EAST AFRICA METALS INC.
(an exploration stage company)

UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and six months ended June 30, 2018 and 2017

Expressed in Canadian dollars

(Unaudited – prepared by management)

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

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

	June 30, 2018	December 31, 2017
Assets		
Current assets		
Cash and cash equivalents	$ 500,907	$ 2,268,310
Accounts receivable (Note 7)	172,502	311,450
Prepaid expenses and deposits	185,887	110,318
	859,296	2,690,078
Mineral property interests (Note 8)	21,624,413	20,906,067
Property and equipment (Note 10)	740,580	835,897
	$ 23,224,289	$ 24,432,042
Liabilities and Equity		
Current liabilities		
Accounts payable and accrued liabilities	$ 1,229,020	$ 1,070,261
Loan payable (Note 12(a)(v))	319,100	621,200
	1,548,120	1,691,461
Non-current liability		
Leasehold inducement	39,344	52,456
Total liabilities	1,587,464	1,743,917
Equity		
Share capital (Note 11(b))	50,119,994	48,894,803
Bonus shares obligation (Note 11(d))	221,250	295,000
Warrants (Note 11(e))	788,759	882,630
Contributed surplus (Note 11(d))	149,178,712	147,733,060
Accumulated other comprehensive income	4,139,823	3,311,074
Deficit	(186,534,211)	(181,998,823)
	17,914,327	19,117,744
Non-controlling interest (Note 8)	3,722,498	3,570,381
	21,636,825	22,688,125
	$ 23,224,289	$ 24,432,042

Nature of operations and going concern (Note 1)
Tanzanian Definitive Agreement (Note 2)
Subsequent events (Notes 1, 2, 12, 15 and 16)
Contingencies (Note 15)

Approved on behalf of the Board

(signed) "David Parsons"

(signed) "Sean Waller"

EAST AFRICA METALS INC.
(an exploration stage company)
Condensed Interim Consolidated Statements of Operations – unaudited
Expressed in Canadian dollars, unless otherwise stated

	Three months ended June 30, 2018	Three months ended June 30, 2017	Six months ended June 30, 2018	Six months ended June 30, 2017
Expenses				
Amortization (Note 10)	$ 12,810	$ 13,668	$ 26,434	$ 27,224
Directors and advisory board fees	19,125	37,394	38,376	55,644
Exploration and evaluation expenditure (Note 9)	1,376,396	1,732,949	1,982,804	3,630,359
Investor/shareholder communications and filing fees	208,817	285,360	499,302	533,089
Legal, audit and audit related fees	129,694	29,940	183,286	45,969
Management consulting fees and expenses	128,566	247,302	280,663	393,727
Office and administration	99,956	107,239	218,840	232,259
Rent and occupancy costs	65,350	67,303	135,954	130,811
Salary and benefits	78,186	117,494	157,544	175,289
Share-based compensation (Note 11(d))	1,073,361	161,457	1,073,361	161,457
	3,192,261	2,800,106	4,596,564	5,385,828
Foreign exchange loss (gain)	(24,064)	53,661	10,485	126,551
Interest expense (Note 12(a)(v))	9,000	--	21,900	9,880
Interest and miscellaneous income	--	(23,591)	--	(24,051)
Net loss for the period	3,177,197	2,830,176	4,628,949	5,498,208
Net loss attributable to:				
Shareholders	3,137,894	2,744,073	4,535,388	5,330,845
Non-controlling interest	39,303	86,103	93,561	167,363
	3,177,197	2,830,176	4,628,949	5,498,208
Loss per share, basic and diluted	$ 0.02	$ 0.02	$ 0.03	$ 0.04
Weighted average number of common shares used in the calculation of loss per share – basic and diluted	162,760,091	145,242,025	161,770,209	135,257,137

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

	Three months ended June 30, 2018	Three months ended June 30, 2017	Six months ended June 30, 2018	Six months ended June 30, 2017
Net loss for the period	$ 3,177,197	$ 2,830,176	$ 4,628,949	$ 5,498,208
Items that may be reclassified to statement of operations				
Currency translation adjustment				
Attributable to shareholders of Company	(351,182)	449,774	(828,749)	623,969
Attributable to shareholders of non-controlling interest	(107,868)	127,623	(245,678)	178,458
Comprehensive loss for the period	2,718,147	3,407,573	3,554,522	6,300,635
Attributable to shareholders of Company	2,786,712	3,193,847	3,706,639	5,954,814
Attributable to shareholders of non-controlling interest	(68,565)	213,726	(152,117)	345,821
	$ 2,718,147	$ 3,407,573	$ 3,554,522	$ 6,300,635

EAST AFRICA METALS INC.

