EAST AFRICA METALS INC.
(an exploration stage company)

CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2018 and 2017

Expressed in Canadian dollars

Independent auditor's report

To the Shareholders of East Africa Metals Inc.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of East Africa Metals Inc. and its subsidiaries (together, the Company) as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited
The Company's consolidated financial statements comprise:

- the consolidated balance sheets as at December 31, 2018 and 2017;
- the consolidated statements of operations for the years then ended;
- the consolidated statements of comprehensive loss for the years then ended;
- the consolidated statements of changes in equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

Independence
We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Material uncertainty related to going concern

We draw attention to Note 1 in the consolidated financial statements, which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor’s responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Lana Kirk.

(signed) PricewaterhouseCoopers LLP

Chartered Professional Accountants

Vancouver, British Columbia
April 30, 2019

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

	December 31, 2018	December 31, 2017
Assets		
Current assets		
Cash and cash equivalents	$ 60,683	$ 2,268,310
Accounts receivable (Note 8)	92,982	311,450
Prepaid expenses and deposits	164,361	110,318
	318,026	2,690,078
Mineral property interests (Note 9)	22,360,505	20,906,067
Property and equipment (Note 11)	630,039	835,897
	$ 23,308,570	$ 24,432,042
Liabilities and Equity		
Current liabilities		
Accounts payable and accrued liabilities	$ 2,236,336	$ 1,070,261
Loan payable (Note 14(a))	335,400	621,200
	2,571,736	1,691,461
Non-current liability		
Leasehold inducement	26,230	52,456
Total liabilities	2,597,966	1,743,917
Equity		
Share capital (Note 12(a) and (b))	50,382,075	48,894,803
Bonus shares obligation (Note 12(d))	184,375	295,000
Warrants (Note 12(e))	197,473	882,630
Contributed surplus (Note 12(d))	149,739,954	147,733,060
Accumulated other comprehensive income	4,761,059	3,311,074
Deficit	(188,411,825)	(181,998,823)
	16,853,111	19,117,744
Non-controlling interest (Notes 9 and 13)	3,857,493	3,570,381
	20,710,604	22,688,125
	$ 23,308,570	$ 24,432,042

Nature of operations and going concern (Note 1)
Commitments (Note 19)
Contingencies (Note 20)
Subsequent events (Notes 1, 2, 5, 9, 14, 19, and 21)

Approved on behalf of the Board

(signed) “David Parsons"

(signed) “Sean Waller”

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

	Years ended December 31, 2018	2017
Expenses		
Amortization (Note 11)	$ 51,522	$ 54,672
Directors and advisory board fees	72,876	93,894
Exploration and evaluation expenditure (Note 10)	2,714,646	5,564,863
Investor/shareholder communications and filing fees	595,683	750,076
Legal, audit and audit related fees	330,663	149,070
Management consulting fees and expenses	520,136	685,221
Office and administration	320,071	449,790
Rent and occupancy costs	256,951	269,825
Salaries and benefits	304,184	303,120
Share-based compensation (Note 12(d))	1,115,172	825,207
Write-off of mineral property interests (Note 9)	127,409	--
Write-off of property and equipment (Note 11)	--	54,519
	6,409,313	9,200,257
Bad debt (Note 14(a))	75,395	--
Foreign exchange loss	32,765	178,331
Interest expense (Note 14(a))	38,200	31,080
Interest income	--	(30,183)
Net loss for the year	6,555,673	9,379,485
Net loss attributable to:		
Shareholders	6,413,002	9,124,298
Non-controlling interest	142,671	255,187
Loss per share, basic and diluted	$ 0.04	$ 0.06
Weighted average number of common shares used in the calculation of loss per share – basic and diluted	162,666,122	141,830,955

Consolidated Statements of Comprehensive Loss
Expressed in Canadian dollars, unless otherwise stated

	Years ended December 31, 2018	2017
Net loss for the year	$ 6,555,673	$ 9,379,485
Items that may be reclassified to statement of operations		
Currency translation adjustment		
Attributable to shareholders of Company	(1,449,985)	1,219,768
Attributable to shareholders of non-controlling interest	(429,783)	349,202
Comprehensive loss for the year	4,675,905	10,948,455
Attributable to shareholders of Company	4,963,017	10,344,066
Attributable to shareholders for non-controlling interest	(287,112)	604,389
	$ 4,675,905	$ 10,948,455

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

EAST AFRICA METALS INC.

(an exploration stage company)

Consolidated Statements of Changes in Equity

For the years ended December 31, 2018 and 2017

Expressed in Canadian dollars, unless otherwise stated

	Common Shares Without Par Value		Bonus Shares			Accumulated Other Comprehensive		Total Common Shareholders'	Non-Controlling	
	Shares	Amount	Obligation	Warrants	Contributed Surplus	Income	Deficit	Equity	Interest	Total Equity
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 12(b) and (e))	7,700,000	1,792,770	--	209,230	--	--	--	2,002,000	--	2,002,000
Finders' fees (Note 12(b))	--	(89,638)	--	(10,462)	--	--	--	(100,100)	--	(100,100)
Private Placement (Notes 12(b) and (e))	20,000,000	4,579,603	--	620,397	--	--	--	5,200,000	--	5,200,000
Finders' fees (Note 12(b))	--	(191,991)	--	(26,009)	--	--	--	(218,000)	--	(218,000)
Share issue costs	--	(38,797)	--	(4,396)	--	--	--	(43,193)	--	(43,193)
Share-based compensation (Note 12(d))	--	--	--	--	161,457	--	--	161,457	--	161,457
Bonus shares issued (Note 12(d))	1,750,000	516,250	--	--	--	--	--	516,250	--	516,250
Bonus shares obligation (Note 12(d))	--	--	295,000	--	--	--	--	295,000	--	295,000
Shares issued on exercise of stock options (Notes 12(b) and (d))	676,222	121,095	--	--	(38,055)	--	--	83,040	--	83,040
Shares issued on exercise of Tigray stock options (Notes 12(b) and (d))	872,085	201,583	--	--	(35,094)	--	--	166,489	--	166,489
Shares issued on exercise of warrants (Notes 12(b) and (e))	7,183,591	1,675,226	--	(331,637)	331,637	--	--	1,675,226	--	1,675,226
Expiry of warrants (Note 12(e))	--	--	--	(854,925)	854,925	--	--	--	--	--
Currency translation adjustment on foreign operations	--	--	--	--	--	(1,219,768)	--	(1,219,768)	(349,202)	(1,568,970)
Net loss for the year	--	--	--	--	--	--	(9,124,298)	(9,124,298)	(255,187)	(9,379,485)
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

	Common Shares Without Par Value		Bonus Shares			Accumulated Other Comprehensive		Total Common Shareholders'	Non-Controlling	
	Shares	Amount	Obligation	Warrants	Contributed Surplus	Income	Deficit	Equity	Interest	Total Equity
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 12(b) and (e))	3,771,680	942,920	--	(80,364)	80,364	--	--	942,920	--	942,920
Shares issued on exercise of stock options (Notes 12(b) and (d))	1,860,000	433,727	--	--	(136,376)	--	--	297,351	--	297,351
Bonus shares obligation (Note 12(d))	375,000	110,625	(110,625)	--	--	--	--	--	--	--
Share-based compensation (Note 12(d))	--	--	--	--	1,458,113	--	--	1,458,113	--	1,458,113
Expiry of warrants (Note 12(e))	--	--	--	(604,793)	604,793	--	--	--	--	--
Currency translation adjustment on foreign operations	--	--	--	--	--	1,449,985	--	1,449,985	429,783	1,879,768
Net loss for the year	--	--	--	--	--	--	(6,413,002)	(6,413,002)	(142,671)	(6,555,673)
Balance, December 31, 2018	163,845,091	$ 50,382,075	$ 184,375	$ 197,473	$ 149,739,954	$ 4,761,059	$ (188,411,825)	$ 16,853,111	$ 3,857,493	$ 20,710,604

