Condensed Interim Consolidated Financial Statements of

EAST AFRICA METALS INC.

As at and for the six month period ended June 30, 2021

Expressed in Canadian dollars

(Unaudited – prepared by management)

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

EAST AFRICA METALS INC.

Condensed Interim Consolidated Statement of Financial Position – unaudited
Expressed in Canadian dollars

		June 30, 2021		December 31, 2020
Assets				
Current assets				
Cash and cash equivalents	$	2,485,766	$	182,184
Accounts receivable		41,544		33,305
Available for sale assets (note 4)		3,615,248		3,740,535
Prepaid expenses and deposits		1,803,583		1,918,766
		7,946,141		5,874,790
Non-current assets				
Investment in Tigray Resources Incorporated PLC (note 5)		520,892		543,836
Mineral property interests (note 6)		16,162,323		16,603,062
Property and equipment (note 7)		88,596		94,849
		16,771,811		17,241,747
	$	24,717,952	$	23,116,537
Liabilities and Equity				
Current liabilities				
Accounts payable and accrued liabilities	$	834,146	$	2,138,297
Available for sale liabilities (note 4)		520,249		1,318,432
Loans payable (note 8)		491,766		733,724
		1,846,161		4,190,453
Deposit on sale of Canaco Tanzania Limited (note 4)		1,831,556		-
		3,677,718		4,190,453
Equity				
Share capital (note 9(a) & (b))		57,005,421		53,016,403
Obligation to issue shares - bonus (note 9(c))		-		184,375
Obligation to issue shares - mineral property interests (note 9(d))		143,000		143,000
Warrants (note 9(f))		288,626		925,113
Contributed surplus (note 9(e))		151,108,581		150,368,161
Accumulated other comprehensive income		3,715,330		3,530,254
Deficit		(194,496,874)		(192,632,895)
		17,764,084		15,534,411
Non-controlling interest (note 10)		3,276,150		3,391,673
		21,040,234		18,926,084
	$	24,717,952	$	23,116,537

Nature of operations and going concern (note 1)
Contingencies (note 14)
Subsequent event (notes 4 & 17)

Approved on behalf of the Board

(signed) David Parsons

(signed) Antony Harwood

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

EAST AFRICA METALS INC.
Condensed Interim Consolidated Statement of Loss – unaudited
Expressed in Canadian dollars

	Three month period ended June 30, 2021	Three month period ended June 30, 2020	Six month period ended June 30, 2021	Six month period ended June 30, 2020
Expenses				
Amortization	$ -	$ -	$ -	$ 269
Directors and advisory board fees	17,250	17,250	34,500	34,500
Exploration and evaluation expenditure (note 11)	429,876	76,037	635,704	377,055
Investor/shareholder communications and filing fees	31,861	49,259	178,501	88,862
Legal, audit and audit related fees	8,755	(17,272)	10,321	3,728
Management consulting fees and expenses	153,329	122,920	284,689	293,649
Office and administration	76,358	72,519	133,514	114,042
Rent and occupancy costs	273	11,937	498	29,844
Salary and benefits	-	3,922	11,034	8,487
Share-based compensation	-	-	639,207	-
Operating loss	(717,702)	(336,572)	(1,927,968)	(950,436)
Other income (expenses)				
Foreign exchange gain (loss)	(552)	56,883	6,688	22,035
Income (loss) on equity accounted investment (note 5)	(10,175)	(28,584)	(22,944)	(83,830)
Interest expense	(13,245)	(14,036)	(31,171)	(25,418)
Net loss for period	$ (741,674)	$ (322,309)	$ (1,975,395)	$ (1,037,649)
Net loss attributable to:				
Shareholders	$ (638,999)	$ (336,041)	$ (1,863,979)	$ (986,531)
Non-controlling interest	(102,675)	13,732	(111,416)	(51,118)
	$ (741,674)	$ (322,309)	$ (1,975,395)	$ (1,037,649)
Loss per share, basic and fully diluted	$ (0.00)	$ (0.00)	$ (0.01)	$ (0.01)
Weighted average number of common shares - basic and fully diluted	202,647,269	180,537,091	199,213,240	180,537,091

