

AFRI-CAN MARINE MINERALS CORPORATION

Management's Discussion and Analysis of Financial Condition and Results of Operations

INTRODUCTION

This Discussion and Analysis of the financial position and results of operations ("MD&A") of Afri-Can Marine Minerals Corporation ("Afri-Can", the "Company", the "Corporation" or "AFA") should be read in conjunction with the accompanying Management's Responsibility for Financial Reporting statement, the Auditors' Report to Shareholders, the Consolidated Financial Statements of the Corporation and the notes thereto for the fiscal years ended August 31, 2007 and August 31, 2006. Unless expressly stated otherwise, all references to dollar amounts are in Canadian dollars.

The effective date of this MD&A is December 20, 2007.

Additional information about Afri-Can is available on SEDAR at www.sedar.com.

FORWARD-LOOKING STATEMENTS

Certain statements contained herein are forward-looking, and are based on the opinions and estimates of management, or on opinions and estimates provided and accepted by management. These opinions and estimates include those that relate to geological and mining factors, commodity prices and marketing parameters used by management.

Forward-looking statements are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ, possibly significantly. When used in this document, the words such as "could", "plan", "estimate", "expect", "intend", "intent", "may", "potential", "should", and similar expressions are forward-looking statements. Although Afri-Can believes that its expectations reflected in these forward-looking statements are reasonable, such statements involve risks and uncertainties and no assurance can be given that actual results will be consistent with these forward-looking statements. The Company undertakes no obligation to update forward-looking statements if circumstances or management's estimates or opinions should change. Readers are therefore cautioned not to place undue reliance on any forward-looking statements.

RESULTS OF OPERATIONS

The fundamental nature of Afri-Can's activities has not changed over recent years. As a Canadian development and exploration-stage company listed on the TSX Venture Exchange, the Corporation's primary objective is the discovery and/or acquisition of marine diamonds and minerals exploration prospects in Namibia, capable of rapid advancement to feasibility stage and their ultimate development as producing properties.

Exploration

Joint Venture and Properties in Namibia

BLOCK J / WODUNA CONCESSION

On January 11, 2006, the Corporation concluded an agreement with **INTERNATIONAL MINING AND DREDGING HOLDING LTD. (“IMD”)** in order to resume a sampling and resource delineation program on the marine concession Block J held at 70% by the Corporation in Namibia.

The agreement states that Afri-Can will pay a mobilization/demobilization fee and daily vessel chartering costs plus fuel consumption. The complete program is estimated to cost up to US \$2.5 million. Under the terms of the agreement, Afri-Can is required to make an upfront payment of US \$300,000 upon mobilization of the vessel and to pay fuel consumption costs at the end of each month of vessel utilization. The remaining balance, estimated to be about US \$1.8 million after deduction of the upfront and fuel payments, becomes due 30 days following the completion of the sampling program. Payment of this balance is subject to payment options approved by Afri-Can’s shareholders on February 23, 2006 by a vote of 99.8% in favor of the agreement. As a result of this vote, the IMD agreement is now in force.

The first phase of our planned resources delineation program for Block J was completed on November 22, 2006. This phase entailed a geophysical survey of 854 line/kilometers and the extraction of 38 vibracore samples. The analysis and interpretation of these results has been underway throughout the year, and will lead to the final detailed planning of a bulk sampling phase during fiscal 2008 that will consist of the extraction of about 319 large samples of 10 square meters each.

In addition to the geophysical survey completed in November 2006, the Corporation’s technical team produced: on January 31, 2007, a National Instrument 43-101 report, based on the work done by the Corporation before the start of the fiscal 2007 exploration program that estimated a preliminary diamond potential of Block J; on July 5, 2007, a progress report on Feature 6 has shown an increase of the feature’s prospective area by 57%; and on September 27 and November 20, 2007, two progress reports on Feature 8 and Feature 17 respectively confirmed an increase in the size of the prospective area and validated the diamond potential model.

