **EXPLORATION PROJECTS UPDATES**

- In December 2017, the Company announced the submission of an additional two mining license applications for the Da Tambuk and Mato Bula deposits at the Company's 100% Adyabo Project. With the recent approval of the mining license for the nearby Terakimti project, the opportunity to hold three deposits within a 20 kilometre footprint, in an area of well developed, air, road, and power infrastructure offers exceptional potential for project development.



On January 12, 2018, the Company announced the Ethiopian Ministry of Mines, Petroleum and Natural Gas (“MoMPNG”) has begun evaluating the mining license applications for Da Tambuk and Mato Bula deposits.

On May 25, 2018, the Company announced an update that the Company had filed with the MoMPNG, responses to comments received in relation to the Mato Bula and Da Tambuk Mining Licence applications submitted in December 2017.

The mining licence applications for the Company’s Mato Bula Gold Copper Project and Da Tambuk Gold Project are advancing through the government approval process and making good progress. The MoMPNG recently completed its review of the licence applications, and following a meeting between the Company and the MoMPNG at the end of March 2018, submitted a list of follow-up comments to be addressed by the Company. The comments related primarily to requests for clarification on certain technical aspects of the proposed project development. The Company has now submitted the responses to those comments to the MoMPNG, signifying a positive step forward in the approval process.

On May 25, 2018, the Company submitted revised Environmental and Social Impact Assessment Studies (“ESIA”) to the MoMPNG in support of the Mato Bula and Da Tambuk mining licence applications. The revised ESIA studies addressed comments on the studies previously received from the MoMPNG.

- Updates on mineral resource estimates, related maps and further information on the Harvest Project and the Adyabo Project can be located in the Company’s respective news releases and on East Africa’s website [www.eastafricametals.com](http://www.eastafricametals.com).

#### **CORPORATE UPDATES**

- On March 29, 2018, the Company announced the termination of the 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 private placement with gross proceeds of approximately CAD\$13,550,000. The Company has initiated discussions with a number of interested parties for the project financing of the Terakimti project and/or all the Ethiopian Projects. The parties include companies and groups based in North America, Europe and China. Please refer to the “Corporate Transactions” section for more details.
- On February 7, 2018, East Africa announced the Company and SinoTech (Hong Kong) Corporation Limited (“SinoTech”), an insider of the Company, had signed an extension of the maturity date of the related party loan entered into in September 2017. The Company has repaid \$300,000 of the principal of the loan and corresponding interest. The outstanding loan balance of \$300,000 will bear an interest rate of 12% per annum and will mature on the earlier of: (a) 15 Business Days after the closing of the Company’s \$11,544,000 financing announced on December 29, 2017 or (b) May 21, 2018.
- On January 15, 2018, the Company announced the election to accelerate the expiry date of the warrants issued to purchasers and finders under its private placement financing completed on May 31, 2016. Each warrant entitles the holder to purchase one common share at a price of \$0.25 per share. The warrants were originally set to expire on May 31, 2018 and were revised to expire on February 5, 2018.

In February 2018, the Company completed the acceleration of the warrants and 3,771,680 warrants were exercised at a price of \$0.25 per share, for proceeds of \$942,920. The remaining 634,700 warrants have expired and were cancelled.

- On January 24, 2018, the Company announced the updated terms (“Addendum”) for the Tanzanian Definitive Agreement with an arm’s length private exploration and development company, with management based in the Hong Kong and Tanzania (the “Developer”), to purchase and develop East Africa’s Tanzanian Assets.

On April 6, 2018, the Company announced it has commenced binding arbitration proceedings with respect to certain disputes that East Africa has with the Developer. In accordance with the Tanzanian Definitive Agreement and 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. Please refer to the “Corporate Transactions” section for more details.

For all the above operating highlights refer to the news releases or the Company website, [www.eastafricametals.com](http://www.eastafricametals.com), for further details.

## OUTLOOK

As of the date of this Interim MD&A, the Company's focus is on advancing the Ethiopian Projects. The Company has received the mining license agreement for the Terakimti project. In addition, the Company has submitted two additional mining license applications for Da Tambuk and Mato Bula deposits at the Adyabo Project. The Company has two mining licenses on its Tanzanian Assets. East Africa has released initial mineral resource estimates on each of its advance staged exploration projects at Harvest, Adyabo and Magambazi.