Condensed Interim Consolidated Statement of Comprehensive Loss – unaudited
Expressed in Canadian dollars

	Three month period ended June 30, 2021	Three month period ended June 30, 2020	Six month period ended June 30, 2021	Six month period ended June 30, 2020
Net loss for period	$ (741,674)	$ (322,309)	$ (1,975,395)	$ (1,037,649)
Items that maybe reclassified to statement of operations				
Currency translation adjustment	361,820	(988,396)	180,969	1,135,818
Comprehensive loss for period	$ (379,854)	$ (1,310,705)	$ (1,794,426)	$ 98,169
Comprehensive loss attributable to:				
Shareholders	$ (201,156)	$ (987,964)	$ (1,678,903)	$ (139,437)
Non-controlling interest	(178,698)	(322,741)	(115,523)	237,606
	$ (379,854)	$ (1,310,705)	$ (1,794,426)	$ 98,169

EAST AFRICA METALS INC.

Condensed Interim Consolidated Statement of Changes in Equity – unaudited

Expressed in Canadian dollars

	Common Shares Without Par Value: Shares	Common Shares Without Par Value: Amount	Obligation- bonue shares	Obligation- mineral propeerty interests	Warrants	Contributed Surplus	Accumulated Other Comprehensive Income	Deficit	Total Common share Equity	Non-Controlling Interest	Total Equity
Balance - December 31, 2019	180,537,091	$ 52,344,641	$ 184,375	$ 143,000.00	$ 833,960	$ 150,338,270	$ 3,783,454	$ (189,964,403)	$ 17,663,297	$ 3,534,751	$ 21,198,048
Currency translation adjustment on foreign operations		-	-	-	-	-	847,094	-	847,094	288,724	1,135,818
Net loss for period		-	-	-	-	-	-	(986,531)	(986,531)	(51,118)	(1,037,649)
Balance - June 30, 2020	180,537,091	$ 52,344,641	$ 184,375	$ 143,000	$ 833,960	$ 150,338,270	$ 4,630,548	$ (190,950,933)	$ 17,523,860	$ 3,772,357	$ 21,296,217
Balance - December 31, 2020	186,728,091	$ 53,016,403	$ 184,375	$ 143,000	$ 925,113	$ 150,368,161	$ 3,530,254	$ (192,632,895)	$ 15,534,411	$ 3,391,673	$ 18,926,084
Bonus shares issued	625,000	184,375	(184,375)	-	-	-	-	-	-	-	-
Debt settlement	410,509	120,318	-	-	-	-	-	-	120,318	-	120,318
Options exercised	7,398,000	1,125,146	-	-	-	(231,686)	-	-	893,460	-	893,460
Warrants exercised	7,518,636	2,559,179	-	-	(303,588)	-	-	-	2,255,591	-	2,255,591
Warrants expired		-	-	-	(332,899)	332,899	-	-	-	-	-
Share-based compensation		-	-	-	-	639,207	-	-	639,207	-	639,207
Currency translation adjustment on foreign operations		-	-	-	-	-	185,076	-	185,076	(4,107)	180,969
Net loss for period		-	-	-	-	-	-	(1,863,979)	(1,863,979)	(111,416)	(1,975,395)
Balance - June 30, 2021	202,680,236	$ 57,005,421	$ -	$ 143,000	$ 288,626	$ 151,108,581	$ 3,715,330	$ (194,496,874)	$ 17,764,084	$ 3,276,150	$ 21,040,234

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

EAST AFRICA METALS INC.