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

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

	Year ended December 31, 2018	Year ended December 31, 2017
Cash flows provided by (used for) operating activities		
Loss for the year	$ (6,555,673)	$ (9,379,485)
Items not involving cash		
Amortization – administration (Note 11)	51,522	54,672
Amortization – exploration and evaluation (Notes 10 and 11)	212,130	254,994
Amortization – leasehold inducement	(26,227)	(26,232)
Share based compensation – administration (Note 12(d))	1,115,172	825,207
Share based compensation – exploration expenditure (Notes 10 and 12(d))	342,941	147,500
Write-off of property and equipment (Note 11)	--	54,519
Write-off of mineral property interests (Note 9)	127,409	--
Bad debt (Note 14(a))	75,395	--
Interest expense (Note 14(a))	38,200	21,200
Taxes recoverable provision – exploration and evaluation (Notes 8 and 10)	9,853	514,633
Unrealized foreign exchange loss	24,466	162,704
Changes in operating assets and liabilities		
Accounts receivable and taxes recoverable	126,394	(285,390)
Prepaid expenses, deposits, materials and supplies	(51,817)	(12,507)
Accounts payable and accrued liabilities	1,145,761	10,114
	(3,364,474)	(7,658,071)
Cash flows provided by (used for) investing activities		
Mineral property interests acquisitions (Note 9)	(16,043)	(90,117)
Tanzanian Definitive Agreement deposit (Notes 2, 8 and 9)	361,281	254,162
Purchase of equipment (Note 11)	(4,727)	(8,190)
	340,511	155,855
Cash flows provided by (used for) financing activities		
Private Placement (Note 12(b))	--	7,202,000
Finders fees (Note 12(b))	(100,100)	(218,000)
Share issue costs	--	(43,193)
Proceeds from related party borrowings (Notes 14(a))	--	1,100,000
Repayment of related party borrowings (Note 14(a))	(324,000)	(500,000)
Exercise of stock options (Notes 12(b) and (d))	297,351	83,040
Exercise of Tigray stock options (Notes 12(b) and (d))	--	166,489
Exercise of warrants (Notes 12(b) and (e))	942,920	1,675,226
	816,171	9,465,562
Effects of exchange rate changes on cash and cash equivalents	165	(62,726)
Increase (decrease) in cash and cash equivalents	(2,207,627)	1,900,620
Cash and cash equivalents, beginning of year	2,268,310	367,690
Cash and cash equivalents, end of year	$ 60,683	$ 2,268,310
Non-cash financing activities		
Issuance of bonus shares (Note 12(b) and (d))	$ 110,625	$ --
Expiry of warrants (Note 12(e))	604,793	854,925

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

1. Nature of operations and going concern

East Africa Metals Inc. ("East Africa" or the "Company") was incorporated on December 7, 2012, under the Canada Business Corporations Act. The address of the Company's corporate office and principal place of business is Suite 1100, 595 Howe Street, Vancouver, British Columbia, Canada. On July 11, 2013, the Company commenced trading on the TSX Venture Exchange (the "TSXV") as a Tier 2 mining issuer under the trading symbol "EAM".

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

The Company has not yet determined whether its mineral resource properties contain mineral reserves that are economically recoverable. The continued operations of the Company and the recoverability of the amounts capitalized for mineral properties is dependent upon the existence of economically recoverable reserves, the ability of East Africa 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 consolidated financial statements ("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 year ended December 31, 2018, the Company incurred a net loss attributable to shareholders totaling $6,413,002 (2017 – $9,124,298) and as at December 31, 2018, had an accumulated deficit of $188,411,825 (December 31, 2017 – $181,998,823) and working capital deficit (current assets less current liabilities) of $(2,253,710) (December 31, 2017 – working capital surplus of $998,617).

Based on the Company's financial position as at December 31, 2018, the available funds, including the financing subsequent to December 31, 2018 (refer to Note 21), are not considered adequate to meet requirements for the estimated operations, exploration expenditures, and the outcome of the arbitration (Notes 2 and 20) 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 closing the Tibet Huayu LOI (refer to Note 2), sale of non-strategic assets, debt financing, strategic alliances, 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 Financial Statements, then adjustments would be necessary to the carrying values of assets, liabilities, the reported income and expenses and the consolidated balance sheets classifications used. Such adjustments could be material.

2. Significant events and transactions

Ethiopian Joint Venture and Development of the Harvest and Adyabo Properties

Subsequent to the year ended December 31, 2018, the Company entered into a binding letter of intent ("LOI") with Tibet Huayu Mining Co., Ltd ("Tibet Huayu") for the Ethiopian Properties. The LOI contemplates East Africa transferring a portion of its equity interests in its Ethiopian subsidiary companies to Tibet Huayu and the parties entering into joint venture contracts for the purpose of development and operation of East Africa's Ethiopian mining assets.

The Company owns 70% of the Harvest Mining PLC ("Harvest") and 100% of the Tigray Resources Incorporated PLC ("TRI"). Harvest holds the Terakimti oxide gold mining license ("Terakimti HL") and TRI hosts the Adyabo Property that includes the Mato Bula and Da Tambuk Projects, which are in the final process of mine permitting.

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

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

2. Significant events and transactions (continued)

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

On completion of the proposed transaction:

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

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

Ethiopian Financing and Development of the Harvest and Adyabo Properties

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. 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 24 months from the date of closing. During the year ended December 31, 2017, the Company issued 7,700,000 units for gross proceeds of $2,002,000, to Luck Sky Resources Investments Limited ("LSR"), an affiliate of LW.

On March 29, 2018, the Company announced that further to and following the closing of the LSR financing, LW and East Africa agreed to terminate the Ethiopian MOU. The remaining Private Placement of 44,400,000 units was not completed.

Tanzanian Definitive Agreement - arbitration

On June 10, 2015, East Africa signed a binding agreement with an arm's length private exploration and development company (the "Developer") with companies in Hong Kong and Tanzania, to acquire and develop East Africa's Handeni Properties and Other Properties in Tanzania (the "Tanzanian Assets"). On March 5, 2016, the "Tanzanian Effective Date", the Company completed the execution of the Definitive Agreement and the Gold Purchase Agreement (together the "Tanzanian Definitive Agreements") with the Developer. The Tanzanian Definitive Agreements required, among other things, the payment of US$2,000,000 (US$750,000 paid as of December 31, 2018) in cash for a 100% interest in the Tanzanian Assets, including the Magambazi project, camp, equipment and other assets.

On January 16, 2018, the Company completed the updated terms ("Addendum") for the Tanzanian Definitive Agreements and agreed with the Developer to assign the rights and obligations of the Tanzanian Definitive Agreements and Addendum to the Developer's new entity incorporated in Hong Kong. On April 6, 2018, the Company announced that it had commenced the arbitration process with the view to terminate the Tanzanian Definitive Agreements and Addendum from what the Company believes are 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 (see Note 20). The Company believes these failures represent an immediate threat to East Africa's Tanzanian mining and exploration licenses including potential claims in Tanzania. Under the Tanzanian Definitive Agreements, on termination the payments received are non-refundable.

In August 2018, Canaco Tanzania Ltd ("CTL"), a subsidiary of East Africa, received a default notice from the Tanzanian Government advising of certain issues attributed to development and operational actions that are non-compliant with the Tanzanian Mining Act. CTL had been given 45 days to initiate action to address the matters of non-compliance. With the on-going legal dispute hearing in Tanzania (refer to Note 20) the Tanzanian Government has postponed its assessment of the Company's proposed remediation program until the legal hearing concludes. The arbitration process is on-going and the Company has commenced discussions with the Tanzanian Government regarding the status of the Magambazi project.

3. Statement of compliance and basis of preparation

These Financial Statements of the Company and its subsidiaries are prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS"). These Financial Statements were approved by the Board of Directors on April 30, 2019.

4. Significant accounting policies

a) Basis of presentation

These Financial Statements have been prepared on an accrual basis and on an historical cost basis. The preparation of the 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 Financial Statements are disclosed in Note 5. These Financial Statements are prepared in Canadian dollars, with all amounts rounded to the nearest dollar, unless otherwise stated.

b) Consolidation

These Financial Statements include the accounts of the Company and its subsidiaries. Subsidiaries are all entities (including structured entities) over which the Company has control. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Company and are deconsolidated from the date that control ceases.