(an exploration stage company)

Condensed Interim Consolidated Statements of Changes in Equity - unaudited

For the three and six months ended June 30, 2018 and 2017

Expressed in Canadian dollars, unless otherwise stated

	Common Shares Without Par Value		Bonus shares obligation	Warrants	Contributed Surplus	Accumulated Other Comprehensive Income	Deficit	Total Common Shareholders' Equity	Non-Controlling Interest	Total Equity
	Shares	Amount								
Balance, December 31, 2017	157,838,411	$ 48,894,803	$ 295,000	$ 882,630	$ 147,733,060	$ 3,311,074	$ (181,998,823)	$ 19,117,744	$ 3,570,381	$ 22,688,125
Shares issued on exercise of warrants (Notes 11(b) and (e))	3,771,680	942,920	--	(80,364)	80,364	--	--	942,920	--	942,920
Shares issued on exercise of stock options (Notes 11(b) and (d))	900,000	208,521	--	--	(64,521)	--	--	144,000	--	144,000
Bonus shares obligation (Note 11(d))	250,000	73,750	(73,750)	--	--	--	--	--	--	--
Share-based compensation (Note 11(d))	--	--	--	--	1,416,302	--	--	1,416,302	--	1,416,302
Expiry of warrants (Note 11(e))	--	--	--	(13,507)	13,507	--	--	--	--	--
Currency translation adjustment on foreign operations	--	--	--	--	--	828,749	--	828,749	245,678	1,074,427
Net loss for the period	--	--	--	--	--	--	(4,535,388)	(4,535,388)	(93,561)	(4,628,949)
Balance, June 30, 2018	162,760,091	$ 50,119,994	$ 221,250	$ 788,759	$ 149,178,712	$ 4,139,823	$ (186,534,211)	$ 17,914,327	$ 3,722,498	$ 21,636,825

	Common Shares Without Par Value		Warrants	Contributed Surplus	Accumulated Other Comprehensive Income	Deficit	Total Common Shareholders' Equity	Non-Controlling Interest	Total Equity
	Shares	Amount							
Balance, December 31, 2016	119,656,513	$ 40,328,702	$ 1,280,432	$ 146,458,190	$ 4,530,842	$ (172,874,525)	$ 19,723,641	$ 4,174,770	$ 23,898,411
Private Placement (Notes 11(b) and (e))	20,000,000	4,579,603	620,397	--	--	--	5,200,000	--	5,200,000
Finders' fees (Note 11 (b))	--	(191,991)	(26,009)	--	--	--	(218,000)	--	(218,000)
Share issue costs	--	(27,710)	(3,102)	--	--	--	(30,812)	--	(30,812)
Shares issued on exercise of stock options (Notes 11(b) and (d))	376,222	77,872	--	(28,332)	--	--	49,540	--	49,540
Shares issued on exercise of warrants (Notes 11(b) and (e))	7,033,591	1,637,726	(328,550)	328,550	--	--	1,637,726	--	1,637,726
Shares issued on exercise of Tigray stock options (Notes 11(b) (d) and (e))	830,835	192,048	--	(33,434)	--	--	158,614	--	158,614
Share-based compensation (Note 11(d))	--	--	--	161,457	--	--	161,457	--	161,457
Expiry of warrants (Note 11(e))	--	--	(854,925)	854,925	--	--	--	--	--
Currency translation adjustment on foreign operations	--	--	--	--	(623,969)	--	(623,969)	(178,458)	(802,427)
Net loss for the period	--	--	--	--	--	(5,330,845)	(5,330,845)	(167,363)	(5,498,208)
Balance, June 30, 2017	147,897,161	$ 46,596,250	$ 688,243	$ 147,741,356	$ 3,906,873	$ (178,205,370)	$ 20,727,352	$ 3,828,949	$ 24,556,301