Condensed Interim Consolidated Statement of Cash Flows – unaudited

Expressed in Canadian dollars

	Six months ended June 30, 2021	2020
Cash provided by (used for) operating activities		
Loss for period	$ (1,975,395)	$ (1,037,649)
Items not involving cash		
Amortization – administration	-	269
Amortization – exploration and evaluation	6,349	8,681
Loss (income) on equity accounted investment	22,944	83,830
Interest expense	31,171	25,418
Provision for (recovery of) taxes recoverable	50,470	18,359
Share-based compensation - administration	639,207	-
Unrealized foreign exchange loss (gain)	(6,565)	(21,793)
Changes in operating assets and liabilities		
Accounts receivable	(8,239)	(24,750)
Available for sale assets	125,288	-
Prepaid expenses and deposits	115,183	8,201
Accounts payable and accrued liabilities	(613,629)	737,982
Available for sale liabilities	(798,183)	-
	(2,411,400)	(201,452)
Cash flows provided by (used for) investing activities		
Deposits received on sale of Canaco Tanzania Limited (note 4)	1,831,556	-
Mineral property interests acquisitions	-	(27,530)
Purchase of equipment	-	(302)
	1,831,556	(27,832)
Cash flows provided by (used for) financing activities		
Loan advances (repayments)	(273,129)	290,000
Exercise of options	893,460	-
Exercise of warrants	2,255,591	-
	2,875,922	290,000
Effect of exchange rate changes on cash and cash equivalents	3,752	240
Increase (decrease) in cash and cash equivalents	2,299,830	60,716
Cash and cash equivalents- beginning of period	182,184	104,229
Cash and cash equivalents- end of period	$ 2,485,766	$ 165,185
Non cash investing and financing activities		
Shares issued to settle debts	$ 120,318	$ -

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

1. Nature of operations and going concern

East Africa Metals Inc. ("East Africa", "EAM" 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 17th Floor, 777 Dunsmuir 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 property interests consist of one project in Ethiopia, the Harvest Property and one project in Tanzania, the Handeni and Other Properties. Additionally, the Company has a 30% equity interest in Tigray Resources Incorporate PLC, which has one project in Ethiopia, the Adyabo Property.

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 condensed interim consolidated financial statements are prepared on a going concern basis, which contemplates that the Company will continue in operation for at least the next twelve months from June 30, 2021 and will be able to realize its assets and discharge its liabilities in the normal course of business. For the six month period ended June 30, 2021, the Company incurred a net loss attributable to shareholders totaling $1,863,979 and used cash in operating activities of $2,411,400. As at June 30, 2021, the Company had an accumulated deficit of $194,496,871 and working capital of $6,099,980.

Based on the Company's financial position as at June 30, 2021, the available funds are not considered adequate to meet requirements for the estimated operations and exploration expenditures 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 completion of the sale of Canaco Tanzania Ltd. (note 4), sale of non-strategic assets, debt financing, strategic alliances, equity financing and optioning of its mineral properties. However, there is no assurance that such financing will be available. This material 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 statement of financial position classifications used. Such adjustments could be material.

2. Statement of compliance and basis of preparation

These condensed interim consolidated financial statements are prepared in accordance with IAS 34 - Interim Financial Reporting as issued by the International Accounting Standards Board ("IASB"). Accordingly, certain disclosures included in the annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the IASB have been condensed or omitted.

These condensed interim financial statements follow the same accounting policies and methods of application as the Company's audited consolidated financial statements for the year ended December 31, 2020. The policies applied in these condensed interim consolidated financial statements are based on IFRS issued as of August 27, 2021, the date the Board of Directors approved the financial statements. These condensed interim consolidated financial statements should be read in conjunction with the Company's annual financial statements for the year ended December 31, 2020.

3. Significant accounting policies

Basis of presentation
The financial statements have been prepared on an accrual basis and are on a historical cost basis, except for certain financial instruments, which are measured at fair value. The preparation of 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 or complexity, or areas where assumptions and estimates are significant are disclosed in note 4 in the Company's annual financial statements for the year ended December 31, 2020.

