



Consolidated Financial Statements of

EAST AFRICA METALS INC.

As at and for the years ended December 31, 2021 and

2020 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, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2021 and 2020;
- the consolidated statements of loss 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 significant accounting policies and other explanatory information.

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.

Emphasis of Matter

We draw attention to note 1 in the consolidated financial statements, which describes events or 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.

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



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 Eric Talbot.

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants

Vancouver, British Columbia
April 29, 2022

EAST AFRICA METALS INC.

Consolidated Statements of Financial Position

Expressed in Canadian dollars

	December 31, 2021	December 31, 2020
Assets		
Current assets		
Cash and cash equivalents	\$ 2,234,600	\$ 182,184
Accounts receivable	40,559	33,305
Assets held for sale (note 5)	3,952,690	3,740,535
Prepaid expenses and deposits	1,363,778	1,918,766
	7,591,627	5,874,790
Non-current assets		
Investment in Tigray Resources Incorporated PLC (note 6)	498,551	543,836
Mineral property interests (note 7)	16,532,668	16,603,062
Property and equipment (note 8)	94,446	94,849
	17,125,665	17,241,747
	\$ 24,717,292	\$ 23,116,537
Liabilities and Equity		
Current liabilities		
Accounts payable and accrued liabilities	\$ 828,565	\$ 2,138,297
Liabilities held for sale (note 5)	928,219	1,318,432
Deposit on sale of Canaco Tanzania Limited (note 5)	2,431,291	-
Loans payable (note 9)	519,781	733,724
	4,707,856	4,190,453
Equity		
Share capital (note 10(a) & (b))	57,440,153	53,016,403
Obligation to issue shares - bonus (note 10(c))	-	184,375
Obligation to issue shares - mineral property interests (note 10(d))	143,000	143,000
Warrants (note 10(f))	91,153	925,113
Contributed surplus (note 10(e))	151,319,106	150,368,161
Accumulated other comprehensive income	3,405,456	3,530,254
Deficit	(195,765,377)	(192,632,895)
	16,633,491	15,534,411
Non-controlling interest (note 11)	3,375,945	3,391,673
	20,009,436	18,926,084
	\$ 24,717,292	\$ 23,116,537
Nature of operations and going concern (note 1)		
Contingencies (note 16)		

Approved on behalf of the Board

(signed)

(signed)

EAST AFRICA METALS INC.

Consolidated Statements of Loss

Expressed in Canadian dollars

	Year ended December 31,	
	2021	2020
Expenses		
Amortization	\$ -	\$ 269
Directors and advisory board fees	69,000	81,265
Exploration and evaluation expenditure (note 12)	741,115	1,116,563
Investor/shareholder communications and filing fees	542,132	366,663
Legal, audit and audit related fees	89,118	73,707
Management consulting fees and expenses	566,589	549,650
Office and administration	246,771	198,611
Rent and occupancy costs	1,065	30,755
Salary and benefits	11,034	17,541
Share-based compensation	769,991	58,311
Operating loss	(3,036,815)	(2,493,335)
Other income (expenses)		
Foreign exchange gain (loss)	(18,117)	(33,742)
Income (loss) on equity accounted investment (note 6)	(45,285)	(120,578)
Interest expense	(59,186)	(65,824)
Net loss for year	\$ (3,159,403)	\$ (2,713,479)
Net loss attributable to:		
Shareholders	\$ (3,132,482)	\$ (2,668,492)
Non-controlling interest	(26,921)	(44,987)
	\$ (3,159,403)	\$ (2,713,479)
Loss per share, basic and fully diluted	\$ (0.02)	\$ (0.01)
Weighted average number of common shares - basic and fully diluted	201,309,479	181,222,441

Consolidated Statements of Comprehensive Loss

Expressed in Canadian dollars

	Year ended December 31,	
	2021	2020
Net loss for year	\$ (3,159,403)	\$ (2,713,479)
Items that maybe reclassified to statement of operations		
Currency translation adjustment	(113,605)	(351,291)
Comprehensive loss for year	\$ (3,273,008)	\$ (3,064,770)
Comprehensive loss attributable to:		
Shareholders	\$ (3,257,280)	\$ (2,921,692)
Non-controlling interest	(15,728)	(143,078)
	\$ (3,273,008)	\$ (3,064,770)

EAST AFRICA METALS INC.