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

	Six months ended June 30, 2018	Six months ended June 30, 2017
Cash flows provided by (used for) operating activities		
Loss for the period	$ (4,628,949)	$ (5,498,208)
Items not involving cash		
Amortization – administration (Note 10)	26,434	27,224
Amortization – exploration and evaluation (Notes 9 and 10)	102,857	134,307
Amortization – leasehold inducement	(13,113)	(13,115)
Interest expense (Note 12(a)(v))	21,900	--
Provision for taxes recoverable (Note 9)	26,215	--
Share-based compensation – administration (Note 11)	1,073,361	161,457
Share-based compensation – exploration and evaluation (Notes 9 and 11)	342,941	--
Unrealized foreign exchange loss	13,422	106,665
Changes in operating assets and liabilities		
Accounts receivable and taxes recoverable	109,772	(391,044)
Prepaid expenses, deposits, materials and supplies	(74,017)	(4,864)
Accounts payable and accrued liabilities	206,032	(373,798)
	(2,793,145)	(5,851,376)
Cash flows provided by (used for) investing activities		
Mineral property interests acquisitions (Note 8)	(11,081)	(10,631)
Definitive Agreement deposit (Notes 2 and 8)	361,281	--
Purchase of equipment (Note 10)	(752)	(3,735)
	349,448	(14,366)
Cash flows provided by (used for) financing activities		
Private Placement (Note 11(b))	--	5,200,000
Finders fees	(100,100)	(218,000)
Share issue costs	--	(30,812)
Proceeds from related party borrowings (Note 12(a)(v))	--	500,000
Repayment of related party borrowings (Note 12(a)(v))	(324,000)	(509,880)
Exercise of stock options (Notes 11(b) and (d))	144,000	49,540
Exercise of Tigray stock options (Notes 11(b) and (d))	--	158,614
Exercise of warrants (Notes 11(b) and (e))	942,920	1,637,726
	662,820	6,787,188
Effects of exchange rate changes on cash and cash equivalents	13,474	(49,760)
Increase (decrease) in cash and cash equivalents	(1,767,403)	871,686
Cash and cash equivalents, beginning of period	2,268,310	367,690
Cash and cash equivalents, end of period	$ 500,907	$ 1,239,376
Non-cash investing and financing activities		
Expiry of warrants – fair value	$ 13,507	$ 854,925
Bonus shares obligation	73,750	--

1. Nature of operations and going concern

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

East Africa is a mineral exploration company focused on the identification, acquisition, exploration, development and/or sale of base and precious mineral resource properties in the Federal Democratic Republic of Ethiopia ("Ethiopia") and the United Republic of Tanzania ("Tanzania"). The Company's major mineral properties consists of two projects in Ethiopia, the Harvest and the Adyabo Projects (together the "Ethiopian Projects") 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 six months ended ("period ended") June 30, 2018, the Company incurred a net loss attributable to shareholders totaling $4,535,388 (2017 – $5,330,845) and as at June 30, 2018, had an accumulated deficit of $186,534,211 (December 31, 2017 – $181,998,823) and working capital deficit of $688,824 (December 31, 2017 – working capital surplus of $998,617).

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

2. Significant events and transactions

Ethiopian Binding Memorandum of Understanding - termination

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

On March 29, 2018, the Company announced that further to and following the closing of the $2,002,000 financing with LSR on December 28, 2017, LW and East Africa have agreed to terminate the Ethiopian MOU. The remaining Private Placement of 44,400,000 units was not completed. Despite the best efforts of both parties, negotiations failed to define a viable transaction that would be in the best interests of East Africa shareholders and LW. The Company has initiated discussions with a number of interested parties for the project financing of the Terakimti HL project located on the Harvest Project and/or all the Ethiopian Projects.

2. Significant events and transactions (continued)

Tanzanian Definitive Agreement- arbitration

On June 10, 2015, East Africa signed a binding agreement with an arm's length private exploration and development company (the "Developer") with management based in the United Kingdom and Tanzania, to acquire and develop East Africa's Handeni Properties and Other Properties in Tanzania (the "Tanzanian Assets"). On March 5, 2016, the "Tanzanian Effective Date", the Company completed the execution of the Definitive Agreement and the Gold Purchase Agreement (together the "Tanzanian Definitive Agreements") with the Developer. The Tanzanian Definitive Agreements requires, among other things, the payment of US$2,000,000 (US$750,000 paid as of June 30, 2018) in cash for a 100% interest in the Tanzanian Assets, including the Magambazi project, camp, equipment and other assets within 12 months of the Tanzanian Effective Date. On January 16, 2018, the Company completed the updated terms ("Addendum") for the Tanzanian Definitive Agreements and agreed with the Developer to assign the rights and obligations of the Tanzanian Definitive Agreements, the Gold Purchase Agreement and Addendum to the Developer's new entity incorporated in Hong Kong.

On April 6, 2018, the Company announced that it had commenced the arbitration process with the view to terminate the Tanzanian Definitive Agreements and Addendum as a result of the failure of the Developer to adhere to the terms of the Tanzanian Definitive Agreements and Addendum and the Company may submit a claim for damages (see Note 15). The Company believes this failure represents an immediate threat to the Company's Tanzanian mining and exploration licenses including potential claims in Tanzania. Under the Tanzanian Definitive Agreements, on termination the payments received are non-refundable. The arbitration process is on-going and the Company has commenced discussions with the Tanzanian Government of the status of the Magambazi project. In August 2018, Canaco Tanzania Ltd ("CTL"), a subsidiary of East Africa, received a default notice from the Tanzanian Government advising of certain issues attributed to development and operational actions that are non-compliant with the Tanzanian Mining Act. CTL has been given 45 days to initiate action to address matters of non-compliance. The Company expects to submit the default notice as evidence in the on-going arbitration. Refer to note 16 for further information on the default notice.