On March 29, 2018, East Africa announced the termination of the Ethiopian MOU with LW announced on October 2, 2017. The Company has initiated discussions with a number of interested parties for the project financing of the Terakimti project and/or all the Ethiopian Projects. The parties include companies and groups based in North America, Europe and China. These discussions with the interested parties include among other matters debt financing, offtakes, equity financing, project investment or strategic alliances.

The Company has commenced arbitration process with the Developer in relation to East Africa's Tanzanian Assets with the view to terminate the Tanzanian Definitive Agreement and Addendum. The Company, if successful with the arbitration process, plans to advance the Tanzanian Assets to attract interest and identify a development partner or buyer.

The 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, 2018, the Company incurred a net loss attributable to shareholders totaling \$1,397,494 (Q1 2017 – \$2,586,772) and as at March 31, 2018, had an accumulated deficit of \$183,396,317 (December 31, 2017 – \$181,998,823) and working capital of \$1,053,147 (December 31, 2017 – \$998,617).

Based on the Company's financial position as at March 31, 2018, the available funds are not considered adequate to meet requirements for the estimated operations, exploration and development expenditures and the outcome of the arbitration 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 operating in emerging countries. 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. The outcome of these measures cannot be predicted at this time and management's ability to complete these measures will depend on market conditions and its ability to identify and secure financing. The Company's Board of Directors has approved pursuing these measures. Refer to the "Liquidity" section for further details.

## CORPORATE TRANSACTIONS

### Tanzanian Definitive Agreement- arbitration

On June 10, 2015, East Africa signed the Tanzanian Definitive Agreement with the Developer to acquire and develop East Africa's Tanzanian Assets. On March 5, 2016 (the "Tanzanian Effective Date"), the Company and the Developer completed the execution of the Tanzanian Definitive Agreement and the Gold Purchase Agreement. The Tanzanian Definitive Agreement requires the Developer to pay US\$2,000,000 ("Transaction Price") by no later than 12 months from the Tanzanian Effective Date. As at March 31, 2018, the Company received instalments of US\$750,000 towards the Transaction Price.

In January 2018, the Company completed the Addendum for the Tanzanian Definitive Agreement and agreed with the Developer to assign the rights and obligations of the Tanzanian Definitive Agreement, the Gold Purchase Agreement and Addendum to the Developer's new entity incorporated in Hong Kong.

- pay US\$438,972 (fully paid as of March 31, 2018) to settle outstanding payables owed to East Africa, including property payments, other costs, and provide advance payments (US\$250,000) towards the Transaction Price;

- pay US\$500,000 on the delivery of documents for Tanzanian Government approval;
- pay deposit US\$750,000 in a trust account when the documents to the Tanzanian Government have been submitted and the amount would be released when Tanzanian Government approvals are received;
- Under an interim management agreement, the Developer and East Africa's Tanzanian subsidiaries would enter into Shareholders and Directors agreement providing the rights and obligations to the Developer of the day to day operations until the transaction has been approved by the Tanzanian Government;
- Both the Company and the Developer have the right to offer to exchange the gold stream to a net smelter return royalty.

In April 2018, the Company announced it has commenced binding arbitration proceedings with respect to certain disputes that East Africa has with the Developer under the Tanzanian Definitive Agreement and Addendum. In accordance with the Tanzanian Definitive Agreement and 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 Tanzanian Definitive Agreement and Addendum. Under the Tanzanian Definitive Agreement, 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.

### **CURRENT COMPANY OBJECTIVES**

Current objectives:

1. Identify and secure financing for the Terakimti project development and future exploration programs;
2. Proceed with engineering and development on the Terakimti gold heap leach project;
3. Continue to engage the MoMPNG on the approvals of the Adyabo mining license applications and the Resource Target Extensions (defined below);
4. Complete additional upgrading of the resource at the Adyabo Project and assess resource growth potential along the prospective Mato Bula Trend (Adyabo Project);
5. Assess resource growth potential in satellite targets on the Harvest Project;
6. Assess new potential exploration opportunities in Ethiopia;
7. Where possible, expedite the arbitration case and if successful, identify a new development partner or buyer for the Tanzanian Assets;
8. Continue to examine opportunities to raise funding including debt finance, equity financing, merger and acquisitions, strategic alliances, joint ventures and optioning its mineral properties for equity, cash and/or expenditure commitments.