A final comprehensive report on the first phase of the resources delineation program, compliant with National Instrument 43-101 and encompassing all of the progress reports, is tentatively scheduled to be completed before the end of the first quarter 2008. This report will enable the Corporation to finalize the preparation and scheduling program for the second phase of the resources delineation program.

The second phase of the resource delineation program involving bulk sampling is tentatively scheduled to start by during the first quarter of 2008, and will be carried out over a period of about 6 months. The aim of the complete program is to delineate diamond resources in compliance with National Instrument 43-101 on at least two features of Block J.

HAIB COPPER CONCESSION

On May 26, 2005 Afri-Can announced that Afri-Can and Deep South had signed an Option and Operating Agreement (“Option Agreement”) with Copper Resources Corporation (“CRC”) whereby CRC will acquire Afri-Can’s option to manage the exploration programs and earn a 70% undivided interest in the Haib Copper project in Namibia.

Since the CRC transaction, Afri-Can no longer had any financial obligations to Deep South. On June 20th, 2007 Deep South informed the Corporation that it considers CRC to have withdrawn from the Option Agreement. This fact gives the Corporation an opportunity to undertake a strategic review of its options concerning the potential development of Haib.

In October 2004, the Corporation issued a 43-101 technical report on the Haib project that confirms that the historic indicated resource in the high grade section of the deposit totals 292 million tonnes at 0.46% Cu, which is in excess of 2.9 billion pounds of copper in situ. The objective of the review will be to identify options available to the Corporation in light of the higher copper prices since the last review of the project in 2005.

SELECTED ANNUAL DISCLOSURE

The following table sets forth selected financial information for the fiscal year 2007, 2006, 2005, 2004, 2003, and 2002.

Complete fiscal year

	FISCAL 2007	FISCAL 2006	FISCAL 2005	FISCAL 2004	FISCAL 2003	FISCAL 2002
For the fiscal year ending:	31/08/07	31/08/06	31/08/05	31/08/04	31/08/03	31/08/02
	\$	\$	\$	\$	\$	\$
General and administrative expenses	1,550,848	1,231,729	954,713	1,011,394	799,809	887,505
Loss before write-downs	1,483,957	1,265,234	1,038,142	1,055,289	882,920	980,317
Loss and diluted loss per share (before write downs)	0.010	0.010	0.012	0.014	0.010	0.020
Net loss	1,483,957	1,265,234	6,849,562	4,835,086	891,676	980,317
Net Loss and diluted net loss per share	0.010	0.010	0.080	0.060	0.010	0.020
Current assets	1,923,044	687,679	345,862	93,217	160,148	934,957
Total assets	8,232,960	5,238,097	4,738,641	10,053,595	13,451,968	13,006,819
Current liabilities	526,430	211,638	133,084	938,334	974,476	569,277
Due to directors	458,038	513,980	356,042	812,162	239,913	59,557
Shareholders' equity	7,248,492	4,512,479	4,249,515	8,303,099	13,451,968	13,006,819

Discussion on the Selected Financial Information

Since inception, Afri-Can's business model has been straightforward: to develop the Block J concession first and once that project has reached an advanced stage, to develop the other concessions.

Prior to this year's exploration program, the last major marine exploration programs carried out by the Corporation were done during the fiscal years 2002 and 2003. Until the end of fiscal year 2004, the Corporation's exploration activities were centered on the preparation of an in-depth sampling program for the entire 41 km² already identified as diamondiferous or potentially diamondiferous. The work also included the preparation of a complete Scope of Work combined with the development of an exclusive exploration sampling tool that could be mounted on existing airlift-equipped vessels.

Many, if not all, of the positive aspects of Afri-Can's marine exploration programs over the 2001 to 2003 period were overshadowed by problems encountered by Afri-Can's competitors. These problems not only had a negative impact on capital markets for those in the offshore marine diamond business, they forced Afri-Can to delay the implementation of its exploration programs in 2004 and to place Block J concession on a care and maintenance basis during fiscal 2005 and the first quarter of fiscal 2006. During this period the Corporation concentrated its efforts on strengthening its balance sheet and completing the work required to sign a comprehensive partnership with an experienced technical partner in the industry.