These condensed interim consolidated financial statements are prepared in Canadian dollars. The functional currency of the Company is Canadian dollars.

4. Available for sale assets and liabilities

On October 20, 2020, the Company signed a binding Share Purchase Agreement and Gold Purchase Agreement with an arm's length Tanzanian private company, PMM Mining Company Limited ("PMM" or the "Developer"), to develop the Magambazi Mine in Tanzania.

Consideration for the transaction is as follows:

- PMM will pay to EAM the sum of US$2,000,000, being consideration for the acquisition of 100% ownership stake in Canaco Tanzania Limited ("CTL") with the expectation that East Africa will assume certain liabilities of CTL (approximately US$500,000). CTL owns the Magambazi and Handeni Mining Licenses (the "Mining Assets" or "Magambazi Mine") and all other properties owned by East Africa in Tanzania (the "Exploration Assets"). As at June 30, 2021, EAM had received US$1,480,000 (CAD$1,831,556) of the sale proceeds, which has been recorded in the financial statements as a deposit on sale of CTL. Subsequent to June 30, 2021, the balance of the cash consideration was received and the gain (loss) on sale of CTL will be recognized in the condensed interim consolidated financial statements for the nine month period ending September 30, 2021.
- During the lifetime of the mine respecting the Mining Assets, PMM will sell 30% of the Gold produced to EAM at the price of production cost plus 15% of production cost, pursuant to a Gold Purchase Agreement. Gold production costs means actual mining costs and milling costs as well as costs associated with third party smelting, refining, transportation and royalties, minus byproduct credits.
- PMM undertakes to produce at least 10,000 ounces in the first year of commissioning of operations, 20,000 ounces in the second year, 30,000 ounces in the third year and at least 40,000 ounces per year thereafter. In the event PMM does not meet the minimum production in a year, it will compensate EAM as follows: In the first year minimum production is not met PMM will pay US$200,000; US$400,000 in the second year; US$600,000 in the third year; and, US$700,000 per year for any other years' where the minimum production in any subsequent years is not achieved.
- If at any time the Seller wishes to Transfer to any third party (the "Buyer") or following an offer by a Buyer for the Seller to Transfer to such Buyer, any of the Properties and/or the Projects, East Africa will have the right of first offer to re-acquire the properties.

Government approval, signing of the documents and the issuance of a governmental decree binding both companies to the government approved terms for the sale of CTL and development of the project have been received. Upon receipt of 100% of the sale proceeds, the shares of CTL will be transferred from East Africa to PMM.

Expressed in Canadian dollars

4. Available for sale assets and liabilities - continued

As a result of the Company entering into an agreement to sell 100% ownership of CTL, the assets and liabilities of CTL and Denwill were reclassified as available for sale assets and liabilities as of December 31, 2020, details are as follows:

		June 30, 2021		December 31, 2020
Available for sale assets				
Cash	$	6,080	$	3,348
Mineral properties		3,406,206		3,526,320
Property, plant & equipment		202,961		210,867
	$	3,615,248	$	3,740,535
Available for sale liabilities				
Accounts payable and accrued liabilities	$	520,249	$	1,318,432

5. Investment in Tigray Resources Incorporated PLC

Tigray Resources Incorporated PLC		
Balance - December 31, 2020	$	543,836
Income (loss) on investment		(22,944)
Balance - June 30, 2021	$	520,892

Summary of Tigray Resources Incorporated PLC statements of financial position

		June 30, 2021		December 31, 2020
Current asset	$	45,287	$	89,313
Less -current liabilities		(42,569)		(40,389)
		2,719		48,924
Non-current assets		2,422,960		2,422,960
Less-non current liabilities		(689,372)		(659,097)
		1,733,588		1,763,863
Net assets		1,736,307		1,812,787
East Africa's share - percentage		30%		30%
East Africa's share - net assets	$	520,892	$	543,836