### **Harvest Project Path Forward**

In December 2017, the Company received a mining license for the Terakimti project. The Company is in discussion with the Ethiopian MoMPNG to extend the initial license area of 2.77 KM<sup>2</sup> for an additional 17.20 KM<sup>2</sup> (the "Resource Target Extensions") to carry out the proposed work program on approval by the MoMPNG. On receipt of the MoMPNG's approval of the proposed work program and identification of funding, the Lihamat, Mayshehagne, and VTEM09 potential satellite prospects will be assessed through metallurgical and resource analyses, as additional project resource assets.

The Company continues discussions with a number of 3rd parties to provide funding for the development of its Ethiopian Projects including the Terakimti project. The funding may include but is not limited to debt finance, gold streaming contracts, strategic alliances and/or an equity placement in East Africa.

### **Adyabo Project Path Forward**

The MoMPNG has begun evaluating the mining license applications, undertaken project site visits, held discussions with East Africa management and has provided initial comments. The Company will endeavor to expedite the mining

license applications process through ongoing discussions and meetings with the MoMPNG. Included in discussions is the right to a potential Resource Target Extensions work program to update the filed mining license applications for the satellite resource targets on the Adyabo Project.

On receipt of a MoMPNG approval for a Resource Target Extensions work program of additional resources on the Da Tambuk and Mato Bula deposits and identification of funding, the Company plans to continue forwarding the project through in-fill drilling, induced polarization survey follow-up testing, geotechnical drilling and testing, metallurgical testing, preliminary engineering work, water supply/hydrology assessments and on-going community relations work.. The Company continues to assess cost effective methods of gold targeting and further resource upgrades along the highly prospective Mato Bula Trend. East Africa plans to advance the Adyabo Project through a resource update following the core deposit area infill drilling program that was completed in 2017, with the resource update anticipated during the second half of Fiscal 2018.

Included in the Company's discussions with a number of 3rd parties to provide funding for the development of the Terakimti project, is funding to undertake the Adyabo Project exploration work contemplated above. The funding may include but is not limited to debt finance, gold streaming contracts, strategic alliances and/or an equity placement in East Africa.

### **Tanzanian Assets Path forward**

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 Tanzanian Definitive Agreement and Addendum. The Company, if successful with the arbitration process, plans to advance the Tanzanian Assets to attract interest and identify a development partner or buyer. Refer to the "Corporate Transactions" section for further information.

### **SELECTED CONSOLIDATED FINANCIAL INFORMATION**

The Interim Financial Statements have been prepared in accordance with IAS 34, Interim Financial Reporting, and should be read in conjunction with the Company's Annual Financial Statements, which have been prepared in accordance with IFRS as issued by the International Accounting Standards Board.

The Company's operations are in one industry – the acquisition, exploration, development and/or sale of gold, copper, and other precious and base metals. As at March 31, 2018, East Africa has three geographic locations: Canada (head office), Ethiopia and Tanzania. Information discussed herein reflects the Company as a consolidated entity, consistent with the Company's determination that the one industry in which the Company operates provides the most meaningful information for an exploration stage enterprise.

### **FINANCIAL POSITION**

The following financial data is derived from the Company's Interim Financial Statements as at March 31, 2018 and December 31, 2017:

	<b>March 31, 2018</b>	<b>December 31, 2017</b>
Total assets	\$ 23,918,130	\$ 24,432,042
Total liabilities	979,460	1,743,917
Equity (before non-controlling interest)	19,284,737	19,117,744

#### **Total assets**

The \$513,912 decrease from 2017 to 2018 relates to exploration and head office cash related expenditure of \$1,652,416, the repayment of \$324,000 related party loan and interest, and the payment of \$100,100 finder's fees in connection with the financing from Luck Sky Resources, an affiliate of LW, completed in 2017. The decrease in total assets is partially offset by foreign exchange of approximately of \$589,199 in gains on the translation of United States dollars to Canadian dollars of the foreign operations. The decrease in total assets is further offset by the exercise of warrants for \$942,920 and the exercise of stock options for \$144,000. Notwithstanding periodic or one-time transactions and subject to changes in foreign exchange, total assets will generally remain constant from one period to the next, less the cost of expenditures on activities not capitalized such as mineral property interest and property and equipment. All direct costs associated with exploration of these properties are expensed as incurred.