Consolidated Statements of Changes in Equity 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 Common share Equity	Non-Controlling Interest	Total Equity
	Shares	Amount									
Balance - December 31, 2019	180,537,091	\$ 52,344,641	\$ 184,375	\$ 143,000	\$ 833,960	\$ 150,338,270	\$ 3,783,454	\$ (189,964,403)	\$ 17,663,297	\$ 3,534,751	\$ 21,198,048
Private placement	3,846,500	408,892	-	-	91,153	-	-	-	500,045	-	500,045
Options exercised	2,344,500	262,870	-	-	-	(28,420)	-	-	234,450	-	234,450
Options issued	-	-	-	-	-	58,311	-	-	58,311	-	58,311
Currency translation adjustment on foreign operations	-	-	-	-	-	-	(253,200)	-	(253,200)	(98,091)	(351,291)
Net loss for year	-	-	-	-	-	-	-	(2,668,492)	(2,668,492)	(44,987)	(2,713,479)
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	8,998,000	1,559,878	-	-	-	(349,418)	-	-	1,210,460	-	1,210,460
Warrants exercised	7,518,636	2,559,179	-	-	(303,588)	-	-	-	2,255,591	-	2,255,591
Warrants expired	-	-	-	-	(530,372)	530,372	-	-	-	-	-
Share-based compensation	-	-	-	-	-	769,991	-	-	769,991	-	769,991
Currency translation adjustment on foreign operations	-	-	-	-	-	-	(124,797)	-	(124,797)	11,193	(113,604)
Net loss for year	-	-	-	-	-	-	-	(3,132,482)	(3,132,482)	(26,921)	(3,159,403)
Balance - December 31, 2021	204,280,236	\$ 57,440,153	\$ -	\$ 143,000	\$ 91,153	\$ 151,319,106	\$ 3,405,457	\$ (195,765,377)	\$ 16,633,491	\$ 3,375,945	\$ 20,009,437

EAST AFRICA METALS INC.

Consolidated Statements of Cash Flows

Expressed in Canadian dollars

	Year ended December 31,	
	2021	2020
Cash provided by (used for) operating activities		
Loss for year	\$ (3,159,403)	\$ (2,713,479)
Items not involving cash		
Amortization – administration	-	269
Amortization – exploration and evaluation	74,731	92,544
Loss (income) on equity accounted investment	45,285	120,578
Interest expense	59,186	65,824
Provision for (recovery of) taxes recoverable	51,314	52,864
Share-based compensation - administration	769,991	58,311
Unrealized foreign exchange loss (gain)	13,114	33,742
Changes in operating assets and liabilities		
Accounts receivable	(7,254)	(28,382)
Assets held for sale	(212,155)	-
Prepaid expenses and deposits	554,988	(38,412)
Accounts payable and accrued liabilities	(1,326,105)	1,434,453
Liabilities held for sale	(390,213)	-
	(3,526,521)	(921,688)
Cash flows provided by (used for) investing activities		
Deposits received on sale of Canaco Tanzania Limited (note 5)	2,431,291	-
Mineral property interests acquisitions	-	(25,693)
Purchase of equipment	-	(282)
	2,431,291	(25,975)
Cash flows provided by (used for) financing activities		
Loan advances (repayments)	(273,129)	290,000
Private placements	-	500,045
Exercise of options	1,210,460	234,450
Exercise of warrants	2,255,591	-
	3,192,922	1,024,495
Effect of exchange rate changes on cash and cash equivalents	(22,638)	1,123
Increase (decrease) in cash and cash equivalents	2,052,416	76,832
Cash and cash equivalents- beginning of year	182,184	104,229
Cash and cash equivalents- end of year	\$ 2,234,600	\$ 182,184
Non cash investing and financing activities		
Shares issued to settle debts	\$ 120,318	\$ -

EAST AFRICA METALS INC.

Notes to the Consolidated Financial Statements
For the years ended December 31, 2021 and 2020
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 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 December 31, 2021 and will be able to realize its assets and discharge its liabilities in the normal course of business. For the year ended December 31, 2021, the Company incurred a net loss attributable to shareholders totaling \$3,132,185 and used cash in operating activities of \$3,526,521. As at December 31, 2021, the Company had an accumulated deficit of \$195,765,377. As at December 31, 2021, the Company had cash and cash equivalents of \$2,234,600, accounts payable and accrued liabilities of \$828,565 and current loans payable of \$519,781.