All intercompany transactions, balances and unrealized gains and losses from intercompany transactions in Canada are eliminated on consolidation, with the exception of any unrealized gains and losses with Harvest which would then be eliminated on a pro-rata ownership basis. The functional currency of the Company and its subsidiaries in the British Virgin Islands ("BVI") is the Canadian dollar and the functional currency of its Tanzanian and Ethiopian subsidiaries is the US dollar ("USD"). The principal subsidiaries of East Africa and their geographic locations at December 31, 2018, were as follows:

Name of subsidiary	Principal Activity	Location	Proportion of ownership interest and/or voting power held
Canaco Resources (BC) 2009 Inc.	Holding company	Canada	100%
Canaco Tanzania Limited	Mineral exploration	Tanzania	100%
Canaco Resources Holdings Inc.	Holding company	BVI	100%
Canaco Tanzania Holdings Inc.	Holding company	BVI	100%
Tigray Resources Inc.	Holding company	Canada	100%
Tigray Resources Holdings Inc.	Holding company	BVI	100%
Tigray Ethiopia Holdings Inc.	Holding company	BVI	100%
Tigray Resources Incorporated PLC	Mineral exploration	Ethiopia	100%
Harvest Mining PLC	Mineral exploration	Ethiopia	70%
Denwill Mining Services Limited	Mineral exploration	Tanzania	100% (consolidated structured entity)

Structured entities are entities controlled by the Company that were designed so that voting or similar rights are not the dominant factor in deciding who controls the entity. Structured entities controlled by the Company were established under terms that impose strict limitations on the decision-making powers of the structured entities' management. As a result in the Company receiving the majority of the benefits related to the structured entities' operations, net assets being exposed to the majority of risks incident to the structured entities' activities, and retaining the majority of the residual or ownership risks related to the structured entities or their assets.

The Company accounts for Denwill Mining Services Limited as a structured entity in accordance with IFRS 10 *Consolidated Financial Statements*. The Company has concluded that it controls this entity as the Company has the power to control the principal economic and strategic decisions on exploration activities. Refer to Note 5(b) for further information.

4. Significant accounting policies (continued)

(c) Cash and cash equivalents

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

(d) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. Loans are considered to be impaired when there is objective evidence that, as a result of one or more events that have occurred after the initial recognition of the loan, the estimated future cash flows of the loan have been affected. Loans are considered past due once the borrower has failed to make payments within 30 days of the contractual due date.

Alternatively, if there has been a specific event that gives rise to uncertainty as to the ultimate collectability of a loan, including those loans that are less than 30 days in arrears, the loan is deemed to be impaired. Objective evidence of an impairment of a loan could include significant financial difficulty of the borrower; breach of contract such as a default or delinquency in interest or principal payments; or it becomes probable that the borrower will enter bankruptcy or other financial reorganization.

(e) Foreign currency translation

(i) Transactions and balances

Foreign currency transactions are translated into the functional currency of an entity using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses result from the settlement of foreign currency transactions and from the translation of monetary assets and liabilities denominated in currencies other than an operation’s functional currency. These gains and losses are recognized in the consolidated statements of operations. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the date of the initial transactions.

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

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

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

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

4. Significant accounting policies (continued)

(f) Financial instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument.

(i) Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, and deposits in banks that are readily convertible into a known amount of cash, or with an initial maturity of three months or less. Cash and cash equivalents are classified as subsequently measured at amortized cost.

(ii) Short Term Investments

Short term investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. Short term investments are classified as subsequently measured at amortized cost.

(iii) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Company's loans and receivables are comprised of 'Related Party Receivables', and are classified respectively as appropriate in current or non-current assets according to their nature.

Loans and receivables are initially recognized at the amount expected to be received less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost. Trade receivables are recorded net of lifetime expected credit losses.

(iv) Accounts Payable, Accrued and Other Liabilities

Accounts payable, other liabilities and accrued liabilities are initially recognized at the amount required to be paid less, when material, a discount to reduce the payables to fair value. Subsequently, accounts payables are measured at amortized cost. Financial liabilities are classified as current liabilities if payment is due within twelve months. Otherwise, they are presented as non-current liabilities.

(v) Expected Credit Losses

For loans and receivables, we apply the simplified approach to determining expected credit losses, which requires expected credit losses to be recognized upon initial recognition of the loans or receivables.

(g) Impairment of financial assets

Financial assets, other than those at fair value through the consolidated statements of operations, are assessed for indicators of impairment at each reporting date. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

(h) Non-controlling interest

Non-controlling interest represents equity interests in subsidiaries owned by outside parties. The share of net assets of subsidiaries attributable to non-controlling interest is presented as a component of equity. The loss and each component of other comprehensive income are attributed to non-controlling interests where applicable.

4. Significant accounting policies (continued)

(i) Mineral property interests

The Company capitalizes the direct costs of acquiring and maintaining mineral property interests and costs to maintain mining licenses or equivalent rights. Option payments are considered acquisition costs if the Company has the intention of exercising the underlying option. From time to time, the Company acquires and disposes of mineral property interests pursuant to the terms of option agreements. Options are exercisable entirely at the discretion of the optionee, and accordingly, are recorded as mineral property costs (recoveries) when payments are made or received until the original cost is recovered and after which subsequent recoveries are charged to the consolidated statements of operations.

Ownership in mineral property interests involves certain inherent risks due to the difficulties of determining and obtaining clear title to claims, obtaining the rights to mining licenses and exploration licenses during the renewal and/or approval process, as well as the potential for problems arising from the frequently ambiguous conveyance history characteristics of many mineral properties.

(j) Exploration and evaluation expenditures (“Exploration Expenditures”)

Exploration Expenditures are the costs incurred in the initial search for mineral deposits with economic potential or in the process of obtaining more information about existing mineral deposits. Exploration Expenditures typically include costs associated with prospecting, sampling, mapping, diamond drilling and other work involved in searching for mineral resources.

Evaluation Expenditures are costs incurred to establish the technical and commercial viability of developing mineral deposits identified through exploration activities or by acquisition. Evaluation expenditures include the cost of:

(i) further defining the volume and grade of deposits through drilling, trenching and sampling activities in an ore body;

(ii) determining the optimal methods of extraction and metallurgical and treatment processes;

(iii) studies related to surveying, transportation and infrastructure requirements;

(iv) permitting activities; and

(v) economic evaluations to determine whether development of mineralized material is commercially justified including preliminary economic assessments, pre-feasibility and final feasibility studies.

(k) Property and equipment

Property and equipment are stated at cost as at the date of acquisition or completion and are available for their intended use. Residual values, method of amortization (depreciation) and useful lives of the assets are reviewed annually and adjusted if expectations differ from previous estimates. Amortization (depreciation) related to property and equipment used in exploration and evaluation activities are classified within Exploration Expenditures. The Company amortizes (depreciates) property and equipment using the straight-line method over their useful lives as follows:

- Buildings and roads 5-10 years
- Office and field equipment 5-10 years
- Computer equipment and software 2-4 years
- Vehicles 4 years
- Leasehold improvements over the term of the lease

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

4. Significant accounting policies (continued)

(l) Impairment of non-financial assets

(i) Impairment

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

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

(ii) Reversal of impairment

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

(m) Share-based compensation

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

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

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

(n) Income tax

Income tax on the consolidated statement of operations for the years presented comprises current and deferred tax. Income tax is recognized in the consolidated statements of operations except to the extent that it relates to items recognized directly in equity, in which case the income tax is also recognized in equity. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, adjusted for any adjustment to tax payable in respect of previous years.

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

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

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

4. Significant accounting policies (continued)

(o) Loss per share

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

(p) Share capital

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

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

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

(q) Comprehensive income (loss)

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

(r) Operating lease and lease inducements

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments under an operating lease are charged to the consolidated statement of operations loss on a straight-line basis over the period of the lease. Related expenses, such as maintenance and insurance expenses are charged to the consolidated statement of operations as incurred. Leasehold inducements are amortized to rent expense on a straight-line basis over the term of the lease.