3. Statement of compliance and basis of preparation

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

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

4. Significant accounting estimates and judgments

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

4. Significant accounting estimates and judgments (continued)

(a) Going Concern

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

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

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

(c) Contingencies - International Arbitration

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

As identified in Note 2, the Company signed an Addendum with the Developer in January 2018 and due to disputes with the Developer commenced binding arbitration in April 2018. Included in these disputes are matters arising in Tanzania which East Africa and its Tanzanian subsidiaries have been included in a legal claim over a contractual disagreement 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. The Tanzanian Definitive Agreements provides that on termination all payments are non-refundable. The Company has judged that payments collected to date are not refundable. The results of the arbitration or legal matters in Tanzania may deem otherwise.

(d) Measurement uncertainty – Ethiopian Mineral Property Interests assets

The Company's exploration licenses at the Harvest and the Adyabo Projects expired during the year ended December 31, 2017. In December 2017, the Company received a mining license for the Terakimti HL project, which is part of the Harvest Project. The Company has submitted two mining license applications for the Adyabo Project in December 2017, and the Ethiopian Ministry of Mines, Petroleum and Natural Gas ("MoMPNG") is currently assessing the applications. . The Company is in on-going discussions with the MoMPNG, including the submission of proposed work programs, to extend the mining area of the received Terakimti HL project mining license and proposed Adyabo mining license areas to include the remaining prospective resource targets within the Harvest and Adyabo Projects exploration areas (the "Resource Target Extensions").

4. Significant accounting estimates and judgments (continued)

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

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

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

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

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

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

As at June 30, 2018, $566,875 (see Note 7) was due to the Company's foreign subsidiaries in Tanzania and Ethiopia from the foreign governments for VAT. The Company is due refunds of certain taxes based on consumption, of which the timing of realization is uncertain. If these recoverable taxes are not collected, it could reduce the carrying value of these assets. Given limited methods available to recover these taxes and the length of time it takes to recover the taxes, management has recorded a provision for 100% of the taxes recoverable with the corresponding amount recorded in exploration expenditures.

5. Adoption of new or revised IFRSs

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

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

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

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

5. Adoption of new or revised IFRSs (continued)

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

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

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

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

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

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

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

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

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

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

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

5. Adoption of new or revised IFRSs (continued)

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

Impairment of financial assets – At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to twelve month expected credit losses. Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognized.

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

(b) *IFRS 2 Share-based Payments ("IFRS 2")*

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

(c) *IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration ("IFRIC 22")*

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

6. IFRSs not yet effective

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

(a) *IFRS 16 Leases ("IFRS 16")*

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

Expressed in Canadian dollars, unless otherwise stated

7. Accounts receivable

	June 30, 2018	December 31, 2017
Current		
Tanzanian Definitive Agreement (Note 2)	$ --	$ 129,542
Related parties and other receivables	120,613	93,830
Taxes recoverable	51,889	88,078
	172,502	311,450
Non-current		
Taxes recoverable	566,875	514,633
Taxes recoverable provision (Note 4(e))	(566,875)	(514,633)
	$ --	$ --

Non-current taxes receivable relates to VAT refund claims from foreign governments. The Company recorded a provision against its recoverable taxes given limited methods available to recover such taxes and the length of time it will take to recover such taxes. The Company recorded a taxes recoverable provision within exploration expenditures (Note 9) for the period ended June 30, 2018, of $26,215 (2017 – $Nil) and the remaining difference in the movement from the prior year relates to the translation on the foreign provision to CAD. The Company continues to pursue approval of VAT refund claims from the various foreign governments. Refer to Note 4(e) for further details. The Tanzanian Definitive Agreements receivable relates to outstanding instalment payments, recoverable operating expenses and share of professional fees for the Tanzanian Assets (refer to Notes 2 and 4(c) for further details).