Total liabilities

As at March 31, 2018 and December 31, 2017, the Company's total liabilities are predominately comprised of trade payables, accruals and loan payable. The decrease in total liabilities of \$764,457 as at March 31, 2018, compared to December 31, 2017, is predominately result of the repayment of \$324,000 related party loan, payment of engineering services for the Da Tambuk and Mato Bula mining license applications of approximately \$178,000, and the payment of \$100,100 finder's fees accrued in 2017.

Total equity

The increase of equity of \$166,993 from December 31, 2017, is predominately related to the exercise of warrants for \$942,920, the exercise of stock options for \$144,000 and Q1 2018 foreign exchange gain of \$477,567 attributable to shareholders. The increase is offset with Q1 2018 net loss of \$1,397,494 attributable to shareholders.

**RESULTS OF OPERATIONS**

The selected period information and summary of financial results in this Interim MD&A should be read in conjunction with the Company's Interim Financial Statements for the three months ended March 31, 2018 and 2017. The following financial data are derived from the Company's Interim Financial Statements for the three months ended March 31, 2018 and 2017 respectively:

	<b>Three months ended March 31,</b>	
	<b>2018</b>	<b>2017</b>
Revenue	\$ Nil	\$ Nil
Exploration and evaluation expenditures	606,408	1,897,410
Other expenditures*	845,344	770,622
Net loss for the period	1,451,752	2,668,032
Net loss for the period and attributable to shareholders	1,397,494	2,586,772
Basic and diluted loss per share and attributable to shareholders	\$ 0.01	\$ 0.02
Weighted average number of common shares used in the calculation of loss per share – basic and diluted	160,769,332	125,161,303
Distributions or Dividends	\$ Nil	\$ Nil

\* Non-GAAP measure - Other expenditures represents all other expenditures, other than Exploration and Evaluation expenditures, disclosed in the statement of operations and includes non-cash items.

***LOSS FOR THE THREE MONTHS ENDED MARCH 31, 2018 (“Q1 2018”), COMPARED TO THE THREE MONTHS ENDED MARCH 31, 2017 (“Q1 2017”)***

The loss for Q1 2018 is \$1,451,752 compared to a loss for Q1 2017 of \$2,668,032. The significant items contributing to the Q1 2018 loss includes exploration expenditures of \$606,408 (Q1 2017 – \$1,897,410), investor/shareholder communications and filing fees of \$290,485 (Q1 2017 – \$247,729), management consulting fees of \$152,097 (Q1 2017 – \$146,425), office and administration of \$118,884 (Q1 2017 – \$125,020), and legal, audit and audit related fees of \$53,592 (Q1 2017 – \$16,029). Significant balances and changes are discussed below.

Exploration and evaluation expenditure (“Exploration Expenditures”)

Exploration Expenditures incurred costs of \$606,408 in Q1 2018 compared to \$1,897,410 in Q1 2017. The decrease of \$1,291,002 in Exploration Expenditures is primarily a result of lower Q1 2018 drilling expenditure of \$6,950 (Q1 2017 – \$1,126,873), a reduction of \$1,119,923. In Q1 2017, infill drilling was conducted at the Adyabo Project, Mato Bula and Da Tambuk resource deposits, and \$1,021,256 corresponding expenditures were incurred.

The decline in geology expenditures of \$186,776 in Q1 2018 compared to Q1 2017 is in line with less drilling activities. These decreases were offset with an increase of \$102,704 in preliminary resource and engineering studies costs from Q1 2017, is a result of the development of the PEAs for Terakimti, Da Tambuk and Mato Bula.

A summary of East Africa's Exploration Expenditures are as follows:

	Three months ended March 31, 2018			Three months ended March 31, 2017		
	Tanzania	Ethiopia	Total	Tanzania	Ethiopia	Total
<b>Exploration Expenditures</b>						
Amortization	\$ 37,698	\$ 11,520	\$ 49,218	\$ 46,471	\$ 21,787	\$ 68,258
Camp and administration costs	120,751	181,185	301,936	102,856	262,121	364,977
Drilling	--	6,950	6,950	--	1,126,873	1,126,873
Geochemistry	782	7,249	8,031	628	8,892	9,520
Geology	942	1,129	2,071	--	188,847	188,847
Geophysics	--	--	--	--	3,098	3,098
Preliminary resource and engineering studies	--	161,793	161,793	--	59,089	59,089
Project management and consulting	3,795	--	3,795	6,946	--	6,946
Provision for tax recoverable	4,082	10,269	14,351	--	--	--
Technical services	1,905	56,358	58,263	374	69,428	69,802
<b>Total for the period</b>	<b>169,955</b>	<b>436,453</b>	<b>606,408</b>	<b>157,275</b>	<b>1,740,135</b>	<b>1,897,410</b>
Balance - beginning of period	70,814,068	15,475,687	86,289,755	70,027,814	10,697,078	80,724,892
Cumulative balance end of period	\$ 70,984,023	\$ 15,912,140	\$ 86,896,163	\$ 70,185,089	\$ 12,437,213	\$ 82,622,302