Based on the Company’s financial position as at December 31, 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 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 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 for issuance on April 29, 2022.

3. 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 4. These financial statements are prepared in Canadian dollars, with all amounts rounded to the nearest dollar, unless otherwise stated.

EAST AFRICA METALS INC.

Notes to the Consolidated Financial Statements
For the years ended December 31, 2021 and 2020
Expressed in Canadian dollars

3. Significant accounting policies - continued

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 (note 6).

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, 2020, are 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%
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.

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.

c) Associates

An associate is an entity over whose operating and financial policies the Company exercises significant influence. Significant influence is presumed to exist where the Company has between 20 percent and 50 percent of the voting rights but can also arise where the Company holds less than 20 percent of the voting rights but has the power to be actively involved and influential in policy decisions affecting the entity. The Company's share of the net assets, post-tax results and reserves of the associate are included in the consolidated financial statements using the equity accounting method. This involves recording the investment initially at cost to the Company, and then, in subsequent periods, adjusting the carrying amount of the investment to reflect the Company's share of the associate's results. Unrealized gains on transactions between the Company and an associate are eliminated to the extent of the Company's interest in the associate.

EAST AFRICA METALS INC.

Notes to the Consolidated Financial Statements
For the years ended December 31, 2021 and 2020
Expressed in Canadian dollars

3. Significant accounting policies - continued

d) 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.

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 (losses) are recognized in the consolidated statements of loss. 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.

Translation of foreign operations results into the presentation currency

The results of operations and statements of financial positions 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 statements of financial position presented are translated at the closing rate at the date of the consolidated statement of financial position;
- 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 consolidated 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 consolidated comprehensive income (loss) and accumulated other comprehensive income (loss) in the consolidated statement of equity. When a foreign operation is sold, such exchange differences are recognized in the consolidated statements of loss as part of the gain or loss on sale.

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.

EAST AFRICA METALS INC.

Notes to the Consolidated Financial Statements
For the years ended December 31, 2021 and 2020
Expressed in Canadian dollars

3. Significant accounting policies - continued

iii. 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.

iv. 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) 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.

h) 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.

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.

l) 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 and useful lives of the assets are reviewed annually and adjusted if expectations differ from previous estimates. Amortization related to property and equipment used in exploration and evaluation activities are classified within exploration expenditures.

EAST AFRICA METALS INC.

Notes to the Consolidated Financial Statements
For the years ended December 31, 2021 and 2020
Expressed in Canadian dollars

3. Significant accounting policies - continued

The Company amortizes 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 (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 (losses) in the consolidated statements of loss.

m) 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 an 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.

n) 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 loss 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.

o) Income tax

Income tax on the consolidated statement of loss for the years presented comprises current and deferred tax. Income tax is recognized in the consolidated statements of loss 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.

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3. Significant accounting policies - continued

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.

p) 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.

q) 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.

r) 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 loss 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 the 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 changes in equity.

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.

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3. Significant accounting policies - continued

t) Impact of Covid-19

On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any health-related developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. All of the Company's operations in Ethiopia were suspended during 2021 due to COVID travel restrictions and the regional conflict that resulted in the suspension of all commercial enterprise in the Tigray region. The Company declared Force Majeure rights on all mining and exploration extension licenses in response to both COVID travel restrictions (March 2020) and the regional conflict (November 2020). Exploration and development programs on the Ethiopian projects will commence once the government-imposed travel restrictions are lifted and conditions deemed safe to deploy equipment and personnel into the field. The Company's Tanzanian operations were not significantly impacted by COVID. To date, it is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effect on the Company's business or ability to raise funds. In the preparation of these financial statements, the Company has incorporated the potential impact of COVID-19 into its estimates and assumptions that affect the carrying amounts of its assets and liabilities and the reported amount of its results using the best available information as of December 31, 2021. Actual results could differ from those estimates.

4. 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.

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. 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 (note 1).

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. 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.

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4. Significant accounting estimates and judgments - continued

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 disclosed in note 16, 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.