8. Mineral property interests

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

	Tanzania, Handeni properties	Tanzania, other properties	Ethiopia Harvest Project	Ethiopia Adyabo Project	Total
Acquisition costs					
As at December 31, 2017	$ 1,766,355	$ 2,000,603	$ 16,334,501	$ 804,608	$ 20,906,067
Property payments	5,077	22,637	--	--	27,714
Tanzanian Definitive Agreement deposit (Note 2)	(361,281)	--	--	--	(361,281)
Foreign exchange	116,545	103,305	811,193	20,870	1,051,913
As at June 30, 2018	$ 1,526,696	$ 2,126,545	$ 17,145,694	$ 825,478	$ 21,624,413

	Tanzania, Handeni properties	Tanzania, other properties	Ethiopia Harvest Project	Ethiopia Adyabo Project	Total
Acquisition costs					
As at December 31, 2016	$ 1,929,119	$ 2,175,344	$ 17,482,161	$ 833,958	$ 22,420,582
Property payments	4,785	5,846	--	--	10,631
Property payments recoveries	(5,982)	(34,701)	--	--	(40,683)
Foreign exchange	(82,492)	(74,369)	(585,908)	(15,068)	(757,837)
As at June 30, 2017	$ 1,845,430	$ 2,072,120	$ 16,896,253	$ 818,890	$ 21,632,693

Harvest Project

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

Expressed in Canadian dollars, unless otherwise stated

8. Mineral property interests (continued)

Harvest Project (continued)

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

Adyabo Project

The Company has submitted two mining license applications, for the Da Tambuk and Mato Bula projects collectively the Adyabo Project in December 2017. The applications are currently under review by the MoMPNG. The Adyabo Project previously consisted of two exploration licenses, West Shire and Adi Dairo, with terms of 10 years and the licenses expired in 2017 (refer to Note 4(d)). The two mining applications include the Da Tambuk and Mato Bula deposits located on the Adyabo Project. The Company has submitted a Resource Target Extensions (or similar rights) applications for the remaining prospective targets within the Adyabo Project exploration area.

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

Tanzania – Handeni & Other Properties

As identified in Note 2, the Company had entered into the Tanzanian Definitive Agreements and Addendum, on which the Company subsequently commenced an arbitration process with a view to terminate these agreements (refer to Notes 2 and 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 in Denwill, a structured entity controlled by East Africa, upon payment of US$40,000. As at June 30, 2018, the option has not yet been exercised. The Company's "Other Properties" consists of two claims and are located in the Handeni district, Tanga Region of Tanzania.

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

	Tanzania, Handeni & Other Properties	Ethiopia Harvest Project	Ethiopia Adyabo Project	Three months ended June 30, 2018	Six months ended June 30, 2018
Exploration expenditures					
Amortization	$ 38,482	$ 4,450	$ 10,707	$ 53,639	$ 102,857
Camp and administration costs	232,349	55,294	77,876	365,519	667,455
Drilling	--	2,263	2,355	4,618	11,568
Geochemistry	832	3,263	3,878	7,973	16,004
Geology	--	4,009	4,915	8,924	10,995
Preliminary resource and engineering studies	37,850	52,210	161,070	251,130	412,923
Property management and consulting	3,873	--	--	3,873	7,668
Provision for taxes recoverable	6,668	4,678	518	11,864	26,215
Reclamation provision	281,785	--	--	281,785	281,785
Share-based compensation	--	171,470	171,471	342,941	342,941
Technical services	--	23,508	20,622	44,130	102,393
Total for the period	$ 601,839	$ 321,145	$ 453,412	$ 1,376,396	$ 1,982,804
Cumulative exploration expenditures as at December 31, 2017					86,289,755
Cumulative exploration expenditures as at June 30, 2018					$ 88,272,559

Expressed in Canadian dollars, unless otherwise stated

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

	Tanzania, Handeni & Other Properties	Ethiopia Harvest Project	Ethiopia Adyabo Project	Three months ended June 30, 2017	Six months ended June 30, 2017
Exploration expenditures					
Amortization	$ 44,113	$ 5,479	$ 16,457	$ 66,049	$ 134,307
Camp and administration costs	67,150	90,066	158,365	315,581	680,558
Drilling	--	7,287	826,910	834,197	1,961,069
Geochemistry	762	3,045	7,087	10,894	20,415
Geology	--	2,535	168,215	170,750	359,596
Geophysics	--	--	83,157	83,157	86,255
Preliminary resource and engineering studies	--	122,333	2,700	125,033	184,122
Property management and consulting	7,060	--	--	7,060	14,006
Technical services	--	25,506	94,722	120,228	190,031
Total for the period	$ 119,085	$ 256,251	$ 1,357,613	$ 1,732,949	$ 3,630,359
Cumulative exploration expenditures as at December 31, 2016					80,724,892
Cumulative exploration expenditures as at June 30, 2017					$ 84,355,251