With the signing of our agreement with IMD and its subsequent ratification by shareholders during the second quarter of 2006, the Corporation lifted the care and maintenance status and recommenced activities on the Block J concession.

During the second half of fiscal 2006, Management spent time re-activating and working with the technical team, under the stewardship of Mr. Dick Foster, in order to prepare for the planned exploration programs.

During fiscal 2007, the Corporation completed the first phase of its exploration program, a geophysical survey totaling 854 line-kilometers, combined with the extraction of 38 vibracore samples.

In addition to the geophysical survey completed in November 2006, the Corporation's technical team produced: on January 31, 2007, a National Instrument 43-101 report, based on the work done by the Corporation before the start of the fiscal 2007 exploration program that estimated a preliminary diamond potential of Block J; on July 5, 2007, a progress report on Feature 6 has shown an increase of the feature's prospective area by 57%; and on September 27 and November 20, 2007, two progress reports on Feature 8 and Feature 17 respectively confirmed an increase in the size of the prospective area and validated the diamond potential model.

General and administrative expenses and loss before write down for the period stood at \$ 1,550,848 and \$ 1,483,957 versus the average for the last six equivalent periods that stand respectively at \$ 1,072,666 and \$ 1,117,643.

The following factors have had a strong influence on operating costs: 1) Since 2006, the Corporation has increased its operational activities combined with its marketing efforts which resulted in higher travel expenses, remuneration, public relations and information to shareholders, and registration related costs; 2) Option-issuance related costs are a significant part of our operating costs (please refer to the relevant section of the MD&A and note 7 in the Financial Statements for details); and 3) Year-over-year the costs associated with corporate governance, audit fees, financial reporting and AGM fees continue to increase.

Overall Performance

During fiscal 2007, the Corporation incurred \$ 1,503,553 in exploration expenses for its Block J Woduna marine concession and \$ 108,288 in base metal exploration expenses related to Haib project versus \$ 169,428 in care and maintenance for its marine project for the same period last year. The \$ 1,503,553 in marine exploration expenses was invested on the Block J Woduna project and is composed of: \$ 457,092 (\$ 157,786 in 2006) in project management, geologist, consulting fees, taxes and permits; \$ 10,802 (\$ 11,642 in 2006) in travelling cost and \$ 1,017,659 (\$ 0 in 2006) in geophysical exploration expenses costs.

For the period, the Corporation's net loss increased by \$ 218,723 (or 17%), (\$ 1,483,957 versus \$ 1,265,234), general and administrative expenses increased by \$ 319,119 (or 26%) while other costs decreased by \$ 100,396.

The general and administrative expense increase of \$ 319,119 (or 26%) over the same period last year was mostly due to increases of \$ 183,271 in stock-based compensation expenses (\$ 297,786 versus \$ 114,515) (note 7 in the Financial Statements) and increases in information to shareholders and registration fees of \$ 117,061 (or 200%) (\$ 175,489 versus \$ 58,428) incurred during the fiscal year.

Overall increases in salaries, fringe benefits and management fees of \$ 31,670 (or 10%); office expenses of \$ 18,372 (or 9%) and traveling cost of \$ 44,517 (or 55%) were partially offset by decreases of \$ 35,651 (or 14%) in professional fees, and \$ 40,913 (or 15%) in public relations expenses.

The (\$ 66,891) in other costs are composed of foreign exchange gain of \$ 26,295; \$ 31,157 in expenses recovered from a company managed by directors and \$ 9,439 in interest income.

The Corporation's foreign exchange gain results from the fact that some monetary assets and liabilities of the Corporation are denominated in Namibian dollars and United States dollars. During the period the corporation incurred a \$ 26,295 foreign exchange gain which represents a cash gain incurred during the normal course of operations.

