



Consolidated Financial Statements of

EAST AFRICA METALS INC.

As at and for the three month period ended March 31,

2022 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 Statements of Financial Position – unaudited

Expressed in Canadian dollars

	March 31, 2022	December 31, 2021
Assets		
Current assets		
Cash and cash equivalents	\$ 1,744,675	\$ 2,234,600
Accounts receivable	43,101	40,559
Assets held for sale (note 4)	3,879,525	3,952,690
Prepaid expenses and deposits	1,361,048	1,363,778
	<u>7,028,350</u>	<u>7,591,627</u>
Non-current assets		
Investment in Tigray Resources Incorporated PLC (note 5)	490,426	498,551
Mineral property interests (note 6)	16,295,332	16,532,668
Property and equipment (note 7)	93,091	94,446
	<u>16,878,849</u>	<u>17,125,665</u>
	<u>\$ 23,907,198</u>	<u>\$ 24,717,292</u>
Liabilities and Equity		
Current liabilities		
Accounts payable and accrued liabilities	\$ 839,719	\$ 828,565
Liabilities held for sale (note 4)	981,415	928,219
Deposit on sale of Canaco Tanzania Limited (note 4)	2,431,291	2,431,291
Loans payable (note 8)	534,112	519,781
	<u>4,786,537</u>	<u>4,707,856</u>
Equity		
Share capital (note 9(a) & (b))	57,440,153	57,440,153
Obligation to issue shares - mineral property interests (note (c))	143,000	143,000
Warrants (note 9(e))	91,153	91,153
Contributed surplus (note 9(d))	151,319,106	151,319,106
Accumulated other comprehensive income	3,213,174	3,405,456
Deficit	(196,407,990)	(195,765,377)
	<u>15,798,596</u>	<u>16,633,491</u>
Non-controlling interest (note 10)	3,322,065	3,375,945
	<u>19,120,661</u>	<u>20,009,436</u>
	<u>\$ 23,907,198</u>	<u>\$ 24,717,292</u>
Nature of operations and going concern (note 1)		
Contingencies (note 14)		
Subsequent event (note 9(d))		

Approved on behalf of the Board

(signed) David Parsons

(signed) Sean Waller

EAST AFRICA METALS INC.

Condensed Interim Consolidated Statements of Loss – unaudited

Expressed in Canadian dollars

	Three month period ended March 31,	
	2022	2021
Expenses		
Directors and advisory board fees	\$ 17,250	\$ 17,250
Exploration and evaluation expenditure (note 11)	140,155	205,828
Investor/shareholder communications and filing fees	84,702	146,639
Legal, audit and audit related fees	10,794	1,566
Management consulting fees and expenses	171,140	131,361
Office and administration	69,108	57,156
Rent and occupancy costs	376	224
Salary and benefits	-	11,034
Share-based compensation	-	639,207
Operating loss	(493,525)	(1,210,265)
Other income (expenses)		
Foreign exchange gain (loss)	(131,245)	7,240
Income (loss) on equity accounted investment (note5)	(8,125)	(12,769)
Interest expense	(14,331)	(17,926)
Net loss for period	\$ (647,226)	\$ (1,233,720)
Net loss attributable to:		
Shareholders	\$ (642,613)	\$ (1,123,545)
Non-controlling interest	(4,613)	(110,175)
	\$ (647,226)	\$ (1,233,720)
Loss per share, basic and fully diluted	\$ (0.00)	\$ (0.01)
Weighted average number of common shares - basic and fully diluted	204,280,236	195,741,055

Condensed Interim Consolidated Statements of Comprehensive Loss – unaudited

Expressed in Canadian dollars

	Three month period ended March 31,	
	2022	2021
Net loss for year	\$ (647,226)	\$ (1,233,720)
Items that maybe reclassified to statement of operations		
Currency translation adjustment	(241,549)	(180,851)
Comprehensive loss for year	\$ (888,775)	\$ (1,414,571)
Comprehensive loss attributable to:		
Shareholders	\$ (834,895)	\$ (1,376,310)
Non-controlling interest	(53,880)	(38,260)
	\$ (888,775)	\$ (1,414,570)

EAST AFRICA METALS INC.