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, 2017	$ 1,861,949	$ 657,958	$ 397,773	$ 559,459	$ 153,143	$ 3,630,282
Additions	--	377	375	--	--	752
Foreign exchange	94,261	20,009	1,212	4,729	7,605	127,816
As at June 30, 2018	$ 1,956,210	$ 678,344	$ 399,360	$ 564,188	$ 160,748	$ 3,758,850

	Buildings and roads	Office and field equipment	Computers and software	Leasehold improvements	Vehicles	Total
Accumulated amortization						
As at December 31, 2017	$ 1,352,779	$ 468,518	$ 386,312	$ 482,743	$ 104,033	$ 2,794,385
Amortization	--	4,460	3,186	18,788	--	26,434
Exploration amortization	74,627	13,535	650	--	14,045	102,857
Foreign exchange	69,446	13,779	1,049	4,728	5,592	94,594
As at June 30, 2018	$ 1,496,852	$ 500,292	$ 391,197	$ 506,259	$ 123,670	$ 3,018,270
Net book value						
As at June 30, 2018	$ 459,358	$ 178,052	$ 8,163	$ 57,929	$ 37,078	$ 740,580
As at December 31, 2017	509,170	189,440	11,461	76,716	49,110	835,897

Expressed in Canadian dollars, unless otherwise stated

10. Property and equipment (continued)

	Buildings and roads	Office and field equipment	Computers and software	Leasehold improvements	Vehicles	Total
Cost						
As at December 31, 2016	$ 2,091,536	$ 1,185,068	$ 509,819	$ 566,154	$ 163,910	$ 4,516,487
Additions	--	--	3,735	--	--	3,735
Disposals	--	(4,139)	(9,411)	--	--	(13,550)
Foreign exchange	(71,311)	(41,532)	(4,435)	(3,415)	(5,494)	(126,187)
As at June 30, 2017	$ 2,020,225	$ 1,139,397	$ 499,708	$ 562,739	$ 158,416	$ 4,380,485

	Buildings and roads	Office and field equipment	Computers and software	Leasehold improvements	Vehicles	Total
Accumulated amortization						
As at December 31, 2016	$ 1,332,232	$ 917,586	$ 493,288	$ 451,861	$ 77,270	$3,272,237
Amortization	--	4,460	3,976	18,788	--	27,224
Exploration amortization	89,293	26,915	400	--	17,699	134,307
Disposals	--	(4,139)	(9,411)	--	--	(13,550)
Foreign exchange	(47,069)	(35,471)	(4,304)	(3,415)	(3,073)	(93,332)
As at June 30, 2017	$ 1,374,456	$ 909,351	$ 483,949	$ 467,234	$ 91,896	$ 3,326,886
As at June 30, 2017	$ 645,769	$ 230,046	$ 15,759	$ 95,505	$ 66,520	$ 1,053,599
As at December 31, 2016	759,304	267,482	16,531	114,293	86,640	1,244,250

11. Share capital

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

(a) Authorized: Unlimited common shares without par value.

(b) Issued and outstanding: 162,760,091 (December 31, 2017 – 157,838,411) common shares.

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

For the period ended June 30, 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)).

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

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

(c) Escrowed shares

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

Expressed in Canadian dollars, unless otherwise stated

11. Share capital (continued)

(d) Share-based compensation

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

In 2016, the Company's board of directors approved the grant of up to 2,750,000 bonus shares, subject to the issuance of the mining license for the Harvest Project. In 2017, the Company received the mining license for the Harvest Project (Note 8) and issued 1,750,000 bonus shares to certain officers. For the period ended June 30, 2018, the Company issued additional 250,000 bonus shares to certain executives and reclassified $73,750 bonus shares obligation to share capital. As at June 30, 2018, the Company has bonus share obligation of $221,250 (December 31, 2017 – $295,000), representing 750,000 (December 31, 2017 – 1,000,000) bonus shares yet to be issued.

For the period ended June 30, 2018, the Company issued 15,900,000 stock options (2017 – 1,000,000), which vested on the grant date, with a fair value of $1,416,302 (2017 – $161,457) of which $1,073,361 (2017 – $161,457) was recorded as share-based compensation and $342,941 (2017 – $Nil) was recorded as share-based compensation within exploration expenditures. The stock options were valued using Black-Scholes model based on the following assumptions: expected dividend yield of 0% (2017 – 0%), expected volatility of 84.14% (2017 – 101.27%), risk-free rate of 1.88% (2017 – 0.73%), and expected life of 2.5 years (2017 – 2.5 years).

For the period ended June 30, 2018, 900,000 (2017 – 376,222) options were exercised with a weighted average exercise price of $0.16 (2017 – $0.13 per share). The weighted average of the Company's share price at the time of exercise was $0.25 (2017 – $0.25 per share).