Summary of Quarterly Results

The following table sets forth selected financial information covering the eight most recently completed quarters.

	FISCAL 2007				FISCAL 2006			
For the quarter ending:	31/08/07	31/05/07	28/02/07	30/11/06	31/08/06	31/05/06	28/02/06	30/11/05
	\$		\$	\$	\$		\$	\$
General and administrative expenses	424,621	575,021	297,730	253,476	318,812	245,621	437,801	229,495
Loss before write downs and stock based compensation	472,823	218,989	310,340	250,910	327,247	250,599	457,350	230,038
Loss and diluted loss per share (before write downs)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net loss	405,932	516,775	310,340	250,910	327,247	250,599	457,350	230,038
Net loss and diluted net loss per share	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Current assets	1,923,044	556,498	479,943	480,483	687,679	72,025	39,453	120,816
Total assets	8,232,960	6,473,376	6,249,107	6,093,216	5,238,097	4,490,250	4,450,811	4,495,872
Current liabilities	526,430	966,208	794,252	1,184,807	211,638	77,328	268,958	125,359
Due to directors	458,038	560,383	539,201	653,189	513,980	670,004	493,696	351,037
Shareholders' equity	7,248,492	4,946,785	4,915,654	4,255,219	4,512,479	3,742,918	3,688,157	4,019,477

Discussion on the Selected Quarterly Financial Information

Over the last eight quarters, the average general and administrative expenses and loss before write-down and stock-based compensation stood respectively at \$ 347,822 and \$ 296,284.

The following factors have a strong influence on our operating costs: 1) Since 2006, the Corporation has increased its operational activities combined with its marketing efforts and this resulted in higher travel costs, remuneration, public relations and information to shareholders and registration related costs; 2) Options issuance related costs are a significant part of our operation costs (please refer to relevant section of MD&A and Financial Statements, note 7 for details); and 3) Year-over-year the costs associated with corporate governance, audit fees, financial reporting and AGM fees continue to increase.

As a result of the above, average general and administrative expenses minus stock-base compensation of \$ 300,000 per quarter represent a good indicative level of the quarterly cost of operating the Corporation. Of this amount, \$100,000 represents compensation payable to members of management, and professional fees payable to two directors of the Corporation (please refer to section entitled Transactions with Related Parties for more details).

Overall Quarterly Performance

During the last quarter of fiscal 2007, the Corporation incurred \$ 222,015 in exploration expenses for its marine concession and base metal exploration expenses related to the Haib project versus \$ 136,873 for the same period last year.

For the quarter, the Corporation's net loss decreased by \$ 110,843 (or 21%), (\$ 405,932 versus \$ 516,775), general and administrative expenses decreased by \$ 150,400 while other costs increased by \$ 39,557.

Liquidity

As a development stage company, the Corporation does not generate any cash through its operations. The ability of the Corporation to meet its current obligations and future development plans is fully dependent on management's ability to secure sufficient injection of funds from private placements and other equity-related fund raising programs.

During fiscal 2007, Afri-Can's working capital requirement was around \$ 200,000 per quarter, for fiscal 2008 this number should once again approximate \$ 200,000 per quarter. (Note that these amounts do not include management's salaries and fees, nor professional fees owed to other insiders of the Corporation (please refer to Discussion on the Selected Quarterly Financial Information and Transaction with Related Parties for more details)).

With the restart of Afri-Can's marine exploration activities, during fiscal 2007 the Corporation's exploration related capital requirement, excluding the cost of the IMD contract, stood at \$ 122,000 per quarter. The Corporation anticipates that the amounts required for fiscal 2008 will approximate an additional \$ 120,000 per quarter.

Capital Resources

As of August 31, 2007 the Corporation's working capital stood at \$ 1,396,614 (versus a working capital of \$ 476,041 as of August 31, 2006).