On September 22, 2020, a Settlements Deed was presented to the Court in Tanga and the judges for the Tanzanian Goldfields Company Limited (“TzGF”) appeal and the original legal action against Canaco Tanzania Limited (“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. 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 5), the ruling from the British Columbia International Commercial Arbitration Centre will be in favour of East Africa.

Measurement uncertainty - Tanzanian Mineral Property Interests assets

For the year ended December 31, 2019, management identified the commencement of the International Arbitration and Tanzanian legal disputes (note 4(c)) as indicators of impairment and performed an impairment assessment on its Tanzanian Assets.

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 was no impairment to East Africa’s Tanzanian mineral property interests at December 31, 2019 as the Tanzanian Government had postponed its default assessment as a result of the commencement of the International Arbitration and legal disputes in Tanzania. The default assessments were remedied as part of the terms of the Settlement Deed entered into on September 22, 2020.

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4. Significant accounting estimates and judgments – continued

d) Value Added Tax (“VAT”) – Taxes receivable recoverability

As at December 31, 2021, \$286,918 (2020 – \$235,543) was due from foreign governments to the Company’s foreign subsidiaries in Tanzania and Ethiopia for VAT. The Company is due refunds of certain taxes based on consumption, of which the timing of realization is uncertain. If these recoverable taxes are not collected, it could reduce the carrying value of these assets. Given limited methods available to recover these taxes and the length of time it takes to recover the taxes, management has recorded a provision for 100% of the taxes recoverable with the corresponding amount recorded in exploration and evaluation expenditures. Any collections from outstanding VAT will be credited back to exploration and evaluation expenditures.

5. 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 December 31, 2021, 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.

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.

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5. 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:

	December 31, 2021	December 31, 2020
Available for sale assets		
Cash	\$ 222,280	\$ 3,348
Mineral properties	3,595,740	3,526,320
Property, plant & equipment	134,670	210,867
	<u>\$ 3,952,690</u>	<u>\$ 3,740,535</u>
Available for sale liabilities		
Accounts payable and accrued liabilities	\$ 928,219	\$ 1,318,432

6. 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.

	December 31, 2021	December 31, 2020
Balance - opening	\$ 543,836	\$ 664,414
Income (loss) on investment	(45,285)	(120,578)
Balance - closing	<u>\$ 498,551</u>	<u>\$ 543,836</u>

Summary of Tigray Resources Incorporated PLC statements of financial position

	December 31, 2021	December 31, 2020
Current asset	\$ 139,075	\$ 89,313
Less -current liabilities	(42,247)	(40,389)
	96,828	48,924
Non-current assets	2,422,960	2,422,960
Less-non current liabilities	(857,950)	(659,097)
	1,565,010	1,763,863
Net assets	1,661,838	1,812,787
East Africa's share - percentage	30%	30%
East Africa's share - net assets	<u>\$ 498,551</u>	<u>\$ 543,836</u>

	Year ended December 31, 2021	2020
Revenues	\$ -	\$ -
Expenses	188,778	406,180
Net loss	(188,778)	(406,180)
Other comprehensive income (loss)	1,975	(75,412)
Comprehensive income (loss)	<u>\$ (186,803)</u>	<u>\$ (481,592)</u>

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7. Mineral property interests

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

	Tanzania		Ethiopia		
	Handeni property	Other properties	Harvest property		Total
Acquisition costs					
Balance - December 31, 2019	\$ 1,633,956	\$ 1,983,093	\$ 16,911,323	\$	20,528,372
Property payments	624	-	25,069		25,693
Foreign exchange	(50,718)	(40,635)	(333,330)		(424,683)
Reclassification to available for sale assets	(1,583,862)	(1,942,458)	-		(3,526,320)
Balance - December 31, 2020	-	-	16,603,062		16,603,062
Foreign exchange	-	-	(70,394)		(70,394)
Balance - December 31, 2020	\$ -	\$ -	\$ 16,532,668	\$	16,532,668

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.

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7. 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).