#### Investor/shareholder communications and filing fees

In Q1 2018, the Company recorded investor/shareholder communications and filing fees of \$290,485 compared to \$247,729 in Q1 2017, an increase of \$42,756. The increase relates to the European marketing program to increase the trading volume demand of East Africa's shares to increase the exercise of outstanding warrants.

#### Management consulting fees

In Q1 2018, the Company recorded management consulting fees and expenses of \$152,097 compared to \$146,425 in Q1 2017, an increase of \$5,672. In Q1 2018, the Company recorded \$62,500 (Q1 2017 - \$62,500) for consulting fees provided by a management company controlled by an officer of the Company; \$15,000 (Q1 2017 - \$12,500) was paid to a related party for Chinese translation and administration services; \$25,000 (Q1 2017 - \$25,000) was paid for corporate secretary services.

#### Office and administration

In Q1 2018, the Company recorded office and administration expenses of \$118,884, consistent with \$125,020 in Q1 2017. Costs for office and administration include office expenses, travel expense for corporate head office staff, network services and insurance.

#### Legal, audit and audit related fees

In Q1 2018, the Company recorded legal, audit and audit related fees of \$53,592, compared with \$16,029 in Q1 2017. The increase of \$37,563 is due to the preparation of the Addendum for the Tanzanian Definitive Agreement with the Developer and legal advice in relation to the Ethiopian MOU.

### **LIQUIDITY**

As at March 31, 2018, the Company had cash and cash equivalents of \$1,626,352, other current assets of \$360,355 and current liabilities of \$933,560, compared to cash and cash equivalents of \$2,268,310, other current assets of \$421,768 and current liabilities of \$1,691,461 as at December 31, 2017.

As at March 31, 2018 and December 31, 2017, the Company had the following commitments:

	March 31, 2018	December 31, 2017
No later than 1 year	\$ 429,106	\$ 377,618
Later than 1 year and no later than 5 years	231,487	308,649
Later than 5 years	--	--
	\$ 660,593	\$ 686,267

The Company entered into a five (5) year operating lease for office premises commencing on January 1, 2015. The monthly lease payment and building operating costs before estimated rent recoveries is approximately \$24,000.

As at March 31, 2018, with the Company's working capital being \$1,053,147 (December 31, 2017 - \$998,617), the Company estimates that it does not have available funds to meet requirements for the coming twelve months based on current estimated expenditures for operations, exploration and development of its mineral property interests and the outcome of the arbitration. Estimated expenditures include but are not limited to, Terakimti project development costs, assess resource growth on satellite targets near the Terakimti project and assess resource growth on the Mato Bula trend. These uncertainties cast significant doubt on the ability of the Company to continue as a going concern. As at March 31, 2018, the Interim Financial Statements were prepared on a going concern basis which contemplates the realization of assets and the settlement of liabilities in the normal course of operations.

The Company's approximate sustaining monthly head office administration expenses until receiving the Adyabo Project mining licenses and obtain financing for Terakimti project ("Interim Phase") is \$150,000. This minimum cost estimate assumes limited investor relations / shareholder information costs and excludes non-cash costs. During this Interim Phase the site and camp costs are approximately \$130,000 monthly to maintain the normal operations in Ethiopia and Tanzania. The site and camp monthly administration costs include Ethiopian expenses for head office technical services, administrative staff and costs of operating the offices and warehouses and Tanzanian expenses to maintain a corporate presence in Tanzania until the arbitration is finalized.

In April 2018, the Company and LW agreed to terminate the Ethiopian MOU (refer to "Corporate Transactions"). East Africa has initiated discussions with a number of interested parties for the project financing of the Terakimti project and/or all the Ethiopian Projects. The parties include companies and groups based in North America, Europe and China.