Condensed Interim Consolidated Statements of Changes in Equity – unaudited
Expressed in Canadian dollars

	Common Shares Without Par Value		Obligation- bonus shares	Obligation- mineral property interests	Warrants	Contributed Surplus	Accumulated Other Comprehensive Income	Deficit	Total Equity Attributable to Shareholders	Non-Controlling Interest	Total Equity
	Shares	Amount									
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	7,248,000	1,090,450	-	-	-	(219,490)	-	-	870,960	-	870,960
Warrants exercised	7,518,636	2,559,179	-	-	(303,588)	-	-	-	2,255,591	-	2,255,591
Warrants expired	-	-	-	-	(298,734)	298,734	-	-	-	-	-
Share-based compensation	-	-	-	-	-	639,207	-	-	639,207	-	639,207
Currency translation adjustment on foreign operations	-	-	-	-	-	-	(252,765)	-	(252,765)	71,915	(180,850)
Net loss for period	-	-	-	-	-	-	-	(1,123,545)	(1,123,545)	(110,175)	(1,233,720)
Balance - March 31, 2021	202,530,236	56,970,725	-	143,000.00	322,791.23	151,086,611.81	\$ 3,277,489	\$ (193,756,440)	\$ 18,044,177	\$ 3,353,413	\$ 21,397,590
Balance - December 31, 2021	204,280,236	\$ 57,440,153	\$ -	\$ 143,000	\$ 91,153	\$ 151,319,106	\$ 3,405,456	\$ (195,765,377)	\$ 16,633,491	\$ 3,375,945	\$ 20,009,436
Currency translation adjustment on foreign operations	-	-	-	-	-	-	(192,282)	-	(192,282)	(49,267)	(241,549)
Net loss for period	-	-	-	-	-	-	-	(642,613)	(642,613)	(4,613)	(647,226)
Balance - March 31, 2022	204,280,236	\$ 57,440,153	\$ -	\$ 143,000	\$ 91,153	\$ 151,319,106	\$ 3,213,174	\$ (196,407,990)	\$ 15,798,596	\$ 3,322,065	\$ 19,120,661

EAST AFRICA METALS INC.

Condensed Interim Consolidated Statements of Cash Flows – unaudited

Expressed in Canadian dollars

	Three month period ended March 31,	
	2022	2021
Cash provided by (used for) operating activities		
Loss for period	\$ (647,226)	\$ (1,233,720)
Items not involving cash		
Amortization – exploration and evaluation	-	3,816
Loss (income) on equity accounted investment	8,125	12,769
Interest expense	14,331	17,926
Provision for (recovery of) taxes recoverable	48,162	-
Share-based compensation - administration	-	639,207
Unrealized foreign exchange loss (gain)	130,351	(7,119)
Changes in operating assets and liabilities		
Accounts receivable	(2,542)	(21,703)
Assets held for sale	73,165	(416,493)
Prepaid expenses and deposits	2,730	127,326
Accounts payable and accrued liabilities	(134,220)	(1,198,416)
Liabilities held for sale	53,196	584,211
	<u>(453,929)</u>	<u>(1,492,196)</u>
Cash flows provided by (used for) financing activities		
Loan advances (repayments)	-	(275,129)
Exercise of options	-	870,960
Exercise of warrants	-	2,255,591
	<u>-</u>	<u>2,851,422</u>
Effect of exchange rate changes on cash and cash equivalents	(17,998)	1,016
Increase (decrease) in cash and cash equivalents	(471,927)	1,362,242
Cash and cash equivalents- beginning of period	2,234,600	182,184
Cash and cash equivalents- end of period	<u>\$ 1,744,675</u>	<u>\$ 1,545,442</u>
Non cash investing and financing activities		
Shares issued to settle debts	\$ -	\$ 120,318

EAST AFRICA METALS INC.

Notes to the Condensed Interim Consolidated Financial Statements – unaudited

Three month period ended March 31, 2022

Expressed in Canadian dollars

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 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 March 31, 2022 and will be able to realize its assets and discharge its liabilities in the normal course of business. For the three month period ended March 31, 2022, the Company incurred a net loss attributable to shareholders totaling \$642,613 and used cash in operating activities of \$453,929. As at March 31, 2022, the Company had an accumulated deficit of \$196,407,990. As at December 31, 2021, the Company had cash and cash equivalents of \$1,744,675, accounts payable and accrued liabilities of \$839,719 and current loans payable of \$534,112.