The Corporation's working capital position as at August 31, 2007 also includes an amount of \$ 435,607 (\$ 429,630 at end of the third quarter) representing exploration related charges incurred and included in Accrued Liabilities. In conformity with Canadian Generally Accepted Accounting Principles, the Accrued Liabilities represent management's best estimate, based on the daily cost schedule included in the contract with IMD, of the cost of the first phase of the exploration program completed on November 22, 2006.

Under the terms of the agreement, these charges will not be invoiced until 30 days after the completion of the exploration program, and the payment of these future invoices is subject to the agreement entered into between the parties. (Please refer to the relevant section of the MD&A and Financial Statements, note 13, marine concessions, for details.)

The Corporation's current assets as of August 31, 2007 includes the following items: cash of \$ 974,777 (\$ 567,300 as of August 31, 2006); \$ 815,395 (118,004 as of August 31, 2006) in amounts receivable; and \$ 132,872 (\$ 2,375 as of August 31, 2006) in prepaid expenses. Afri-Can's \$ 526,430 (\$ 211,638 as of August 31, 2006) in current liabilities includes the following items: \$ 38,526 (\$ 38,899 as of August 31, 2006) in general accounts payable; \$ 435,607 (\$ 42,000 as of August 31, 2006) in accrued liabilities and \$ 52,297 (\$ 130,739 as of August 31, 2006) in dues to directors and corporations held by directors.

In order to improve its working capital position, the Corporation may proceed with other private placements during fiscal 2008.

Financial Instruments

Financial instruments used by the Company consist of cash and amounts receivable. Cash and amounts receivable are financial instruments used for working capital and any other corporate purposes.

As of August 31, 2007, the Corporation's cash was held in an interest bearing account with HSBC Bank of Canada while the Corporation amounts receivable were composed of commodity taxes receivable, and subscriptions receivable. All of the amounts included in subscriptions receivable were converted into cash between September 1st, and September 17th, 2007.

The Corporation operates internationally and as such is exposed to fluctuations in foreign exchange rates. The Corporation does not currently use financial instruments to limit its exposure to fluctuations in foreign exchange rates.

Capital Resources Requirements

The Corporation's commitments for capital expenditures for the coming fiscal year are nil.

Subsequent to signing the May 26, 2005 transaction with Copper Resources Corporation (CRC), responsibility for exploration expenditures related to the Haib Copper project has now been transferred to CRC. The June 20th, 2007 decision by Deep South to consider CRC to have withdrawn from the Option Agreement does not change the Corporation's nil financial obligations to the project, but it does open new opportunities that may result in the Corporation taken new financial responsibility. The Corporation is

undertaking a strategic review of its options concerning Haib, as of yet no formal decision as been taken, therefore making it difficult for the Corporation to quantify its future funding obligations.

The Corporation's planned marine exploration expenditures are subject to terms of the IMD agreement which was ratified by the shareholders at the Annual General Meeting held on February 23, 2006.

Under the terms of the agreement, the Corporation had, during fiscal 2007, a minimum-funding obligation of approximately US \$500,000. Included in this amount was an upfront payment of US \$300,000 payable to IMD upon mobilization of the vessel and US \$ 200,000 in fuel expenses related cost to be paid within 30 days of receiving the invoice. As of August 31, 2007, the contractor was paid the US \$ 300,000 up front payment and a US \$ 236,343 invoice (CDN \$ 253,691), related to fuel consumption of the vessel during the geophysical sampling, was paid during the last quarter of fiscal 2007.

Under the terms of the agreement, the Corporation does not have any minimum-funding obligation for fiscal 2008; the Corporation's financial obligation toward IMD will be clarified no later than 30 days after the completion of the sampling program (please refer to the Financial Statements, note 13, Commitments, for details).

The Corporation intends to fund its exploration programs and working capital requirement out of funds available and additional funds to be raised either through private placements, warrants and options exercises or through strategic associations.