	Three month period ended June 30,				Six month period ended June 30,			
		2021		2020		2021		2020
Revenues	$	-	$	-	$	-	$	-
Expenses		33,909		99,529		76,474		283,683
Net loss		(33,909)		(99,529)		(76,474)		(283,683)
Other comprehensive income (loss)		6,844		-		5,365		-
Comprehensive income (loss)	$	(27,065)	$	(99,529)	$	(71,108)	$	(283,683)

6. Mineral property interests

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

Harvest Propery (Ethiopia)		
Balance - December 31, 2020	$	16,603,062
Foreign exchange		(440,739)
Balance - June 30, 2021	$	16,162,323

Expressed in Canadian dollars

6. Mineral property interests - continued

Harvest Project (note 17)

In December 2017, the Company received a mining license for the Terakimti HL Project, which includes the requirement to complete construction of the mine within 2 years. The Company applied for an extension of the mine development period, which was granted in December 2019 extending the term to December 5, 2020. The mining license has a term of 6 years with the ability for renewal of up to 10 years on the approval of the Ministry of Mines and Petroleum ("MoMP") and is due to expire in December 2023. The Company has a 70% interest in the Harvest Project in Ethiopia with the remaining 30% interest held by Ezana Mining Development PLC ("Ezana").

The Company submitted an application for the exploration rights on the remaining prospective targets not included in the Terakimti HL Project (East Africa Mineral Resources), which has been approved.

The Company filed a notice of force majeure with the government to suspend any obligations the Company has under the terms of the mining licenses and the government approved exploration programs until the travel restrictions are lifted.

7. Property and equipment

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

	Office furniture and equipment	Computers and software	Total
Cost			
Balance - December 31, 2020	$ 227,715	$ 391,742	$ 619,457
Foreign exchange	(6,045)	(10,400)	(16,445)
Balance - June 30, 2021	$ 221,670	$ 381,342	$ 603,012
Accumulated amortization			
Balance - December 31, 2020	$ 133,627	$ 390,981	$ 524,608
Amortization	5,631	717	6,348
Foreign exchange	(5,866)	(10,675)	$ (16,541)
Balance - June 30, 2021	$ 133,392	$ 381,023	$ 514,415
Net book value			
Balance - December 31, 2020	$ 94,088	$ 761	$ 94,849
Balance - June 30, 2021	$ 88,278	$ 319	$ 88,596

8. Loans payable

	June 30, 2021	December 31, 2020
Demand loans (a)		
Principal	$ 300,000	$ 550,000
Interest	151,766	143,724
	451,766	693,724
Canadian Emergency Business Account ("CEBA") loan (b)	40,000	40,000
	$ 491,766	$ 733,724

8. Loans payable - continued

a) On August 31, 2017, SinoTech (Hong Kong) Corporation Limited ("SinoTech") provided a short-term unsecured loan to the Company for $600,000 with an interest rate of 12% per annum. During the year ended December 31, 2018, the Company repaid $324,000 of the principal and interest. Accrued interest at March 31, 2021 is $138,521 (December 31, 2020 - $125,615). The loan is repayable 15 days after the Company closes any future financing greater than CAD$3,000,000 or December 31, 2020. An additional extension to the agreement has been requested by the Company.

   On May 28, 2020, Sino Tech provided a short-term unsecured loan to the Company for $250,000 with an interest rate of 12% per annum. Accrued interest at December 31, 2020 is $17,921 (December 31, 2019 - $Nil). The loan is repayable upon the earlier of 15 business days after the Company's closing of any financing or transaction in connection with the development of the Company's Harvest project or 6 months from the Company's receipt of the loan proceeds. This loan was repaid in full during the three month period ended March 31, 2021.