In addition, the Company has executed the Tanzanian Definitive Agreement with the Developer on March 5, 2016, for the sale of the Tanzanian Assets and have received deposit instalment payments of US\$750,000 to date. In April 2016, the Company announced it had commenced an arbitration process to seek a determination that the Developer is in material breach of the Tanzanian Definitive Agreement and Addendum and that the appropriate remedy is a declaration that the Tanzanian Definitive Agreement, Gold Purchase Agreement and Addendum are terminated which may include a claim for any damages. The Company, if successful with the arbitration process, plans to identify a development partner or buyer of the Tanzanian Assets.

The ability of the Company to carry out its planned business objectives is dependent on its ability to raise adequate capital funds from the sale of non-strategic assets, strategic alliances, debt financing, 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. If adequate financing is not available, the Company may be required to delay, reduce the scope of, or eliminate one or more exploration and/or development activities or relinquish rights to certain of its interests. There is no assurance that the Company will be able to obtain adequate financing in the future or that such financing will be on terms acceptable to the Company.

## **CAPITAL RESOURCES**

The Company has historically met its exploration capital requirements predominately through the completion of equity placements and may be impacted by continued poor North American market conditions for exploration and development resource companies with operations in emerging countries and further downward trends for exploration focused companies. Trends affecting the Company's liquidity may be dictated by the demands on financial resources created by the advancing nature of East Africa's mineral property assets, the pursuit of a growth strategy that targets property acquisitions, the exploration commitments and the Company's ability to access the financial resources required to meet these demands. As the projects advance through exploration, they typically require more capital-intensive programs that apply pressure to the Company's financial resources.

The Company announced the termination of the Ethiopian MOU with LW including the future financing of 44.4 million units @ \$0.26 per unit for \$11,544,000 (refer to "Corporate Updates" for further information). The Company has initiated discussions with a number of interested parties for the project financing of the Terakimti project and/or all the Ethiopian Projects. Additional planned work programs and any future development programs will result in a decrease to the Company's current liquidity. In obtaining the required capital to pursue the Company's business plan, capital may be generated from, debt financing, strategic alliances, accessing equity markets, procuring industry partners for its primary exploration assets or sale of exploration assets for equity positions or cash or some

combination thereof. In the event that additional funding is required, there can be no assurances that such funds will be available and/or on terms acceptable by the Company.

Trends that affect the market generally, and the perception of the Company within the marketplace, can affect the Company's ability to access capital in both a positive and negative way. Trends in this general market are defined by fluctuations in the global economy and the demand for metals and commodity prices. Trends in the perception of the Company in the resource marketplace may be affected by general trends in the resource equity markets which may in turn impact the Company's performance in creating shareholder value and in demonstrating the ability to manage the Company's affairs and achieve mandated objectives. Uncertainty is a prevalent element in exploration and development of mineral property assets, therefore it can, on occasion, impede the Company's ability to meet its financial requirements and result in an inability to advance exploration assets and meet objectives in a timely manner.

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

#### Capital Expenditures

During the period ended March 31, 2018, the Company expended \$4,612 (Q1 2017 – \$4,785) on maintenance payments of mineral property which have been capitalized and the Company received \$361,281 (Q1 2017 – \$19,098) payments related to the Tanzanian Definitive Agreement. Mineral property capital expenditures and acquisitions for Q1 2018 are summarized as follows:

	<b>Tanzania, Handeni properties</b>	<b>Tanzania, other properties</b>	<b>Ethiopia Harvest Project</b>	<b>Ethiopia Adyabo Project</b>	<b>Total</b>
<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	4,612	--	--	--	4,612
Tanzanian Definitive Agreement deposit	(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

#### **TRANSACTIONS WITH RELATED PARTIES**

In the normal course of business, the Company transacted with individuals and companies considered to be related parties. Related party transactions involve normal commercial compensation for services rendered by senior management, officers, and directors of the Company, by companies with which they were associated as owners, contractors or employees. For Q1 2018 and as at March 31, 2018, the Company had recorded the following significant related party transactions:

For Q1 2018, the Company incurred management consulting fees of \$77,500 (Q1 2017 – \$75,000). Of this amount East Africa recorded \$62,500 (Q1 2017 – \$62,500) for management services provided by a privately held company controlled by the CEO.

For Q1 2018, the Company recorded fees of \$177,986 (Q1 2017 – \$159,532) to directors and senior key management for consulting fees, director fees, and salaries and benefits, all which can include share-based compensation. Senior key management includes the CEO, VP of Exploration, and the CFO.