As at June 30, 2018, there were 1,539,390 (December 31, 2017 – 1,539,390) Tigray stock options outstanding that on exercise would be exchanged for 846,665 (December 31, 2017 – 846,665) East Africa shares (Note 11(e)).

For the period ended June 30, 2018, there were no Tigray stock options exercised (2017 – 1,510,610). The 2017 Tigray stock options were exercised with an exercise price of $0.105. Under the terms of the East Africa's acquisition of Tigray in the year ended December 31, 2014, the exercised stock options were exchanged for 830,835 East Africa common shares at the exchange ratio of 0.55. The weighted average of the Company's share price at the time of exercise was $0.26 per share.

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

	Number of options outstanding	Weighted average exercise price
Balance, December 31, 2017	15,494,278	$ 0.13
Issued	15,900,000	0.22
Exercised	(900,000)	0.16
Outstanding and exercisable, June 30, 2018	30,494,278	$ 0.17

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

Expressed in Canadian dollars, unless otherwise stated

11. Share capital (continued)

(d) Share-based compensation (continued)

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

Options outstanding				Options exercisable	
Number outstanding	**Weighted average exercise price**	**Weighted average remaining life**	**Expiry date**	**Number exercisable**	**Weighted average exercise price**
3,700,000	$ 0.14	0.14 years	August 19, 2018	3,700,000	$ 0.14
23,778	0.14	0.88 years	May 16, 2019	23,778	0.14
8,520,500	0.10	2.55 years	January 15, 2021	8,520,500	0.10
900,000	0.10	2.73 years	March 23, 2021	900,000	0.10
450,000	0.15	2.83 years	April 29, 2021	450,000	0.15
1,000,000	0.29	3.82 years	April 25, 2022	1,000,000	0.29
15,900,000	0.22	5.00 years	June 29, 2023	15,900,000	0.22
30,494,278	$ 0.17	3.58 years		30,494,278	$ 0.17

(e) Warrants

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

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

For the period ended June 30, 2018, there were no Tigray stock options exercised and the related options issued. During the period ended June 30, 2017, 604,244 East Africa warrants with an exercise price of $0.23 and expiry of May 7, 2017, were issued on the exercise of 1,510,610 Tigray stock options at the exchange ratio of 0.40. As at June 30, 2018 and December 31, 2017, there are Nil East Africa warrants that can be issued on the exercise of outstanding 1,539,390 Tigray stock options with expiry of August 19, 2018.

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

	Number of warrants outstanding	**Weighted average exercise price**
Balance, December 31, 2017	18,256,380	$ 0.40
Exercised	(3,771,680)	0.25
Expired	(634,700)	0.25
Outstanding and exercisable, June 30, 2018	13,850,000	$ 0.45

	Number of warrants outstanding	**Weighted average exercise price**
Balance, December 31, 2016	27,690,695	$ 0.23
Issued	10,604,244	0.44
Exercised	(7,033,591)	0.23
Expired	(16,704,968)	0.23
Outstanding and exercisable, June 30, 2017	14,556,380	$ 0.39

Expressed in Canadian dollars, unless otherwise stated

11. Share capital (continued)

(e) Warrants (continued)

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

Warrants outstanding and exercisable	Weighted average exercise price	Weighted average remaining contractual life	Expiry date
10,000,000	$ 0.45	0.19 years	September 07, 2018
3,850,000	0.45	1.50 years	December 28, 2019
13,850,000	$ 0.45	0.55 years	

12. Related party transactions

(a) Related parties

	Three months ended June 30, 2018	Three months ended June 30, 2017	Six months ended June 30, 2018	Six months ended June 30, 2017
Services rendered and expenses incurred (vi):				
Services and related expenses (i)	$ 47,000	$ 30,000	$ 61,650	$ 53,200
Management and consulting fees (ii)	77,500	139,500	155,000	214,500
Interest expense (v)	9,000	--	21,900	--

	June 30, 2018	December 31, 2017
Balances receivable from (vi):		
Reimbursement of shared costs (iii)	$ 87,938	$ 87,938
Directors and officers (iv)	29,518	2,156
	117,456	90,094
Balances payable to (vi):		
Services rendered (i)	(45,202)	(30,202)
Directors and officers (iv)	(195,108)	(239,617)
Loan payable (v)	(319,100)	(621,200)
	$ (559,410)	$ (891,019)

Related parties transactions:

(i) Geological and administration services were recorded for the services provided by a director and related parties with directors in common.

(ii) Management fees were recorded for services provided by a privately held company for the services of an officer of the Company and consulting fees to a company with directors in common.