(s) Provisions and contingencies

Judgments are made as to whether a past event has led to a liability that should be recognized in the Financial Statements or disclosed as a contingent liability. Quantifying any such liability often involves judgments and estimations. These judgments are based on a number of factors including the nature of the claims or dispute, the legal process and potential amount payable, legal advice, previous experience, and the probability of a loss being realized. By their nature, contingencies will only be resolved when one or more uncertain future events occur or fail to occur. The assessment of the existence and potential amount of contingencies inherently involves the exercise of significant judgment and the use of estimates regarding the outcome of future events. Please refer to Note 20 for contingencies.

5. Significant accounting estimates and judgments

The preparation of these 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 Financial Statements is included in the notes to these 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.

5. Significant accounting estimates and judgments (continued)

The Company has identified the following critical accounting policies under which significant judgments, estimates and assumptions are made where actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the Company's balance sheet reported in future periods.

(a) Going Concern

These Financial Statements have been prepared on the assumption that the Company is able to continue as a going concern. The Company has estimated its development, exploration and operational expenditure for the coming 12 months from historical and projected costs of its development, exploration and corporate programs. The Company's expected commitments are based on management's best estimates of operating conditions for maintaining operations at the Ethiopian Properties and Tanzanian Assets until the Tibet Huayu (refer to Note 2) transaction is closed and funds received, and exploration and corporate requirements in the context of current economic conditions and capital market climate. Management has judged the Company's ability to raise additional capital/funding and continue as a going concern, and has concluded that the going concern basis of accounting is appropriate. Refer to Note 1 for further details.

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

Denwill is consolidated as a structured entity and the purpose of which is for the benefit of the Company to acquire primary mining licenses ("PML") related to the Magambazi project (Handeni Properties), restricted to citizens of Tanzania (see Note 9). 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) East Africa provides funds for the payments of Mining licenses and PMLs, 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 legal disputes based on a contractual disagreement with the Developer. Management and its legal advisors believe there is no basis for East Africa and its subsidiaries to be named in the legal dispute in Tanzania and accordingly the Company has filed its objections with the courts with intent to be removed from the legal dispute. The Tanzanian Definitive Agreements provides that on termination all payments are non-refundable. The results of the arbitration or legal disputes in Tanzania may deem otherwise.

(d) Measurement uncertainty - Tanzanian Mineral Property Interests assets

Management identified the commencement of the International Arbitration and Tanzanian legal disputes (see Note 5(c)) as indicators of impairment and performed an impairment assessment on its Tanzanian Assets. During the legal dispute the Company received a default notice advising of certain issues attributed to development and operational actions that are non-compliant with the Tanzanian Mining Act. With the on-going court case in Tanzania (refer to Note 20) the Tanzanian Government has postponed it assessment of the Company's proposed remediation program until the court case concludes. As a result of the aforementioned, the Company has accrued payments for annual mining and prospecting licenses. In the event the Tanzanian Government requires payment for the mining and prospecting licenses and the Company is unable to make the payments by the required time the Company may lose title to these assets.

5. Significant accounting estimates and judgments (continued)

(d) Measurement uncertainty - Tanzanian Mineral Property Interests assets (continued)

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

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

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

(e) Measurement uncertainty – Ethiopian Mineral Property Interests assets

The Company's exploration licenses at the Harvest and the Adyabo Properties expired during the year ended December 31, 2017. In December 2017, the Company received a mining license for the Terakimti HL Project, which is part of the Harvest Property. In 2018, the Company received the Draft Model Agreements (the "DMAs") for the Mato Bula and Da Tambuk Projects that set out the rights and obligations with respect to the development and operation of both projects, and once executed, which is expected to result in the issuance of a mining license for each project.

The final stage of the DMAs is the Ministry of Mines and Petroleum (the "MoMP") acceptance of the changes and submission of the mining agreements to the Ethiopian Council of Ministers for formal ratification, which is expected to result in the issuance of the mining licenses. In addition, the Company has submitted proposed work programs to the MoMP, for the exploration rights on the areas for the East Africa Mineral Resources.

Subsequent to December 31, 2018, the Company entered into a LOI with Tibet Huayu to develop and operate the Ethiopian Properties. Included in the LOI terms is a payment of US$1.2M for the Da Tambuk and Mato Bula projects and US$0.5M for the Harvest Property. The terms also include that the Company's portion of the construction costs is the responsibility of Tibet Huayu (Refer to Note 2 for further details) and the agreed distribution percentage of post-tax profits.

Management identified the absence of exploration licenses and the MoMP's current assessment of the Adyabo Property mining licenses applications as indicators of impairment and performed an impairment assessment on its Adyabo Property. Management identified three CGUs: 1) Adi Dairo (Da Tambuk mining license application) 2) West Shire (Mato Bula mining license application) and 3) Harvest Property. Adi Dairo and West Shire are part of the Adyabo Property. Management's impairment assessment identified that the carrying amount did not exceed the recoverable amount for each of the Adyabo CGUs. Management used the fair value less costs of disposal adjusted by the 5% free-carried government interest to the recoverable amount.

In estimating the fair value less costs of disposal, the Company used a market approach. The Company's market approach calculated a fair value of the Peers using an average of the Peer's enterprise value to ounces for each CGU that has a mineral resource without a PEA. 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.

5. Significant accounting estimates and judgments (continued)

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

In estimating fair value less costs of disposal, management's judgment was involved in identifying the Peer group. Management assumptions included criteria that would identify the Peer characteristics similar to the Company and its Adyabo and Harvest Properties. 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 and Harvest Properties Mineral Property interests carrying amount.

The Company continues to discuss its rights to develop the Adyabo and Harvest Properties and/or obtain rights to the East Africa Mineral Resources with the MoMP. Management notes progress with the MoMP based on the recently issued mining license for the nearby Terakimti HL Project, receipt of the DMAs and on-going discussions with the MoMP. If the MoMP does not approve the East Africa Mineral Resources (or similar rights) or finalize the mining license agreements for the Adyabo and Harvest Properties, 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 and Harvest Mineral Property Interests.

(f) Value Added Tax ("VAT") – Taxes receivable recoverability

As at December 31, 2018, $543,698 (December 31, 2017 – $514,633) was due from foreign governments to the Company's foreign subsidiaries in Tanzania and Ethiopia for VAT (see Note 8). 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. Any collections from outstanding VAT receivable will be credited back to Exploration Expenditures.

6. Adoption of new or revised IFRSs

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

IFRS 9 Financial Instruments ("IFRS 9")

The Company adopted, retrospectively without restatement, all of the requirements of IFRS 9: Financial Instruments as of January 1, 2018. This standard replaces the guidance in IAS 39: Financial Instruments: Recognition and Measurements ("IAS 39"). The adoption of IFRS 9 did not impact the carrying value of any of the Company's financial assets or financial liabilities on the transition date.

IFRS 9 includes finalized guidance on the classification and measurement of financial assets. Under IFRS 9, financial assets are classified and measured either at amortized cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL") based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 largely retains the existing requirements in IAS 39, for the classification and measurement of financial liabilities. All financial assets not classified at amortized cost or FVOCI are measured at FVTPL.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated at FVTPL:

- It is held within a business model whose objective is to hold the financial asset to collect the contractual cash flows associated with the financial asset instead of selling the financial asset for a profit or loss; and
- Its contractual terms give rise to cash flows that are solely payments of principal and interest.

IFRS 9 introduced a single expected credit loss impairment model for financial assets measured at amortized cost and for debt instruments at FVOCI, which is based on changes in credit quality since initial recognition. The adoption of the expected credit loss impairment model did not have a significant impact on the Company's Financial Statements.

The requirements of IAS 39 for classification and measurements of financial liabilities were carried forward in IFRS 9, so the Company's accounting policy with respect to financial liabilities is unchanged.

6. Adoption of new or revised IFRSs (continued)

IFRS 9 Financial Instruments ("continued")

All financial instruments are initially recognized at fair value on the statement of financial position. Subsequent measurement of financial instruments is based on their classification. Financial assets and liabilities classified at FVTPL are measured at fair value with changes in those fair values recognized in the statement of loss and comprehensive loss for the period. Financial assets classified at amortized cost and financial liabilities are measured at amortized cost using the effective interest method.