8. Property and equipment

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

	Buildings and roads	Office furniture and equipment	Computers and software	Leasehold improvements	Total
Cost					
Balance - December 31, 2019	\$ 1,893,677	\$ 359,270	\$ 391,800	\$ 98,576	\$ 2,743,323
Additions	-	-	282	-	282
Foreign exchange	(37,325)	(7,081)	(339)	(1,943)	(46,688)
Reclassification to available for sale assets	(1,856,352)	(124,474)	-	(96,633)	(2,077,460)
Balance - December 31, 2020	-	227,715	391,742	-	619,457
Foreign exchange	-	(966)	(1,662)	\$ -	(2,628)
Balance - December 31, 2021		\$ 226,749	\$ 390,080	\$ -	\$ 616,829
Accumulated amortization					
Balance - December 31, 2019	1,601,149	\$ 252,878	\$ 389,279	\$ 98,576	\$ 2,341,882
Amortization	-	-	269	-	269
Exploration amortization	79,963	10,755	1,826	-	92,544
Foreign exchange	(35,626)	(5,532)	(393)	(1,943)	(43,494)
Reclassification to available for sale assets	(1,645,486)	(124,474)	-	(96,633)	(1,866,593)
Balance - December 31, 2020	-	133,627	390,981	-	524,608
Foreign exchange	-	567	1,658	-	2,225
Balance - December 31, 2021		\$ 133,060	\$ 389,323	\$ -	\$ 522,383
Net book value					
Balance - December 31, 2020	\$ -	\$ 94,088	\$ 761	\$ -	\$ 94,849
Balance - December 31, 2021	\$ -	\$ 93,689	\$ 757	\$ -	\$ 94,446

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9. Loans payable

	December 31, 2021	December 31, 2020
Demand loans (a)		
Principal	\$ 300,000	\$ 550,000
Interest	179,781	143,724
	479,781	693,724
Canadian Emergency Business Account ("CEBA") loan (b)	40,000	40,000
	\$ 519,781	\$ 733,724

- 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 December 31, 2021 is \$179,781 (December 31, 2020 - \$125,615). 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.

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 was \$17,921. The loan principal plus accrued interest thereon of \$273,129 was repaid in full during the year ended December 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.

10. Share capital

- a) Authorized

Unlimited number of common shares without par value.

- b) Private placements

On November 6, 2020, the Company completed a private placement of 3,846,500 units at a price of \$0.13 per unit for total proceeds of \$500,045. Each unit consists of one common share of the Company and one non-transferrable warrant (note 10(f)). Each whole warrant will entitle the holder thereof to purchase one common share at an exercise price of \$0.35 for a period of 24 months from the date of closing.

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10. Share capital – continued

c) 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.

d) Debt settlement

During the year ended December 31, 2021, the Company issued 410,509 common shares to creditors to settle debts amounting to \$120,318.

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 year ended December 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 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.

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 year ended December 31, 2021, the Company granted 4,400,000 stock options, which vested on the grant date, with a fair value of \$769,991, which was recorded as share-based compensation. The stock options were valued using Black-Scholes model based on the following assumptions:

Expected life	Volatility	Dividend	Risk-free	Options	Fair value
5 years	78.20%	0%	0.91%	3,400,000	\$ 639,207
1 year	79.89%	0%	0.27%	1,000,000	130,784
				<u>4,400,000</u>	<u>\$ 769,991</u>

During the year ended December 31, 2020, the Company granted 1,000,000 stock options, which vested on the grant date, with a fair value of \$58,311 which was recorded as share-based compensation.

The stock options were valued using Black-Scholes model based on the following assumptions:

Expected life	Volatility	Dividend	Risk-free	Options	Fair value
		yield	interest rate	issued	
1 year	81.90%	0%	0.91%	<u>1,000,000</u>	<u>\$ 58,311</u>

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10. Share capital – continued

Details of stock options activity during the years ended December 31, 2021 and 2020 are as follows:

	December 31, 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	4,400,000	\$ 0.30	1,000,000	\$ 0.19
Exercised	(8,998,000)	\$ 0.13	(2,344,500)	\$ 0.10
Expired	(300,000)	\$ 0.15	-	\$ -
Closing balance	25,282,000	\$ 0.22	30,180,000	\$ 0.19

The weighted average market price of the options exercised was \$0.13 (2020- \$0.21).