   SinoTech is a significant shareholder in the Company and has common officers and directors.

b) CEBA loan is unsecured and interest free to December 31, 2022. If 75% of the loan is repaid in the initial term, 25% will be forgiven. If the Company is unable to repay in the initial term, the loan will be extended starting January 1, 2023 for an additional term maturing December 31, 2025 with an interest rate of 5% per annum and payable monthly.

9. Share capital

a) Authorized

Unlimited number of common shares without par value.

b) Escrowed shares

As at June 30, 2021, 675,045 (December 31, 2020 - 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.

c) Debt settlement

During the six month period ended June 30, 2021, the Company issued 410,509 common shares to creditors to settle debts amounting to $120,318.

d) Obligations to issue shares

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 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. During the year ended December 31, 2018, the Company issued an additional 375,000 bonus shares to certain executives and reclassified $110,625 from bonus shares obligation to share capital. During the three month period ended March 31, 2021, the remaining 625,000 bonus shares were issued and $184,375 reallocated from bonus share obligation to share capital .

The Company held a 100% interest in the Adyabo Property (note 5) with the option to buy back 1.0% of the Net Smelter Return for a cash payment of $5,000,000 to the previous owner, TIBA Resource Inc. ("TIBA"). Upon receipt of government approval on a positive feasibility study (May 23, 2019), the Company was obligated to issue 550,000 common shares ($143,000) to TIBA and on commencement of commercial production, the Company will be obligated to issue an additional 275,000 common shares to TIBA.

Expressed in Canadian dollars

9. Share capital – continued

e) Stock options

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.

During the six month period, the Company granted 3,400,000 stock options, which vested on the grant date, with a fair value of $639,207, which was recorded as share-based compensation. The stock options were valued using Black-Scholes model based on the following assumptions: expected dividend yield of 0%, expected volatility of 78.20%, risk-free rate of 0.91% and expected life of 5 years.

Details of stock options activity during the six month period ended June 30, 2021 and the year ended December 31, 2020 are as follows:

	June 30, 2021		December 31, 2020	
	Number of options outstanding and exercisable	Weighted average exercise price	Number of options outstanding and exercisable	Weighted average exercise price
Opening balance	30,180,000	$ 0.19	31,524,500	$ 0.19
Granted	3,400,000	$ 0.30	1,000,000	$ 0.19
Exercised	(7,398,000)	$ 0.12	(2,344,500)	$ 0.10
Expired	(300,000)	$ 0.15	-	$ -
Closing balance	26,182,000	$ 0.23	30,180,000	$ 0.19

The weighted average market price of the options exercised was $0.12 (2020 - $0.21).

The following table summarizes information about the stock options outstanding and exercisable at June 30, 2021:

Number of options outstanding and exercisable	Range of exercise prices of options outstanding and exercisable	Weighted average exercise price of options exercisable	Weighted average remaining contractual life
500,000	$ 0.29	$ 0.29	0.82
14,482,000	$ 0.22	$ 0.22	2.00
300,000	$ 0.22	$ 0.22	2.21
6,200,000	$ 0.22	$ 0.22	2.94
1,000,000	$ 0.19	$ 0.19	0.35
3,400,000	$ 0.30	$ 0.30	4.73
25,882,000		$ 0.23	2.50

Expressed in Canadian dollars

9. Share capital – continued

f) Warrants

Details of warrant activity during the six month period ended June 30, 2021 and the year ended December 31, 2020 are as follows:

	June 30, 2021			December 31, 2020		
	Number of warrants outstanding	Weighted average exercise price		Number of warrants outstanding	Weighted average exercise price	
Opening balance	19,650,195	$	0.31	15,803,695	$	0.30
Issued	-	$	-	3,846,500	$	0.35
Exercised	(7,518,636)	$	0.30	-	$	-
Expired	(8,285,059)	$	0.30	-	$	-
Closing balance	3,846,500	$	0.35	19,650,195	$	0.31

As at June 30, 2021, the following share purchase warrants are outstanding:

Number of warrants outstanding and exercisable	Weighted average exercise price		Weighted average remaining contractual	Expiry date
3,846,500	$	0.35	1.35	November 6, 2022

10. Non-controlling interest

East Africa holds a 70% equity interest in Harvest Mining PLC 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:

Summary of statements of financial position

		June 30, 2021		December 31, 2020
NCI percentage		30%		30%
Current assets	$	67,413	$	25,781
Less -current liabilities		(50,650)		(26,723)
		16,764		(942)
Non-current assets		16,213,940		16,662,595
Less -non-current liabilities		(15,460,105)		(15,403,926)
		753,835		1,258,668
Net assets	$	770,598	$	1,257,726
Accumulated NCI	$	3,276,150	$	3,391,673

Summary of statements of loss and comprehensive loss

	Three month period ended June 30, 2021				Six month period ended June 30,			
		2021		2020		2021		2020
Net income (loss) for period	$	(342,252)	$	45,776	$	(371,385)	$	(170,394)
Comprehensive income (loss) for period	$	(595,660)	$	(728,983)	$	(385,074)	$	792,003

Summary of statements of cash flows

	Three month period ended June 30, 2021			Six month period ended June 30,		
	2021		2020	2021		2020
Net cash provided by (used in) operating activities		$	(16,471)		$	(215,384)
Net cash provided by (used in) investing activities		$	(26,085)		$	(26,834)
Net cash provided by (used in) financing activities		$	10,491		$	30,403

Expressed in Canadian dollars

10. Non-controlling interest - continued

Changes to non-controlling interest		
Balance - December 31, 2020	$	3,391,673
Non-controlling interests' share of loss		(111,416)
Non-controlling interests' share of other comprehensive income (loss)		(4,107)
Balance - June 30, 2021	$	3,276,150

11. Exploration and evaluation expenditure

		Tanzania, Handeni Property		Tanzania, Other Properties		Harvest Project		Adyabo Project		Six month period ended June 30, 2021
Exploration and evaluation expenditure										
Amortization	$	-	$	-	$	6,349	$	-	$	6,349
Camp and administration		6,361		-		561,455		-		567,816
Drilling		-		-		391		-		391
Geochemistry		1,792		-		4,515		4,371		10,678
Provision for (recovery of) taxes		-		50,470		-		-		50,470
Total for period	$	8,153	$	50,470		572,710	$	4,371	$	635,704

12. Related party transactions

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 personnel include the Company's directors and members of the senior management group.

Details of key management personnel compensation are as follows:

	Three month period ended June 30, 2021				Six month period ended June 30,			
		2021		2020		2021		2020
Services provided:								
Directors fees	$	17,250	$	17,250	$	34,500	$	34,500
Management and consulting fees		126,020		107,500		256,177		215,000
Share-based compensation		-		-		618,284		-
Key management personnel compensation	$	143,270	$	124,750	$	908,961	$	249,500

		June 30, 2021		December 31, 2020
Balances payable to				
Balances payable to key management personnel for compensation	$	487,038	$	993,118
Balances payable to former key management personnel for compensation		-		35,375
	$	487,038	$	1,028,493

The balances payable are included in accounts payable and accrued liabilities.

		June 30, 2021		December 31, 2020
Loan payable (note 8)	$	451,766	$	693,724

13. Geographical segment information

The Company's operations comprise one reportable segment, exploration and development of mineral properties. The Company carries on business in Canada, Ethiopia and Tanzania. The carrying value of the Company's non-current assets are all geographically located in Ethiopia.

14. 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.

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. 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 accordance with the Tanzanian Definitive Agreements and the Addendum, the binding arbitration relating to the Company's claim and the Developer's counterclaim 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 arbitration proceeding in Vancouver, British Columbia has yet to be settled and the Company believes based on the Settlement Deed sanctioned by the Tanzanian Courts on September 22, 2020 (note 4), the ruling from the British Columbia International Arbitration Centre will be in favour of East Africa.