The Company completed a detailed assessment of its financial assets and liabilities as at January 1, 2018. The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

Financial assets/liabilities	Original classification IAS 39	New classification IFRS 9
Cash and cash equivalents	Loans and receivables	Amortized cost
Amounts receivable	Loans and receivables	Amortized cost
Loans Payable	Other financial liability	Amortized cost
Accounts payable and accrued liabilities	Other financial liability	Amortized cost

The Company did not restate prior periods as it recognized the effects of retrospective application to shareholders' equity at the beginning of the 2018 annual reporting period, which also includes the date of initial application. The adoption of IFRS 9 resulted in no impact to the opening accumulated deficit nor the opening balance of accumulated comprehensive income on January 1, 2018.

7. 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 International Accounting Standard Board or International Financial Reporting Interpretations Committee. The Standard that is applicable to the Company is as follows:

IFRS 16 Leases ("IFRS 16")

In January 2016, the International Accounting Standard Board announced its new leasing standard, *IFRS 16*. The new standard will eliminate the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. IFRS 16 requires the presentation of a single on-balance sheet accounting model that is similar to current finance lease accounting. The new standard will take effect for fiscal years starting on or after January 1, 2019. The Company has identified and collected data relating to existing agreements that extend beyond January 1, 2019, that may contain leases, which are currently accounted for under the operating lease method, being added to the balance sheet. Based on the review performed to date, the Company believes the adoption of IFRS 16 will not have a material impact on the amounts recognized in the Financial Statements. The Company continues to assess the impact of adoption.

8. Accounts receivable

	December 31, 2018	December 31, 2017
Current		
Tanzanian Definitive Agreement (Note 2)	$ --	$ 129,542
Related parties and other receivables (Note 14(a))	--	93,830
Taxes recoverable	92,982	88,078
	92,982	311,450
Non-current		
Taxes recoverable	543,698	514,633
Taxes recoverable provision (Note 5(f))	(543,698)	(514,633)
	$ --	$ --

8. Accounts receivable (continued)

Non-current taxes receivable relates to VAT refund claims from foreign governments. The Company recorded a provision against its recoverable taxes given limited methods available to recover such taxes and the length of time it will take to recover such taxes. The Company recorded a taxes recoverable provision of $60,717 (2017 – $514,633) for the year ended December 31, 2018. The provision was partially reduced by VAT returned to a subsidiary in Ethiopia with the corresponding reversal of $50,864 and net impact of $9,853 within Exploration Expenditures (Note 10). The remaining difference in movement from the prior year relates to the translation on the foreign provision to CAD. East Africa continues to pursue approval of VAT refund claims from the various foreign governments. Refer to Note 5(f) 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 5(c) for further details).

9. Mineral property interests

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

	Tanzania, Handeni Properties	Tanzania, other properties	Ethiopia Harvest Property	Ethiopia Adyabo Property	Total
Acquisition costs					
As at December 31, 2017	$ 1,766,355	$ 2,000,603	$ 16,334,501	$ 804,608	$ 20,906,067
Property payments	68,972	22,387	--	--	91,359
Tanzanian Definitive Agreement deposit (Note 2)	(361,281)	--	--	--	(361,281)
Write-off	--	(127,409)	--	--	(127,409)
Foreign exchange	206,230	180,413	1,428,376	36,750	1,851,769
As at December 31, 2018	$ 1,680,276	$ 2,075,994	$ 17,762,877	$ 841,358	$ 22,360,505

	Tanzania, Handeni Properties	Tanzania, other properties	Ethiopia Harvest Property	Ethiopia Adyabo Property	Total
Acquisition costs					
As at December 31, 2016	$ 1,929,119	$ 2,175,344	$ 17,482,161	$ 833,958	$ 22,420,582
Property payments	48,274	17,727	732	185	66,918
Property payments recoveries	(49,099)	(46,771)	--	--	(95,870)
Foreign exchange	(161,939)	(145,697)	(1,148,392)	(29,535)	(1,485,563)
As at December 31, 2017	$ 1,766,355	$ 2,000,603	$ 16,334,501	$ 804,608	$ 20,906,067

Harvest Property

In December 2017, the Company received a mining license for the Terakimti HL Project (refer to Note 5(e)) which includes the requirement to complete construction of the mine within 2 years. The Company has applied for an extension of the mine development period. The mining license has a term of 6 years with the ability for renewal of up to 10 years on the approval of the MoMP and is due to expire in December 2023. The Company has a 70% interest in the Harvest Property in Ethiopia with the remaining 30% held with Ezana.

The Harvest Property previously consisted of three primary exploration concessions on the Harvest Property exploration license. The three primary concessions are known as Hamlo, Terakimti, and Igub. The exploration concessions had terms of 10 years and expired in January 2017. The Company has submitted an application for the exploration rights on the remaining prospective targets not included in the Terakimti HL Project (East Africa Mineral Resources) and is awaiting the MoMP's assessment of the application. Subsequent to December 31, 2018, the Company executed a LOI with Tibet Huayu for the development and operation of the Harvest Property and Terakimti HL Project. The Company continues to advance the LOI with negotiations on the final agreements (Refer to Note 2 for further details).

9. Mineral property interests (continued)

Adyabo Property

In September 2018, the Company received the DMAs from the MoMP for the Da Tambuk and Mato Bula Projects, collectively the Adyabo Property. The final step in the mining license process is the formal ratification of the mining agreements by the Ethiopian Council of Ministers. The Adyabo Property previously consisted of two exploration licenses, West Shire and Adi Dairo, with terms of 10 years and the licenses expired in 2017 (refer to Note 5(e)). The two mining applications include the Da Tambuk and Mato Bula Projects located on the Adyabo Property. The Company has submitted applications for the exploration rights on the remaining prospective targets (East Africa Mineral Resources) not included in the Da Tambuk and Mato Bula Projects and is awaiting the MoMP's assessment of the application.

The Company holds a 100% interest in the Adyabo Property with the option to buy back a 1.0% of the Net Smelter Return for a cash payment of $5,000,000 to the holder. 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. The right to exercise these 600,000 issuable warrants and 1,040,000 warrants issued on the anniversary dates to the holder expired unexercised in May 2017. Subsequent to December 31, 2018, the Company executed a LOI with Tibet Huayu for the development and operation of the Da Tambuk and Mato Bula Projects. The Company continues to advance the LOI with negotiations on the final agreements (Refer to Note 2 for further details).

Tanzania – Handeni & Other Properties

The properties are located in the Handeni district, Tanga Region of Tanzania. East Africa'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 a 100% interest in Denwill, a structured entity controlled by East Africa, upon payment of US$40,000. As at December 31, 2018, the option has not yet been exercised. The Company's "Other Properties" consists of two main claims and are located in the Handeni district, Tanga Region of Tanzania. During the year ended December 31, 2018, the Company recorded an impairment charge of $127,409 on a prospecting license as it had concluded that no further exploration will occur. As identified in Notes 2, 5(c) and (d), the Company commenced an arbitration process with a view to terminate the Tanzanian Definitive Agreement and the Addendum.