Based on the Company’s financial position as at March 31, 2022, 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 5), 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, 2021. The policies applied in these condensed interim consolidated financial statements are based on IFRS issued as of May 25, 2022 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, 2021.

EAST AFRICA METALS INC.

Notes to the Condensed Interim Consolidated Financial Statements – unaudited

Three month period ended March 31, 2022

Expressed in Canadian dollars

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, 2021.

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

4. Held 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 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 March 31, 2022, EAM had received US\$1,900,000 (CAD\$2,431,291) and US\$100,000 of the sale proceeds were withheld by PMM and remitted to the Tanzanian Revenue Authority. The sale proceeds received have been recorded in the financial statements as a deposit on sale of CTL. The gain (loss) on sale of CTL will be recognized in the consolidated financial statements when a tax clearance certificate has been issued by the Tanzanian Revenue Authority and the shares of CTL are transferred from East Africa to PMM.
- 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.

EAST AFRICA METALS INC.

Notes to the Condensed Interim Consolidated Financial Statements – unaudited

Three month period ended March 31, 2022

Expressed in Canadian dollars

4. Held 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 at as December 31, 2020 were reclassified as assets and liabilities held for sale, details are as follows:

	March 31, 2022	December 31, 2021
Available for sale assets		
Cash	\$ 217,277	\$ 222,280
Mineral properties	3,529,511	3,595,740
Property, plant & equipment	132,737	134,670
	\$ 3,879,525	\$ 3,952,690
Available for sale liabilities		
Accounts payable and accrued liabilities	\$ 981,415	\$ 928,219

5. Investment in Tigray Resources Incorporated PLC (“TRI PLC”)

East Africa holds a 30% equity interest in TRI PLC, which is recorded in these financial statements using the equity accounting method.

	March 31, 2022	December 31, 2021
Balance - opening	\$ 498,551	\$ 543,836
Income (loss) on investment	(8,125)	(45,285)
Balance - closing	\$ 490,426	\$ 498,551

Summary of Tigray Resources Incorporated PLC statements of financial position

	March 31, 2022	December 31, 2021
Current asset	\$ 125,723	\$ 139,075
Less -current liabilities	(48,327)	(42,247)
	77,395	96,828
Non-current assets	2,422,960	2,422,960
Less-non current liabilities	(865,600)	(857,950)
	1,557,360	1,565,010
Net assets	1,634,755	1,661,838
East Africa's share - percentage	30%	30%
East Africa's share - net assets	\$ 490,427	\$ 498,551

	Three month period ended March 31,	
	2022	2021
Revenues	\$ -	\$ -
Expenses	27,083	42,565
Net loss	(27,083)	(42,565)
Other comprehensive income (loss)	(656)	(1,479)
Comprehensive income (loss)	\$ (27,739)	\$ (44,044)

EAST AFRICA METALS INC.

Notes to the Condensed Interim Consolidated Financial Statements – unaudited

Three month period ended March 31, 2022

Expressed in Canadian dollars

6. Mineral property interests

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

	Harvest property (Ethiopia)
Acquisition costs	
Balance - December 31, 2021	\$ 16,532,668
Foreign exchange	(237,336)
Balance - March 31, 2022	\$ 16,295,332

Harvest Property

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 Property 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.

Harvest Transaction

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 East Africa'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 LOI stipulate Zijin will enter into a Definitive Agreement whereby Zijin will acquire a 55% equity interest in Harvest Mining PLC 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,
- East Africa receiving the cash payment of US\$900,000.

EAST AFRICA METALS INC.

Notes to the Condensed Interim Consolidated Financial Statements – unaudited

Three month period ended March 31, 2022

Expressed in Canadian dollars

6. Mineral property interests – continued

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

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, 2021, 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. As disclosed in note 15, the Company commenced an arbitration process with a view to terminate the Tanzanian Definitive Agreement and the Addendum. On September 22, 2020, a Settlement Deed was presented to the Court in Tanga and the judges for the TzGF appeal and the original legal action against CTL and the Commissioner of Mines. The Court ruled the Settlement Deed was valid and acceptable in both cases. All legal action in Tanzania against CTL has now been withdrawn. Subsequently, the Company entered into an agreement to sell 100% ownership of CTL and as such, the mineral property interests held by CTL have been reclassified as held for sale assets (note 5).