15. Financial instruments

a) Fair values

The Company's financial assets and liabilities consist of cash and cash equivalents, accounts receivable, accounts payable and loans payable.

The carrying value of the Company's cash and cash equivalents, accounts receivable and deposits are representative of their respective fair value at June 30, 2021 and December 31, 2020 due to their short term nature. The fair value of accounts payable and loans payable may be less than the carrying value as a result of the Company's credit and liquidity risk.

b) Management of financial risk

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

15. Financial instruments - continued

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 June 30, 2021, the Company is exposed to currency risk through the following assets and liabilities denominated in USD, TSH and ETB:

As at June 30, 2021

	AUD	USD	TSH	ETB
Cash and cash equivalents	-	350,987	9,793,616	1,271,383
Accounts receivable	-	(50,491)	-	15,518,300
Accounts payable and accrued charges	4,202	(57,783)	(9,980,776)	(1,112,802)
Net asset (liability)	4,202	242,713	(187,160)	15,676,881

Based on the above net exposure as at June 30, 2021 and assuming that all other variables remain constant, a 10% depreciation or appreciation of the Canadian dollar against the Australian dollar, US dollar, Tanzanian shilling and Ethiopian birr would result in an increase/decrease of approximately $66,193 (December 31, 2020 - $15,385) in the Company's net loss.

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 period ended June 30, 2021, the Company has borrowings of $300,000 December 31, 2020 - $550,000) with an interest rate of 12% per annum.

Based on the amount of cash and cash equivalents and borrowings as at June 30, 2021 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 expense in the Company's statements of loss per annum.

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.

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 June 30, 2021, the Company had cash and cash equivalents of $2,485,766 (December 31, 2020 – $185,532) to settle current liabilities of $1,846,161 (December 31, 2020 – $4,190,453). 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 (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.

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. Subsequent event

On July 22, 2021, the Company entered into a non-binding letter of intent ("LOI") with Zijin Mining Group Company. Ltd. ("Zijin") to acquire a majority ownership stake in the Harvest Project ("Harvest Transaction") currently held by EAM's wholly owned subsidiary, Tigray Ethiopia Holdings Inc. ("TEHI").. TEHI holds a 70% interest in Harvest Mining PLC with Ezana Mining Development PLC ("Ezana") owning 30%. Harvest Mining PLC owns 100% of the Harvest Project, which is located in the Tigray National Regional State of the Federal Democratic Republic of Ethiopia ("Ethiopia").

The terms of the non-binding LOI stipulate Zijin will enter into a Definitive Agreement whereby Zijin will acquire a 55% interest in the Harvest Project by making a cash payment of US$900,000, developing and operating the Terakimti Oxide Mine and funding 100% of TEHI's obligations related to the development and operation of the Harvest Project. Ezana is responsible for contributing 30% to the development and operating costs of the Harvest Project.

On completion of the proposed transaction:

- Zijin will hold the rights (interest) to 55% post tax profits/Government distributions of Harvest Mining PLC; and,
- EAM will hold the rights (interest) to 15% post tax profits/Government distributions of Harvest Mining PLC.

Closing conditions include:

- Receipt of required approvals, including and not limited to Board, Regulatory and Government;
- Execution of the Definitive Agreement; and,
- EAM receiving the cash payment of US$900,000.

Once the Harvest acquisition is complete, EAM will provide Zijin with a "Right of First Offer" for any current or future Ethiopian assets EAM makes available for acquisition, subject to existing rights granted by EAM. Negotiations respecting consideration for the acquisition of future Harvest exploration assets will be based on terms similar to those agreed to for the acquisition of the current resources: i) cash payment; ii) funding of 100% of the capital costs; and iii) allocated % of post-tax profits of the new mineral resources. Zijin and EAM will use best efforts to finalize all conditions precedent and finalize the Definitive Agreement.