10. Exploration and evaluation expenditure ("Exploration Expenditures")

	Tanzania, Handeni Properties	Tanzania other properties	Ethiopia Harvest Property	Ethiopia Adyabo Property	Year ended December 31, 2018
Exploration Expenditures					
Amortization	$ 154,516	$ --	$ 18,300	$ 39,314	$ 212,130
Camp and administration costs	585,350	--	198,349	330,543	1,114,242
Drilling	--	--	13,093	9,899	22,992
Geochemistry	3,333	--	12,544	14,092	29,969
Geology	--	942	6,993	4,915	12,850
Preliminary resource and engineering studies	37,850	--	155,882	286,770	480,502
Property management and consulting	15,553	--	--	--	15,553
Provision for (recovery of) taxes recoverable	38,430	--	(37,497)	8,920	9,853
Reclamation provision	274,754	--	--	--	274,754
Share-based compensation	--	--	171,470	171,471	342,941
Technical services	28	1,877	113,471	83,484	198,860
Total for the year	1,109,814	2,819	652,605	949,408	2,714,646
Cumulative Exploration Expenditures as at December 31, 2017	69,258,518	1,555,550	4,801,078	10,674,609	86,289,755
Cumulative Exploration Expenditures as at December 31, 2018	$ 70,368,332	$ 1,558,369	$ 5,453,683	$ 11,624,017	$ 89,004,401

10. Exploration and evaluation expenditure ("Continued")

	Tanzania, Handeni Properties	Tanzania other properties	Ethiopia Harvest Property	Ethiopia Adyabo Property	Year ended December 31, 2017
Exploration Expenditures					
Amortization	$ 173,042	$ --	$ 20,357	$ 61,595	$ 254,994
Camp and administration costs	377,452	--	289,104	499,191	1,165,747
Drilling	--	--	129,434	1,948,841	2,078,275
Geochemistry	2,955	--	10,547	32,439	45,941
Geology	--	--	12,446	353,408	365,854
Geophysics	--	--	--	118,339	118,339
Preliminary resource and engineering studies	--	--	231,282	301,330	532,612
Property management and consulting	28,178	--	--	--	28,178
Provision for taxes recoverable	204,185	--	56,506	253,942	514,633
Share-based compensation	--	--	147,500	--	147,500
Technical services	442	--	88,294	224,054	312,790
Total for the year	786,254	--	985,470	3,793,139	5,564,863
Cumulative Exploration Expenditures as at December 31, 2016	68,472,264	1,555,550	3,815,608	6,881,470	80,724,892
Cumulative Exploration Expenditures as at December 31, 2017	$ 69,258,518	$ 1,555,550	$ 4,801,078	$ 10,674,609	$ 86,289,755

11. 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	--	381	4,346	--	--	4,727
Foreign exchange	165,980	35,235	2,350	8,327	13,392	225,284
As at December 31, 2018	$ 2,027,929	$ 693,574	$ 404,469	$ 567,786	$ 166,535	$ 3,860,293

	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	--	8,919	5,027	37,576	--	51,522
Exploration amortization	153,750	28,092	1,957	--	28,331	212,130
Foreign exchange	126,375	25,015	1,915	8,326	10,586	172,217
As at December 31, 2018	$ 1,632,904	$ 530,544	$ 395,211	$ 528,645	$ 142,950	$ 3,230,254
Net book value						
As at December 31, 2018	$ 395,025	$ 163,030	$ 9,258	$ 39,141	$ 23,585	$ 630,039
As at December 31, 2017	509,170	189,440	11,461	76,716	49,110	835,897

11. 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	--	3,636	4,554	--	--	8,190
Disposals	(79,858)	(479,691)	(107,988)	--	--	(667,537)
Foreign exchange	(149,729)	(51,055)	(8,612)	(6,695)	(10,767)	(226,858)
As at December 31, 2017	$ 1,861,949	$ 657,958	$ 397,773	$ 559,459	$ 153,143	$ 3,630,282

	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	--	8,919	8,177	37,576	--	54,672
Exploration amortization	173,310	47,624	1,119	--	32,941	254,994
Disposals	(50,257)	(454,839)	(107,922)	--	--	(613,018)
Foreign exchange	(102,506)	(50,772)	(8,350)	(6,694)	(6,178)	(174,500)
As at December 31, 2017	$ 1,352,779	$ 468,518	$ 386,312	$ 482,743	$ 104,033	$ 2,794,385
As at December 31, 2017	$ 509,170	$ 189,440	$ 11,461	$ 76,716	$ 49,110	$ 835,897
As at December 31, 2016	759,304	267,482	16,531	114,293	86,640	1,244,250

12. Share capital

As at December 31, 2018, the Company's share capital consisted of the following:

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

(b) Issued and outstanding: 163,845,091 (December 31, 2017 – 157,838,411) common shares.

During the year ended December 31, 2018, the Company elected to accelerate the expiry of the warrants issued under a Private Placement financing completed on May 31, 2016. The warrants were originally set to expire on May 31, 2018, and instead 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 were cancelled (Note 12(e)).

During the year ended December 31, 2018, the Company issued 1,860,000 common shares for proceeds of $297,351 on the exercise of stock options (Note 12(d)) and issued 375,000 common shares for bonus shares (see Note 12(d)).

During the year ended December 31, 2017, the Company issued 7,183,591 common shares for proceeds of $1,675,226 on the exercise of warrants, 676,222 common shares for proceeds of $83,040 on the exercise of stock options, and 872,085 common shares for proceeds of $166,489 on the exercise of Tigray Resources Inc. ("Tigray") stock options (Note 12(d)).

On December 28, 2017, the Company completed a Private Placement of 7,700,000 units at a price of $0.26 per unit for gross proceeds of $2,002,000. 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 24 months from the date of closing (Note 12(e)). As at December 31, 2017, the Company accrued a finders' fee of 5% of the Private Placement for $100,100.

On March 7, 2017, the Company completed a 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 12(e)). The Company recorded a finders' fee of 4% of the Private Placement for $218,000.

12. Share capital (continued)

(c) Escrowed shares

As at December 31, 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.

(d) Share-based compensation

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

In 2016, the Company's board of directors approved the grant of up to 2,750,000 bonus shares, subject to the issuance of the mining license for the Harvest Property. In 2017, East Africa received the mining license for the Harvest Property (Note 9), and issued 1,750,000 bonus shares to certain officers and recorded share-based compensation of $516,250. The Company also recorded share-based compensation of $295,000 with a credit to bonus share obligation for 1,000,000 bonus shares yet to be issued. For the year ended December 31, 2018, the Company issued additional 375,000 bonus shares to certain executives and reclassified $110,625 from bonus shares obligation to share capital. As at December 31, 2018, the Company has bonus share obligation of $184,375, representing 625,000 bonus shares yet to be issued.

During the year ended December 31, 2018, the Company granted 16,450,000 stock options (2017 – 1,000,000), which vested on the grant date, with a fair value of $1,458,113 (2017 – $161,457) of which $1,115,172 (2017 – $161,457) was recorded as share-based compensation and $342,941 (2017 – $Nil) was recorded as share-based compensation within Exploration Expenditures (Note 10). The stock options were valued using Black-Scholes model based on the following assumptions: expected dividend yield of 0% (2017 – 0%), expected volatility of 73.81% to 84.14% (2017 – 101.27%), risk-free rate of 1.88% to 2.18% (2017 – 0.73%), and expected life of 1 year to 2.5 years (2017 – 2.5 years).

During the year ended December 31, 2018, 1,860,000 (2017 – 676,222) options were exercised with a weighted average exercise price of $0.16 (2017 – $0.12 per share) for proceeds of $297,351 (2017 – $83,040). The weighted average of the Company's share price at the time of exercise was $0.23 (2017 – $0.24 per share). For the year ended December 31, 2018, 3,590,000 (2017 – 600,000) options expired unexercised.

As at December 31, 2018, there were Nil Tigray stock options outstanding (December 31, 2017 – 1,539,390) that on exercise would be exchanged for Nil East Africa shares (Note 12(e)) (December 31, 2017 – 846,665). For the year ended December 31, 2018, there were Nil Tigray stock options exercised (2017 – 1,585,610). 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 872,085 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 years ended December 31, 2018 and 2017 are as follows:

	Number of options outstanding	Weighted average exercise price
Balance, December 31, 2017	15,494,278	$ 0.13
Granted	16,450,000	0.22
Exercised	(1,860,000)	0.16
Expired	(3,590,000)	0.16
Outstanding and exercisable, December 31, 2018	26,494,278	$ 0.18

12. Share capital (continued)

(d) Share-based compensation (continued)

	Number of options outstanding	Weighted average exercise price
Balance, December 31, 2016	15,770,500	$ 0.12
Granted	1,000,000	0.29
Exercised	(676,222)	0.12
Expired	(600,000)	0.14
Outstanding and exercisable, December 31, 2017	15,494,278	$ 0.13

The following table summarizes information about the stock options outstanding and exercisable at December 31, 2018:

Options outstanding				Options exercisable	
Number outstanding	Weighted average exercise price	Weighted average remaining life	Expiry date	Number exercisable	Weighted average exercise price
23,778	$ 0.14	0.37 years	May 16, 2019	23,778	$ 0.14
250,000	0.22	0.79 years	October 16, 2019	250,000	0.22
8,470,500	0.10	2.04 years	January 15, 2021	8,470,500	0.10
900,000	0.10	2.23 years	March 23, 2021	900,000	0.10
450,000	0.15	2.33 years	April 29, 2021	450,000	0.15
500,000	0.29	3.32 years	April 25, 2022	500,000	0.29
15,600,000	0.22	4.50 years	June 29, 2023	15,600,000	0.22
300,000	0.22	4.71 years	September 14, 2023	300,000	0.22
26,494,278	$ 0.18	3.54 years		26,494,278	$ 0.18

(e) Warrants

During the year ended December 31, 2018, 3,771,680 (2017 – 7,183,591) warrants were exercised with a weighted average exercise price of $0.25 (2017 – $0.23) for proceeds of $942,920 (2017 – $1,675,226).