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, 2021	\$ 226,749	\$ 390,080	\$ 616,829
Foreign exchange	(3,255)	(5,600)	(8,854)
Balance - March 31, 2022	\$ 223,494	\$ 384,481	\$ 607,975
Accumulated amortization			
Balance - December 31, 2021	\$ 133,060	\$ 389,323	\$ 522,383
Foreign exchange	(1,910)	(5,589)	(7,499)
Balance - March 31, 2022	\$ 131,150	\$ 383,734	\$ 514,884
Net book value			
Balance - December 31, 2021	\$ 93,689	\$ 757	\$ 94,446
Balance - March 31, 2022	\$ 92,344	\$ 747	\$ 93,091

EAST AFRICA METALS INC.

Notes to the Condensed Interim Consolidated Financial Statements – unaudited

Three month period ended March 31, 2022

Expressed in Canadian dollars

8. Loans payable

	March 31, 2022	December 31, 2021
Demand loans (a)		
Principal	\$ 300,000	\$ 300,000
Interest	194,112	179,781
	494,112	479,781
Canadian Emergency Business Account ("CEBA") loan (b)	40,000	40,000
	\$ 534,112	\$ 519,781

- 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, 2022 is \$184,669 (December 31, 2021 - \$179,781). The loan is repayable 15 business days after the Company's closing of sale, cooperation or financing transaction in connection with the development of the Harvest Project; or, June 30, 2021. An additional extension to the agreement has been requested by the Company.

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 December 31, 2021, 675,045 (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) Obligation to issue shares

The Company held a 100% interest in the Adyabo Property (note 6) 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.

- d) 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.

EAST AFRICA METALS INC.

Notes to the Condensed Interim Consolidated Financial Statements – unaudited

Three month period ended March 31, 2022

Expressed in Canadian dollars

9. Share capital – continued

Details of stock options activity during the three month period ended March 31, 2022 and the year ended December 31, 2021 are as follows:

	March 31, 2022		December 31, 2021	
	Number of options outstanding and exercisable	Weighted average exercise price	Number of options outstanding and exercisable	Weighted average exercise price
Opening balance	25,282,000	\$ 0.22	30,180,000	\$ 0.19
Granted	-	\$ -	4,400,000	\$ 0.30
Exercised	-	\$ -	(8,998,000)	\$ 0.13
Expired	-	\$ -	(300,000)	\$ 0.15
Closing balance	25,282,000	\$ 0.22	25,282,000	\$ 0.22

The following table summarizes information about the stock options outstanding and exercisable at March 31, 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	0.07
14,282,000	\$ 0.22	\$ 0.22	1.25
6,100,000	\$ 0.22	\$ 0.22	2.19
3,400,000	\$ 0.30	\$ 0.30	3.98
1,000,000	\$ 0.42	\$ 0.42	0.47
25,282,000		\$ 0.22	1.77

Subsequent to March 31, 2022, stock options entitling the holder to acquire 500,000 common shares at a price of \$0.29 per share expired.

e) Warrants

Details of warrant activity during the three month period ended March 31, 2022 and the year ended December 31, 2021 are as follows:

	March 31, 2022		December 31, 2021	
	Number of warrants outstanding	Weighted average exercise price	Number of warrants outstanding	Weighted average exercise price
Opening balance	3,846,500	\$ 0.35	19,650,195	\$ 0.31
Exercised	-	\$ -	(7,518,636)	\$ 0.30
Expired	-	\$ -	(8,285,059)	\$ 0.30
Closing balance	3,846,500	\$ 0.35	3,846,500	\$ 0.35

As at March 31, 2021, the following share purchase warrants are outstanding:

Number of warrants outstanding and exercisable	Weighted average exercise price	Weighted average remaining contractual life	Expiry date
3,846,500	\$ 0.35	0.85	November 6, 2022

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Three month period ended March 31, 2022