On August 31, 2017, SinoTech provided a second short-term unsecured loan to the Company in the amount of \$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. As of December 31, 2017, the loan and interest accrual of \$21,200 remained unpaid. In Q1 2018, the Company repaid \$300,000 of the principal and corresponding interest of \$24,000. The maturity date of the remaining balance has been extended and will mature on the earlier of 15 business days after the closing of \$11,544,000 private placement or May 21, 2018. With the Ethiopian MOU terminated, the Company



has commenced discussions with SinoTech on options for the repayment of the \$300,000 and interest including a further extension. As at March 31, 2018, the loan of \$300,000 and interest accrual of \$10,100 remained unpaid.

In 2016, the Company approved the grant of up to 2,750,000 bonus 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 Project is issued. In 2017, the Company issued 1,750,000 bonus shares after the receipt of the mining license for the Harvest Project. On January 26, 2018, the Company issued 250,000 bonus shares to certain officers and 750,000 shares remained unissued.

As at March 31, 2018, the Company had receivables of \$31,674 from a Director and certain officers of the Company. Included in the receivable is a 7-month loan at an interest rate of 1.25% per annum to a Director and payroll tax remittance related to bonus shares issued to certain officers.

## **INTERNAL CONTROL OVER FINANCIAL REPORTING AND DISCLOSURE CONTROLS AND PROCEDURES**

Currently, the certification required by the Company's certifying officers under National Instrument 52-109 Certificate of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), the Venture Issuer Basic Certificate, does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as defined in NI 52-109. In particular, the certifying officers are not making any representations relating to the establishment and maintenance of:

- (i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarised and reported within the time periods specified in securities legislation; and
- (ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's Generally Accepted Accounting Principles ("GAAP").

The Company's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they make in the certificate.

Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

## **NON-GAAP FINANCIAL MEASURES – OTHER EXPENDITURES**

The Company uses the non-GAAP financial measures of Other Expenditures to manage, evaluate operating performance and prepare the Company's Interim MD&A. The Company believes that, in addition to conventional measures prepared in accordance with GAAP, certain investors use this information to evaluate the Company's performance. Accordingly, it is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP. Where Non-GAAP financial measures cannot be matched to the Interim Financial Statements disclosures additional disclosure and/or reconciliation may be provided within the Non-GAAP disclosure if deemed necessary.

## **RISK FACTORS**

Below are the known risk factors for this Interim MD&A. Please refer to the section entitled "Risk Factors" in the Company's Annual MD&A for an additional list of risk factors that may impact the Company. You can review and obtain copies of the Company's filings from SEDAR at [www.sedar.com](http://www.sedar.com) or from East Africa's website [www.eastafricametals.com](http://www.eastafricametals.com).

### *Financial (liquidity) Risk*

Liquidity risk is the risk that the Company will not be able to meet its obligations associated with the financial liabilities. Historically the Company predominately relies on equity financings to fund its activities. While it has been successful in raising funds in the past, there is no guarantee that adequate funds will be available in the future. The Company had cash and cash equivalents of \$1,626,352 and working capital of \$1,053,147 as at March 31, 2018. The Company estimates that it does not have available funds to meet requirements for the coming twelve months based on current planned expenditures for operations, exploration and development of its mineral property interests. See the

“Liquidity” section of this Interim MD&A for further discussion on the Company’s ability to operate as a going concern.

#### *Credit risk*

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

As at March 31, 2018, \$543,302 was due to the Company’s foreign subsidiaries in Tanzania and Ethiopia from the foreign governments for Value Added Tax (“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 judged to raise a provision for 100% of the taxes recoverable. The Company continues to pursue approval of VAT refund claims from the various foreign governments. As a result, the outstanding taxes recoverable receivable could be exposed to the credit risk associated with the outstanding amounts.

#### *Exploration and Commercial Viability Risk*

The Company has no production of minerals and some of its properties are currently at the exploration stage. There is no assurance that a commercially viable mineral deposit exists on any of the Company’s properties, and substantial additional work will be required in order to determine the presence of any such deposit. The exploration and development of mineral deposits involves significant risks which even with careful evaluation, experience and knowledge may not, in some cases, be fully mitigated. The commercial viability of any mineral deposit depends on many factors, not all of which are within the control of management. These factors include, but are not limited to, Government approval for mining licenses and Resource Target Extensions applications; the ability to extend current Resource Target Extensions within the available legislation; the size, grade and proximity to infrastructure of the deposit; Government regulations; taxes; royalties; land tenure; land use; environmental protection and reclamation and closure obligations. All or some of these factors may have an impact on the economic viability of a mineral deposit. These unique environments could limit or reduce production possibilities or if conditions are permissive for potential natural disasters, such as severe weather, could negatively impact facilities, equipment and the safety of its workers dramatically. One or more of these risk elements could have an impact on costs of the operations and if significant enough, reduce the profitability of future production and threaten the continuation of a particular project or operations altogether.