The following table summarizes information about the stock options outstanding and exercisable at December 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	0.32
14,282,000	\$ 0.22	\$ 0.22	1.49
6,100,000	\$ 0.22	\$ 0.22	2.44
3,400,000	\$ 0.30	\$ 0.30	4.23
1,000,000	\$ 0.42	\$ 0.42	0.71
25,282,000		\$ 0.22	2.01

f) Warrants

Details of warrant activity during the years ended December 31, 2021 and 2020 are as follows:

	December 31, 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

The fair value of the 3,846,500 warrants issued in connection with the unit private placement completed during the year ended December 31, 2020 totaled \$91,153. The warrants were valued using the Black-Scholes valuation model, using the following assumptions:

Expected life	Volatility	Dividend yield	Risk-free interest rate	Warrants issued	Fair value	Warrant issue costs	Net
2 years	73.92%	0%	0.24%	3,846,500	\$ 91,153	\$ -	\$ 91,153

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10. Share capital – continued

As at December 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

11. 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

	December 31, 2021	December 31, 2020
NCI percentage	30%	30%
Current assets	\$ 37,862	\$ 25,781
Less -current liabilities	(39,920)	(26,723)
	(2,058)	(942)
Non-current assets	16,591,924	16,662,595
Less -non-current liabilities	(15,486,619)	(15,403,926)
	1,105,305	1,258,668
Net assets	\$ 1,103,246	\$ 1,257,726
Accumulated NCI	\$ 3,375,945	\$ 3,391,673

Summary of statements of loss and comprehensive loss

	Year ended December 31, 2021	2020
Net income (loss) for year	\$ (89,737)	\$ (149,957)
Comprehensive income (loss) for year	\$ (52,426)	\$ (476,927)

Summary of statements of cash flows

	Year ended December 31, 2021	2020
Net cash provided by (used in) operating activities	\$ (137,729)	\$ (171,878)
Net cash provided by (used in) investing activities	\$ -	\$ (25,069)
Net cash provided by (used in) financing activities	\$ 82,692	\$ 120,585

Changes to non-controlling interest

Balance - December 31, 2019	\$ 3,534,751
Non-controlling interests' share of loss	(44,987)
Non-controlling interests' share of other comprehensive income (loss)	(98,091)
Balance - December 31, 2020	3,391,673
Non-controlling interests' share of loss	(26,921)
Non-controlling interests' share of other comprehensive income (loss)	11,193
Balance - December 31, 2021	\$ 3,375,945

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12. Exploration and evaluation expenditure

	Tanzania, Handeni Property	Tanzania, Other Properties	Harvest Project	Year ended December 31, 2021
Exploration and evaluation expenditure				
Amortization	\$ -	\$ 74,731	\$ -	\$ 74,731
Camp and administration	6,394	342,335	80,213	428,942
Drilling	-	-	391	391
Geochemistry	4,670	-	9,111	13,781
Mobilization and storage costs	-	-	167,343	167,343
Provision for (recovery of) taxes	-	51,314	-	51,314
Technical services	-	-	4,613	4,613
Total for period	\$ 11,064	\$ 468,380	261,671	\$ 741,115

	Tanzania, Handeni Property	Tanzania, Other Properties	Harvest Project	Adyabo Project	Year ended December 31, 2020
Exploration and evaluation expenditure					
Amortization	\$ -	\$ 79,963	\$ 12,581	\$ -	\$ 92,544
Camp and administration	13,683	455,421	109,230	-	578,334
Drilling	-	-	12,141	-	12,141
Geochemistry	7,199	-	14,671	19,707	41,577
Geology	-	-	986	-	986
Provision for (recovery of) taxes	-	50,158	2,706	-	52,864
Mobilization and storage costs	-	-	338,117	-	338,117
Total for year	\$ 20,882	\$ 585,542	490,432	\$ 19,707	\$ 1,116,563

13. 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:

	Year ended December 31, 2021	2020
Services provided:		
Directors fees	\$ 69,000	\$ 69,000
Management and consulting fees	511,017	492,476
Share-based compensation	512,306	-
Technical services	4,613	-
Key management personnel compensation	\$ 1,096,936	\$ 561,476

	December 31, 2021	December 31, 2020
Balances payable to		
Balances payable to key management personnel for compensation	\$ 551,538	\$ 993,118
Balances payable to former key management personnel for compensation	-	35,375
	\$ 551,538	\$ 1,028,493