Expressed in Canadian dollars

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

	March 31, 2022	December 31, 2021
NCI percentage	30%	30%
Current assets	\$ 62,108	\$ 37,862
Less -current liabilities	(80,392)	(39,920)
	(18,284)	(2,058)
Non-current assets	16,353,737	16,591,924
Less -non-current liabilities	(15,486,619)	(15,486,619)
	867,119	1,105,305
Net assets	\$ 848,835	\$ 1,103,246

Accumulated NCI

Summary of statements of loss and comprehensive loss

	Three month period ended March 31,	
	2022	2021
Net income (loss) for period	\$ (15,377)	\$ (367,250)
Comprehensive income (loss) for period	\$ (179,592)	\$ (127,531)

Summary of statements of cash flows

	Three month period ended March 31,	
	2022	2021
Net cash provided by (used in) operating activities	\$ 849	\$ (404,936)
Net cash provided by (used in) investing activities	\$ -	\$ -
Net cash provided by (used in) financing activities	\$ -	\$ 56,179

Balance - December 31, 2021	\$ 3,375,945
Non-controlling interests' share of loss	(4,613)
<u>Non-controlling interests' share of other comprehensive income (loss)</u>	<u>(49,267)</u>
Balance - March 31, 2022	\$ 3,322,065

11. Exploration and evaluation expenditure

	Tanzania, Handeni Property	Tanzania, Other Properties	Harvest Project	Adyabo Project	Period ended March 31, 2022
Exploration and evaluation expenditure					
Camp and administration	\$ -	\$ 66,582	\$ 14,482	\$ -	\$ 81,064
Environmental and Social Impact Assessment ("ESIA")	-	-	-	6,615	6,615
Geochemistry	515	-	-	-	515
Provision for (recovery of) taxes	-	48,162	-	-	48,162
Technical services	-	-	-	3,799	3,799
Total for period	\$ 515	\$ 114,743	\$ 14,482	\$ 10,414	\$ 140,155

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.

EAST AFRICA METALS INC.

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12. Related party transactions – continued

Details of key management personnel compensation are as follows:

	Three month period ended March 31,	
	2022	2021
Services provided:		
Directors fees	\$ 17,250	\$ 17,250
Expense reimbursements	\$ 45,240	-
Management and consulting fees	125,900	130,157
Share-based compensation	-	618,284
Technical services	8,875	-
Key management personnel compensation	\$ 197,265	\$ 765,691

	March 31,	December 31,
	2022	2021
Balances payable to		
Balances payable to key management personnel for compensation	\$ 590,048	\$ 551,538

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

	March 31,	December 31,
	2021	2021
Loan payable (note 8)	\$ 484,669	\$ 479,781

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 totaling \$16,878,849 (December 31, 2021 - \$17,125,665) 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.

EAST AFRICA METALS INC.

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14. Contingencies - continued

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 approximate their fair value at March 31, 2022 and December 31, 2021 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:

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 Australian dollars ("AUD"), 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 March 31, 2022, the Company is exposed to currency risk through the following assets and liabilities denominated in AUD, USD, TSH and ETB:

	AUD	USD	TSH	ETB
Cash and cash equivalents	-	991,529	1,553,997	2,217,724
Accounts receivable	-	(50,491)	-	52,023
Accounts payable and accrued charges	4,202	(35,736)	(9,980,776)	(3,350,045)
Net asset (liability)	4,202	905,302	(8,426,779)	(1,080,298)

Based on the above net exposure as at March 31, 2022 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 \$93,611 (December 31, 2021 - \$103,829) in the Company's net loss.

EAST AFRICA METALS INC.

Notes to the Condensed Interim Consolidated Financial Statements – unaudited

Three month period ended March 31, 2022

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15. Financial instruments - continued

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 three month period ended March 31, 2022 and year ended December 31, 2021, the Company has borrowings of \$300,000 (December 31, 2021 - \$300,000) with an interest rate of 12% per annum.

Based on the amount of cash and cash equivalents and borrowings as at March 31, 2022 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 December 31, 2021, the Company had cash and cash equivalents of \$1,744,675 (December 31, 2021 - \$2,234,600) to settle current liabilities of \$4,779,056 (December 31, 2021 - \$4,707,856). 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.