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

(iv) Included in receivable from directors and officers are a 7-month loan at an interest rate of 1.25% per annum and payroll tax remittance related to bonus shares issued to two officers. Included in payable to directors and officers are directors fees, reimbursement of expenses and outstanding salaries.

(v) On August 31, 2017, SinoTech (Hong Kong) Corporation Limited provided a second short-term unsecured loan to the Company for $600,000 with an interest rate of 12% per annum. The loan and all accrued and unpaid interest was payable on the earlier of 15 business days after the Company's closing of the LW financing announced in October 2017 or 120 days from the Company's receipt of the loan proceeds.

Expressed in Canadian dollars, unless otherwise stated

12. Related party transactions (continued)

(a) Related parties (continued)

(v) *(continued)*

During the period ended June 30, 2018, the Company repaid $324,000 of the principal and interest and extended the remaining amount of $300,000 until the earlier of (a) 15 Business Days after the Company's closing of any future financing greater than CAD$3,000,000 or (b) 120 days from May 21, 2018 and bears an interest rate of 12% per annum. As of June 30, 2018, the loan of $300,000 and the interest accrual of $19,100 remained unpaid.

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

(b) Key management personnel

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

	Three months ended June 30, 2018	Three months ended June 30, 2017	Six months ended June 30, 2018	Six months ended June 30, 2017
Directors fees, bonuses, key management personnel salaries and short-term benefits	$ 204,177	$ 311,144	$ 382,163	$ 470,676
Share-based compensation	988,739	161,457	988,739	161,457
	$ 1,192,916	$ 472,601	$ 1,370,902	$ 632,133

In 2016, the Company approved the grant of up to 2,750,000 bonus common shares to certain officers at a deemed issue price of $0.10 per common share, subject to a vesting schedule of the later of July 1, 2016 or the date a mining license for the Company's Harvest Project is issued. In 2017, the Company issued 1,750,000 bonus common shares after the receipt of the mining license for the Harvest Project. On January 26, 2018, the Company issued 250,000 bonus common shares to certain officers (Note 11(d)). Subsequent to the period ended June 30, 2018, the Company issued additional 125,000 bonus common shares to an officer.

13. Financial instruments

Fair values

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

The three levels of the fair value hierarchy are:

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

Expressed in Canadian dollars, unless otherwise stated

14. Geographical segment information

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

	Canada	Tanzania	Ethiopia	Total
For the three months ended June 30, 2018				
Net loss	$ 1,824,626	$ 613,918	$ 738,653	$ 3,177,197
For the six months ended June 30, 2018				
Net loss	2,644,039	789,944	1,194,966	4,628,949
As at June 30, 2018				
Total non-current assets	705,268	3,900,658	17,759,067	22,364,993

	Canada	Tanzania	Ethiopia	Total
For the three months ended June 30, 2017				
Net loss	$ 1,111,720	$ 110,434	$ 1,608,022	$ 2,830,176
For the six months ended June 30, 2017				
Net loss	1,795,420	288,549	3,414,239	5,498,208
As at June 30, 2017				
Total non-current assets	759,150	4,570,374	17,561,889	22,891,413

15. Contingencies

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

In 2018, the Company announced it had commenced binding arbitration proceedings with respect to certain disputes that East Africa has with the Developer (Notes 2 and 16) 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 is being decided by a single arbitrator in Vancouver, British Columbia pursuant to the rules of the British Columbia International Commercial Arbitration Centre. The Company has initiated the arbitration proceedings based on what it believes to be failures of the Developer to adhere to the terms of the Tanzanian Definitive Agreements and Addendum and the Company may submit a claim for damages. The final outcome of the arbitration cannot be predicted with certainty.

16. Subsequent events

(a) On August 21, 2018, the Company announced a default notice was issued to its 100% owned Tanzanian subsidiary CTL from the Tanzanian Government advising of certain issues attributed to development of operational actions that are non-compliant with the Tanzanian Mining Act. CTL has been given 45 days to initiate action to address matters of non-compliance.

The Company expects to submit the default notice as evidence in the on-going arbitration. The default notice may have an impact on the arbitration, and, if the arbitration is ultimately decided in favour of East Africa, the Company will re-initiate management of the project and will look for strategic alternatives to address the development requirements. East Africa is currently developing a plan for submission to the Tanzanian government to address the issues identified in the notice and restore compliance to the project.

(b) Subsequent to the period ended June 30, 2018, 610,000 East Africa options were exercised at a price of $0.135 for total proceeds of $82,350. 3,090,000 East Africa options and 1,539,390 Tigray options that on exercise would be exchanged for 846,665 East Africa shares expired unexercised.