

# East Africa Metals Executes Binding Letter of Intent With Tibet Huayu Mining for the Financing and Development of the Terakimti, Mato Bula and Da Tambuk Deposits, Ethiopia

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VANCOUVER, Feb. 08, 2019 - East Africa Metals Inc. (TSX-V: EAM) ("East Africa", "EAM" or the "Company") is pleased to announce EAM have executed a binding Letter of Intent ("LOI") with Tibet Huayu Mining Co., Ltd ("Tibet Huayu") for the exploration, development and operation of EAM's Ethiopian Mining Assets; the Terakimti, Mato Bula and Da Tambuk gold projects located in the Tigray National Regional State of the Federal Democratic Republic of Ethiopia ("Ethiopia"). Tibet Huayu is a Chinese mining company with its headquarters in Lhasa, China and is publicly listed on the Shanghai Stock Exchange.

The LOI contemplates EAM transferring its equity interest in its Ethiopian subsidiary companies to Tibet Huayu and the parties entering into Joint Venture Contracts for the purpose of development and operation of EAM's Ethiopian Mining Assets. EAM owns 70% of the Harvest Mining PLC ("Harvest") and 100% of the [Tigray Resources Inc.](#) PLC ("TRI"). Harvest holds the Terakimti oxide gold mining license. EAM's subsidiary, TRI hosts the Mato Bula and Da Tambuk deposits ("Adyabo Property") which are in the final process of mine permitting.

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

- Provide a cash payment of US\$1.7M to EAM;
- Finance, develop and operate the Terakimti, Da Tambuk and Mato Bula projects.

On completion of the proposed transaction:

- Tibet Huayu will hold the rights (interest) to 55% post tax profits/Government distributions of Harvest and hold the rights (interest) to 70% of the post tax profits/Government distributions of TRI.
- EAM will hold the rights (interest) to 15% post tax profits/Government distributions of Harvest and hold the rights (interest) to 30% of the post tax profits/Government distributions of TRI.
- Closing conditions include:
  - Required approvals including and not limited to Board, Regulatory, and Government approvals;
  - Execution of the definitive agreement; and
  - EAM has received the cash payment of US\$1.7M.

EAM will retain the mineral rights, and all exploration obligations for the prospective targets not incorporated in the three mining licenses ("EAM Mineral Resources"). EAM shall give Tibet Huayu a right of first refusal of reasonable duration to acquire EAM's Mineral Resources. For consideration of the future Ethiopian Mineral Resources negotiations will be based on i) cash payment and ii) allocated % of post-tax profits of the new mineral resources. Tibet Huayu and EAM will use best efforts to finalize all conditions precedent and finalize the definitive agreement.

Andrew Lee Smith, East Africa's C.E.O. stated, "The signing of the binding LOI with Tibet Huayu marks a significant milestone for EAM and the emerging Ethiopian Mining sector. EAM's board and management look forward to a partnership that will see mine development and exploration agendas advancing parallel with the objective to establish mining operations and grow the current resource base through diamond drilling".

The key technical and base case pre-tax and post-tax metrics for each project are presented below (see

news release April 30, 2018):