During the year ended December 31, 2018, 10,000,000 warrants, in connection with a Private Placement of 20,000,000 units completed on March 07, 2017, expired unexercised. Gross proceeds of $620,397 were allocated to the warrants based on the relative fair values of the common shares and the warrants. The fair value of the warrants was estimated using the Black-Scholes model based on the following assumptions: expected dividend yield of 0%, expected volatility of 105.95%, risk-free rate of 0.79% and expected life of 1.00 year.

If at any time after the date that is four months after the date of issuance of the warrants, the Company's common shares have a closing price on the TSXV (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 provided by a news release, and the warrants will then expire on the 20th day after the date of such notice. For the year ended December 31, 2017, 16,624,968 warrants expired unexercised.

On December 28, 2017, the Company completed a Private Placement of 7,700,000 units and issued 3,850,000 warrants. $209,230 of the gross proceeds was allocated to the warrants based on the relative fair values of the common shares and the warrants. The fair value of the warrants was estimated using the Black-Scholes model based on the following assumptions: expected dividend yield of 0%, expected volatility of 78.87%, risk-free rate of 1.67% and expected life of 1.50 years.

During the year ended December 31, 2018, the remaining 1,539,390 Tigray stock options expired unexercised. During the year ended December 31, 2017, 524,244 East Africa warrants with an exercise price of $0.23 and expiry of May 7, 2017, were issued on the exercise of 1,510,610 Tigray stock options at the exchange ratio of 0.40.

12. Share capital (continued)

(e) Warrants (continued)

Details of warrants activity during the years ended December 31, 2018 and 2017 are as follows:

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

	Number of warrants outstanding	Weighted average exercise price
Balance, December 31, 2016	27,690,695	$ 0.23
Granted	14,374,244	0.44
Exercised	(7,183,591)	0.23
Expired	(16,624,968)	0.23
Outstanding and exercisable, December 31, 2017	18,256,380	$ 0.40

The following table summarizes information about the warrants outstanding and exercisable at December 31, 2018:

Warrants outstanding and exercisable	Weighted average exercise price	Weighted average remaining contractual life	Expiry date
3,850,000	$ 0.45	0.99 years	December 28, 2019

13. Non-controlling interest

On May 7, 2014, East Africa acquired Tigray, which included a non-controlling interest in the Ethiopian subsidiary Harvest. East Africa has a 70% interest in Harvest with the remaining 30% held with Ezana, an Ethiopian company. The non-controlling interest is carried at 30% until the completion of a feasibility study. The Company is responsible for all exploration costs until completion of a feasibility study. Subsequent to the completion of a feasibility study, any approved contributions by the Company for which Ezana elects not to contribute or elects to contribute less than its equity interest could increase the Company's interest. The below summarized financial information of Harvest is before inter-company eliminations:

	December 31, 2018	December 31, 2017
Balance sheets		
Current assets	$ 28,880	$ 125,829
Non-current assets	17,859,612	16,380,451
Current liabilities	(671)	(53,177)
Non-current liabilities	(15,077,360)	(14,599,682)
Statements of operations		
Net loss for the year	$ 475,571	$ 850,026
Comprehensive (gain) loss for the year	(957,040)	2,014,631
Statements of cash flows		
Net cash used for operating activities	$ (511,341)	$ (998,880)
Net cash used for investing activities	(4,346)	(732)
Net cash provided by financing activities	476,479	841,002
Decrease in cash and cash equivalents	$ (39,208)	$ (158,610)

13. Non-controlling interest (continued)

Changes to non-controlling interest		
Balance, January 1, 2018	$	3,570,381
Non-controlling interests' share of net loss		(142,671)
Non-controlling interests' share of comprehensive loss		429,783
Balance, December 31, 2018	$	3,857,493
Balance, January 1, 2017	$	4,174,770
Non-controlling interests' share of net loss		(255,187)
Non-controlling interests' share of comprehensive income		(349,202)
Balance, December 31, 2017	$	3,570,381

14. Related party transactions

(a) Related parties

	Year ended December 31, 2018	Year ended December 31, 2017
Services rendered and expenses incurred (vi):		
Services and related expenses (i)	$ 97,700	$ 93,610
Management fees (ii)	310,000	443,250
Bad debt (iii)	75,395	--
Interest expense (v)	38,200	31,080

	December 31, 2018	December 31, 2017
Balances receivable from (vi):		
Reimbursement of shared costs (iii)	$ --	$ 87,938
Directors and officers (iv)	--	2,156
	--	90,094
Balances payable to (vi):		
Services rendered (i)	(75,202)	(30,202)
Directors and officers (iv)	(577,917)	(239,617)
Loan payable (v)	(335,400)	(621,200)
	$ (988,519)	$ (891,019)

Related parties transactions:

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

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

(iii) The Company shares office premises with two other companies that have directors in common and expenses were reimbursed at cost. The Company collected $8,744 of the receivables from one of the companies, and recorded a bad debt of $75,395 during the year ended December 31, 2018.

(iv) As at December 31, 2018, the Company had a receivable of $Nil (December 31, 2017 – $2,156) from one officer of the Company for payroll tax remittance related to bonus shares issued to the officer. Included in payable to directors and officers are directors fees, reimbursement of expenses, outstanding salaries and short-term advances of $24,000 to the Company at interest rate of 12% per annum. Subsequent to year ended December 31, 2018, the Company received additional advances of $27,000 and repaid the full amount of borrowings and interest to the officers.

14. Related party transactions (continued)

(a) Related parties (continued)

(v) On August 31, 2017, SinoTech (Hong Kong) Corporation Limited ("SinoTech") provided a second short-term unsecured loan to the Company for $600,000 with an interest rate of 12% per annum. The loan and all accrued and unpaid interest was payable on the earlier of 15 business days after the Company's closing of the LW financing announced in October 2017 or 120 days from the Company's receipt of the loan proceeds. During the year ended December 31, 2018, the Company repaid $324,000 of the principal and interest, extended the remaining amount of $300,000 and accrued interest of $35,400. As at December 31, 2018, the $300,000 is payable and continues to accrued interest. Subsequent to year ended December 31, 2018, the Company is in discussions with SinoTech on renewal terms factoring in the Tibet Huayu LOI closing. The Company expects that the terms will renewed once the Tibet Huayu has advanced to the definitive agreement stage.

(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:

	Year ended December 31, 2018	Year ended December 31, 2017
Directors fees, bonuses, key management personnel salaries and short-term benefits	$ 709,305	$ 820,980
Share-based compensation	988,739	751,457
	$ 1,698,044	$ 1,572,437

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 East Africa's Harvest Property is issued. In 2017, the Company issued 1,750,000 bonus common shares after the receipt of the mining license for the Harvest Property. During the year ended December 31, 2018, the Company issued 375,000 bonus common shares to certain officers (Note 12(d)).