#### *Development Stage Projects*

Profits from commercial operations will depend on a significant number of factors, including economic feasibility, changing market conditions, environmental and government regulations, labour availability, the cost of and the ability to attract external financial capital, and the ability to attract partners with sufficient technical expertise and relevant industry experience to further develop the various projects. Any failure to meet one or a combination of these factors may result in project delays or potential cancellation and the Company’s future operating results may be adversely affected.

#### *Foreign Countries and Political Policy Risk*

The Company has interests in exploration properties that are located in the developing countries of Tanzania and Ethiopia. The Company’s mineral exploration may be affected in varying degrees by political instability and government regulations relating to foreign investment and the mining industry. Changes, if any, in mining or investment policies or shifts in political attitude in Tanzania and/or Ethiopia may adversely affect the Company’s operations. Operations may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on production, price controls, export controls, currency remittance, direct and indirect taxes, tax assessments, royalties, expropriation of property, foreign investment, maintenance of claims, environmental legislation, land use, land claims of local people, water use and mine safety. Failure to comply with applicable laws, regulations, and permitting requirements may result in enforcement actions there under, including orders issued by regulatory of judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Mineral exploration and development involves a high degree of risk and few properties that are explored are ultimately developed into

producing mines. There is no assurance that the Company's mineral exploration activities will result in any discoveries of new bodies of commercial deposits.

#### *Conflict of Interest*

East Africa's directors and officers may serve as directors and/or officers, or may be associated with, other reporting companies, or may have significant shareholdings in other public companies. To the extent that such other companies may participate in financing, business or asset acquisitions, dispositions or ventures in which the Company may participate, the directors and officers of the Company may have a conflict of interest in negotiating and concluding terms reflecting the transaction. Consequently, there exists the possibility that such directors will be in a position of conflict of interest. Any decision made by such directors involving the Company are made in accordance with their duties and obligations to deal fairly and in good faith with the Company and such other companies. In addition, such directors will declare, and refrain from voting on, any matter in which such directors may have a material conflict of interest.

#### *Arbitration Proceedings*

In April 2018, the Company began a binding arbitration process against the Developer (see "Corporate Transactions" for further information) with respect to certain disputes that East Africa has with the Developer. The cost of the arbitration process maybe substantial and there is no assurance that the Company will be successful in establishing the Developer's liability or, if successful, will collect any award by the arbitration tribunal for compensation from the Developer. Failure to prevail in the arbitration process and obtain adequate compensation could materially adversely affect the Company. The final outcome of the arbitration cannot be predicted with certainty.

### **OTHER MD&A REQUIREMENTS**

#### Additional Disclosure for Venture Issuers without Significant Revenue

Refer to elsewhere in this Interim MD&A or the Company's Interim Financial Statements for capitalized or expensed exploration and development costs, general and administration expenses and other significant costs. Additional information relating to the Company is on SEDAR at [www.sedar.com](http://www.sedar.com).

#### Outstanding Shares

From January 1, 2018, to the date of this Interim MD&A, 3,771,680 warrants exercised at a weighted average exercise price of \$0.25 for total proceeds of \$942,920 and 900,000 options were exercised at a weighted average exercise price of \$0.16 for total proceeds of approximately \$144,000. In Q1 2018, 634,700 East Africa warrants expired unexercised.

As at May 29, 2018, the Company has 162,760,091 common shares issued and outstanding.

As at May 29, 2018, the Company has 13,850,000 warrants issued and outstanding.

As at May 29, 2018, the Company had 14,594,278 options outstanding and exercisable.

### **APPROVAL**

At the date of this document the Board of Directors of the Company has approved the disclosure contained in this Interim MD&A. Readers of this Interim MD&A and other filings can review and obtain copies of the Company's filings from SEDAR at [www.sedar.com](http://www.sedar.com) and copies will be provided to anyone who requests it.