| PARAMETER <sup>(3)</sup> |                      |             | PROJECT    |           |                          |  |  |
|--------------------------|----------------------|-------------|------------|-----------|--------------------------|--|--|
|                          |                      | Units       | Mato Bula  | Da Tambuk | Terakimti <sup>(1)</sup> |  |  |
| Mine Plan                |                      | Tonnes      | 3,335,000  | 650,000   | 1,086,000                |  |  |
| Grade                    | Gold                 | g/t         | 3.0        | 4.9       | 3.1                      |  |  |
|                          | Copper               | %           | 0.26       | % N/A     | N/A                      |  |  |
|                          | Silver               | g/t         | 0.70       | 2.3       | 22.9                     |  |  |
| Metal Recoveries         | Gold                 | %           | 86.4       | % 93.0    | % 65.0                   |  |  |
|                          | Copper               | %           | 87.4       | % N/A     | N/A                      |  |  |
|                          | Silver               | %           | 50.0       | % 50.0    | % 30.0                   |  |  |
| Recovered Metals         | Gold                 | Ozs         | 278,000    | 95,000    | 71,000                   |  |  |
|                          | Copper               | Lbs (x000)  | 13,353     | N/A       | N/A                      |  |  |
|                          | Silver               | Ozs         | 38,300     | 24,000    | 229,000                  |  |  |
|                          | Au Eq <sup>(4)</sup> | Ozs         | 305,000    | 95,000    | 74,000                   |  |  |
| Capital Cost             |                      | US\$(x000)  | \$ 54,200  | \$ 34,030 | \$ 17,180                |  |  |
| Sustaining Capital       |                      | US\$(x000)  | \$ 5,600   | \$ 8,030  | \$ 1,720                 |  |  |
| Operating Cost           | Site - C1            | US\$/tonne  | \$ 47.53   | \$ 61.85  | \$ 34.10                 |  |  |
| Metal Prices             |                      |             |            |           |                          |  |  |
| Gold Price               | US\$/oz              |             | \$ 1,325   | \$ 1,325  | \$ 1,325                 |  |  |
| Copper Price             | US\$/lb              |             | \$ 3.00    | N/A       | N/A                      |  |  |
| Silver Price             | US\$/oz              |             | \$ 17.00   | \$ 17.00  | \$ 17.00                 |  |  |
| PRE-TAX                  |                      |             |            |           |                          |  |  |
| Cash Flow                |                      | US\$(x000)  | \$ 139,710 | \$ 31,160 | \$ 29,360                |  |  |
| NPV @8%                  |                      | US\$(x000)  | \$ 83,820  | \$ 20,670 | \$ 19,470                |  |  |
| IRR                      |                      | %           | 34.1       | % 37.8    | % 37.4                   |  |  |
| POST-TAX                 |                      |             |            |           |                          |  |  |
| Cash Flow                | LOM                  | US\$ (x000) | \$ 97,700  | \$ 20,615 | \$ 20,890                |  |  |
| NPV @8%                  |                      | US\$ (x000) | \$ 56,660  | \$ 13,020 | \$ 13,180                |  |  |
| IRR                      |                      | %           | 28.4       | % 28.6    | % 30.1                   |  |  |
| OTHER METRICS            |                      |             |            |           |                          |  |  |
| Payback                  |                      | Years       | 3.0        | 1.9       | 2.4                      |  |  |
| C1 Op Cost               |                      | US\$/oz Au  | \$ 412     | \$ 420    | \$ 465                   |  |  |
| AISC                     |                      | US\$/oz Au  | \$ 620     | \$ 642    | \$ 649                   |  |  |

On behalf of the Board of Directors:  
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#### Cautionary Statement Regarding Forward-Looking Information

This news release contains "forward-looking information" within the meaning of applicable Canadian securities legislation. Generally, forward-looking information can be identified by the use of forward-looking terminology such as "anticipate", "believe", "plan", "expect", "intend", "estimate", "forecast", "project", "budget", "schedule", "may", "will", "could", "might", "should", "indicate" or variations of such words or similar words or expressions. Forward-looking information is based on reasonable assumptions that have been made by East Africa as at the date of such information and is subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of East Africa to be materially different from those expressed or implied by such forward-looking information, including but not limited to: timing of receipt of approvals related to the LOI and Definitive Agreement; timing of receipt of mining permits; timing of mining development; projected heap leach

*recoveries ; engineering study assessments and results, metal and mineral prices; availability of capital; accuracy of East Africa's projections and estimates, including the mineral resources for the Adyabo and Harvest; estimated timing of receipt of the Adyabo mining licence applications and/or exploration licence extensions, interest and exchange rates; mineral exploration and development; accuracy of East Africa's projections and estimates, including the initial mineral resource for the Adyabo and Harvest; interest and exchange rates; competition; stock price fluctuations; availability of drilling equipment and access; actual results of current exploration activities; government regulation; political or economic developments; foreign taxation risks; environmental risks; insurance risks; capital expenditures; operating or technical difficulties in connection with development activities; personnel relations; the speculative nature of strategic metal exploration and development including the risks of diminishing quantities of grades of reserves; contests over title to properties; and changes in project parameters as plans continue to be refined, as well as those risk factors set out in East Africa's management's discussion and analysis for the three months and nine months ended September 30, 2018 and for the year ended December 31, 2017, and East Africa's listing application dated July 8, 2013 Mineral Resources which are not Mineral Reserves do not have demonstrated economic viability. The contained gold, copper and silver figures shown are in situ. No assurance can be given that the estimated quantities will be produced. Forward-looking statements are based on assumptions management believes to be reasonable, including but not limited to the timely closing of the financing; the timely closing of the Handeni Property definitive agreement; the price of gold, silver, copper and zinc; the demand for gold, silver, copper and zinc; the ability to carry on exploration and development activities; the timely receipt of any required approvals; the ability to obtain qualified personnel, equipment and services in a timely and cost-efficient manner; the ability to operate in a safe, efficient and effective manner; the renewal or extension of exploration Licenses; the regulatory framework regarding environmental matters, and such other assumptions and factors as set out herein. Although East Africa has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. The Company does not update or revise forward looking information even if new information becomes available unless legislation requires the Company do so. Accordingly, readers should not place undue reliance on forward-looking information contained herein, except in accordance with applicable securities laws. Neither TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.*

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