15. Financial instruments

Fair values

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

As at December 31, 2018 and 2017, the classifications of the financial instruments are shown in the table below:

Amortized cost financial assets	December 31, 2018	December 31, 2017
Cash and cash equivalents	$ 60,683	$ 2,268,310
Accounts receivables and related parties	--	223,372
	$ 60,683	$ 2,491,682

15. Financial instruments (continued)

Fair values (continued)

Amortized cost financial liabilities		December 31, 2018		December 31, 2017
Accounts payable and accrued liabilities	$	(2,235,878)	$	(1,011,935)
Loan payable		(335,400)		(621,200)
	$	(2,571,278)	$	(1,633,135)

Management of financial risk

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

Currency risk

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company operates in Canada, Ethiopia and Tanzania, the Company's functional currency is the Canadian dollar, and for its foreign operations, the functional currency is the USD. The Company's expenses are incurred in Euros ("EUR"), USDs, Tanzanian shillings ("TSH") and Ethiopian BIRR ("ETB"). A significant change in the currency exchange rates between the functional currencies relative to these currencies could have an effect on the Company's results of operations. The Company has not hedged its exposure to currency fluctuations.

As at December 31, 2018 and 2017, the Company is exposed to currency risk through the following assets and liabilities denominated in EUR, USD, TSH and ETB:

		EUR		USD	TSH	ETB
As at December 31, 2018						
Cash and cash equivalents	€	--	$	3,955	429,182	456,266
Accounts receivable		--		--	--	58,632
Accounts payable		--		(21,691)	(31,109,996)	(549,681)
	€	--	$	(17,736)	(30,680,814)	(34,783)

		EUR		USD	TSH	ETB
As at December 31, 2017						
Cash and cash equivalents	€	--	$	49,230	10,041,298	583,593
Accounts receivable		--		98,481	--	42,648
Accounts payable		(35,000)		(14,889)	(359,996)	(250,040)
	€	(35,000)	$	132,822	9,681,302	376,201

Based on the above net exposure as at December 31, 2018 and assuming that all other variables remain constant, a 10% depreciation or appreciation of the Canadian dollar against these currencies would result in an insignificant decrease/increase in the Company's consolidated statements of operations.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company's interest rate risk arises from the interest rate impact on cash and cash equivalent and its borrowings. The Company did not earn interest on its cash and cash equivalents for the years ended December 31, 2018 and 2017, and the Company has borrowings of $300,000 with an interest rate of 12% per annum.

Based on the amount of cash and cash equivalents and borrowings as at December 31, 2018, and assuming that all other variables remain constant, a 0.5% change in the applicable interest rate would result in an insignificant increase/ decrease to the interest earned in the Company statements of operations per annum.

15. Financial instruments (continued)

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. The Company limits its exposure to credit risk on cash and cash equivalents as these financial instruments are held primarily with a major Canadian financial institution.

Financial instrument receivables mainly consist of Tanzanian Definitive Agreement receivable and trade receivables from related parties. As at December 31, 2018, the Company had financial instrument receivables with an aggregated amount of $Nil (December 31, 2017 – $129,542) from the Developer of the project in Tanzania (Notes 2 and 8).

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations associated with the financial liabilities. The Company has a planning and budget process in place by which it anticipates and determines the funds necessary to support normal operation requirements and development of its mineral property interests for exploration stage enterprises. The Company's investment policy is to invest its cash in highly liquid short-term interest bearing investments with maturities greater than 90 days from the original date of acquisition, selected concerning the expected timing of expenditures from continuing operations. The Company ensures that sufficient funds are raised from private placements or other sources to meet its operating requirements, after taking into account existing cash.

The Company manages liquidity risk through the management of its capital structure as described in Note 16. As at December 31, 2018, the Company had cash and cash equivalents of $60,683 (December 31, 2017 – $2,268,310) to settle current liabilities of $2,571,736 (December 31, 2017 – $1,691,461). The Company determined 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 Note 1).

16. Management of Capital

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to pursue the development of its mineral properties and to maintain a flexible capital structure, which optimizes the cost of capital at an acceptable risk (refer to Note 1).

In the management of capital, the Company includes the components of equity attributable to common shareholders. The Company manages the capital structure and adjusts it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may attempt to issue new shares, issue debt and acquire or dispose of assets. In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The Board of Directors reviews the annual and updated budgets. The Company's investment policy is to limit investments to guaranteed investment certificates, banker's acceptance notes, investment savings accounts or money market funds with high quality financial institutions in Canada, selected concerning the expected timing of expenditures from continuing operations.

17. Income tax

The provision for income taxes differs from the amount calculated using the Canadian federal and provincial statutory income tax rates as at December 31, 2018, of 27.00% (December 31, 2017 – 26.00%) as follows:

	December 31, 2018	December 31, 2017
Expected tax recovery	$ (1,770,032)	$ (2,438,666)
True-up of tax provisions in respect of prior years, share based compensation and other permanent differences	(61,039)	3,280,914
Tax rate differences	(6,701)	(107,835)
Tax impact on foreign exchange	56,495	888,886
Unrecognized tax assets	1,781,277	(1,623,299)
Income tax expense	$ --	$ --

17. Income tax (continued)

As at December 31, 2018, no deferred tax assets are recognized on the following temporary differences, as it is not probable that sufficient future taxable profit will be available to utilize such differences:

	December 31, 2018	December 31, 2017
Non-capital loss carry forwards – Canada	$ 14,498,000	$ 12,086,000
Non-capital loss carry forwards – Tanzania	76,637,000	68,193,000
Non-capital loss carry forwards – Ethiopia	12,441,000	10,470,000
Financing and other costs	477,000	782,000
Unamortized capital costs in excess of net book value	834,000	568,000
Mineral properties	16,265,000	14,518,000
Total unrecognized deferred tax assets	$ 121,152,000	$ 106,617,000

As at December 31, 2018, the Company has the following approximate accumulated non-capital losses which may be carried forward to apply against future year's income for the respective countries income tax purposes subject to final determination by taxation authorities, expiring as follows:

Year	Canada	Ethiopia
2021	$ --	$ 1,811,000
2022	--	500,000
2023	--	303,000
2024	--	2,061,000
2025	--	2,526,000
2026	--	1,202,000
2027	--	2,943,000
2028	--	1,095,000
2029	--	--
2030	249,000	--
2031	992,000	--
2032	1,467,000	--
2033	1,111,000	--
2034	1,739,000	--
2035	1,576,000	--
2036	2,209,000	--
2037	2,741,000	--
2038	2,414,000	--
Total	$ 14,498,000	$ 12,441,000

Ethiopian companies in the mining sector may carry forward losses for 10 years. For Tanzania, there is no limit on the carryforward period for tax losses. Tanzanian regulations comprises of ring-fencing losses rules for mining companies which losses from one mining license area can only be offset against profits from the same mining license area.

18. 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 year ended December 31, 2018				
Net loss	$ 3,692,783	$ 1,243,559	$ 1,619,331	$ 6,555,673
As at December 31, 2018				
Total non-current assets	680,180	3,940,017	18,370,347	22,990,544

18. Geographical segment information (continued)

	Canada	Tanzania	Ethiopia	Total
For the year ended December 31, 2017				
Net loss	$ 3,650,669	$ 844,226	$ 4,884,590	$ 9,379,485
As at December 31, 2017				
Total non-current assets	731,705	4,065,958	16,944,301	21,741,964

19. Commitments

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 $27,000. Subsequent to December 31, 2018, the operating lease was terminated without any termination costs allocated to the Company. The Company has entered into a month to month rental arrangement from April 2019. As at December 31, 2018 and 2017, the Company had the following commitments:

	December 31, 2018	December 31, 2017
No later than 1 year	$ 122,722	$ 377,618
Later than 1 year and no later than 5 years	--	308,649
Later than 5 years	--	--
	$ 122,722	$ 686,267

20. Contingencies

Certain conditions may exist as of the date the 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 Financial Statements noted below may be material.

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

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.

21. Subsequent events

(a) Subsequent to December 31, 2018, the Company completed a private placement of 15,696,000 units at a price of $0.16 per unit for gross proceeds of $2,511,360. Each unit consists of one common share of the Company and one non-transferable warrant. Each whole warrant will entitle the holder thereof to purchase one common share at an exercise price of $0.30 for a period of 24 months from the date of closing.

(b) In February 2019, the Company entered into a drilling contract and prepaid $1,800,000 for a minimum drill program of approximately 10,000 meters, subject to available financing, for the Ethiopian Properties.