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

	December 31, 2021	December 31, 2020
Loan payable (note 9)	\$ 479,781	\$ 693,724

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14. Income tax

The Company's provision for income taxes for operations differs from the amounts computed by applying the combined Canadian federal and provincial income tax rates as a result of the following:

	Year ended December 31,	
	2021	2020
Expected rate	27%	27%
Income tax recovery (expense) computed at statutory rates	\$ 853,154	\$ 732,639
Share-based compensation and other permanent differences	(301,923)	(49,911)
Tax rate differences	12,351	11,114
Tax impact on foreign exchange	(194,216)	(244,073)
Temporary income tax benefits not recognized	(369,365)	(449,769)
Recovery of (provision for) income taxes	\$ -	\$ -

At December 31, 2021 and 2020, the deferred tax assets are not recognized on the following temporary differences as it is not likely that sufficient future taxable profits will be available to utilize such differences:

	Year ended December 31,	
	2021	2020
Deferred tax assets		
Capital losses	\$ 1,184,817	\$ 1,184,817
Financing costs	3,442	24,673
Mineral property interests	4,567,116	4,587,051
Non-capital losses	28,898,727	27,219,060
Property and equipment	23,749	23,776
Total gross deferred tax assets	34,677,852	33,039,377
Deferred tax assets not recognized	(34,677,852)	(33,039,377)
	\$ -	\$ -

At December 31, 2021, the Company has Canadian, Ethiopian and Tanzanian non capital losses, which may be carried forward to apply against future year's income for income tax purposes, subject to final determination by taxation authorities, as follows:

Country	Non-capital losses	Expiry date range
Canada	\$ 18,986,288	2030-2041
Ethiopia	\$ 2,082,161	2022-2031
Tanzania	\$ 72,328,140	Indefinitely

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 have ring-fencing loss rules for mining companies, whereby losses from one mining license area can only be offset against profits from the same mining license area.

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15. 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 on a geographical basis is as follows:

December 31, 2021	Canada	Ethiopia	Tanzania	Total
Investment in Tigray Resources Incorporated PLC	\$ -	\$ 498,551	\$ -	\$ 498,551
Mineral property interests	-	16,532,668	-	16,532,668
Property and equipment	-	94,446	-	94,446
Total non-current assets	\$ -	\$ 17,125,665	\$ -	\$ 17,125,665

December 31, 2020	Canada	Ethiopia	Tanzania	Total
Investment in Tigray Resources Incorporated PLC	\$ -	\$ 543,836	\$ -	\$ 543,836
Mineral property interests	-	16,603,062	-	16,603,062
Property and equipment	-	94,849	-	94,849
Total non-current assets	\$ -	\$ 17,241,748	\$ -	\$ 17,241,748

16. 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 5), the ruling from the British Columbia International Arbitration Centre will be in favour of East Africa.

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17. 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 December 31, 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:

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 December 31, 2021 and 2020, the Company is exposed to currency risk through the following assets and liabilities denominated in AUD, USD, TSH and ETB:

As at December 31, 2021

	AUD	USD	TSH	ETB
Cash and cash equivalents	-	1,017,024	5,140,497	1,156,700
Accounts receivable	-	(50,491)	-	81,387
Accounts payable and accrued charges	4,202	(167,965)	(9,980,776)	(277,484)
Net asset (liability)	4,202	798,568	(4,840,279)	960,603

As at December 31, 2020

	AUD	USD	TSH	ETB
Cash and cash equivalents	-	173	5,247,952	34,210
Accounts receivable	-	(50,491)	-	9,018
Accounts payable and accrued charges	4,202	(57,783)	(35,467,996)	(191,133)
Net asset (liability)	4,202	(108,101)	(30,220,044)	(147,905)

Based on the above net exposure as at December 31, 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 \$103,829 (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 years ended December 31, 2021, the Company has borrowings of \$300,000 (2020 - \$550,000) with an interest rate of 12% per annum.

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17. Financial instruments - continued

Based on the amount of cash and cash equivalents and borrowings as at December 31, 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 18. As at December 31, 2021, the Company had cash and cash equivalents of \$2,234,600 (2020 – \$185,532) to settle current liabilities of \$4,707,856 (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).

18. 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.