Transactions with Related Parties

Legal and secretarial services are provided to the Corporation by a director of Afri-Can. For the fiscal year, an amount of \$ 55,290 in legal fees was accounted for as professional fees in the Consolidated Statement of Operations and Deficit and \$ 21,750 in share issuance expenses with regards to legal and secretarial services rendered.

Management services fees for an amount of \$ 129,960, accounted for as Salaries, fringe benefits and management fees was charged by a Corporation owned by a member of management who is also a director.

During the period \$ 75,000 in Chairman's fees was accounted for as professional fees by a director in connection with consulting services rendered to Afri-Can.

The transactions are made in the normal course of operations of the Corporation and are measured at the exchange value which is the amount agreed upon by both parties involved in the transactions. Amounts due to directors are non-interest bearing and with no specific repayment terms.

The \$ 510,335 total (\$ 644,719 as of August 31, 2006) due to directors payable at August 31, 2007 has now been divided into two sections.

Under Current liabilities, \$ 52,297 due to directors and corporations held by directors is related to expenses charged to their personal credit cards that have not yet been reimbursed by the Corporation. These charges have been incurred by management in order to accomplish their work.

The remaining due to Directors includes unpaid salaries and other fees totaling \$ 458,038 (August 31, 2006 - \$ 513,980). This amount is payable to two members of management who are also directors and another director of the Corporation.

Critical Accounting Estimates

The preparation of financial statements in conformity with Canadian Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, related amounts of revenues and expenses, the recoverability of mining properties and deferred exploration and development expenses, the valuation of environmental liabilities and disclosure of the contingent liability. Actual results could differ from those estimates.

A detailed summary of the entire Corporation's significant accounting policies and the estimates derived there from is included in Note 2 to the Annual Consolidated Financial Statements for the year ended August 31, 2007 and 2006.

The following policies are considered to be the critical accounting policies as they involve the use of significant estimates:

1) Translation of foreign currencies:

Monetary assets and liabilities in foreign currency of Canadian corporations and integrated foreign operations are translated at the exchange rate in effect at the balance sheet date, whereas other assets and liabilities are translated at exchange rates in effect at transaction dates. Revenue and expenses in foreign currency are translated at the average rate in effect during the year, with the exception of amortization, which is translated at the historical rate. Gains and losses are included in the earnings for the year.

2) Stock option plan:

On September 1, 2002, the Corporation adopted prospectively the new standards for stock-based payments (Section 3870, Stock-Based Compensation and Other Stock-Based Payments). This section defines recognition, measurement and disclosure standards for stock-based compensation to non-employees and employees. Under these new standards, all stock-based payments made to employees and non-employees must be systematically accounted for in the Corporation's financial statements. These standards define a fair value-based method of accounting and encourage companies to adopt this method of accounting for their stock-based employee compensation plans. The Corporation uses the Black-Scholes option-pricing model to estimate the value of the options granted. The cost is recognized as an increase to the compensation expense, deferred expenses, or professional fees and to contributed surplus. Any consideration paid by employees on the exercise of these stock options is credited to share capital.

3) Mining properties and deferred exploration and development expenses:

Costs related to the acquisition, exploration and development of mining properties are capitalized by property until the beginning of commercial production. If any, the accessory revenue carried over the period of exploration and development will be carried in decrease of the capitalized expenses. If commercially profitable ore reserves are developed, capitalized costs of the related mining property are reclassified as mining assets and amortized using the unit of production method.

If it is determined that capitalized acquisitions, exploration and development costs are not recoverable over the estimated economic life of the mining property, or the project is abandoned or has been delayed in an important way, the mining property is written down to its net known realizable value.

The recoverability of amounts recorded for mining properties and deferred exploration and development expenses is dependent upon the discovery of economically recoverable reserves, confirmation of the Corporation's interest in the underlying mining titles, the ability of the Corporation to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof. The amounts shown for mining properties and deferred exploration and development expenses do not necessarily represent actual or future values.

Write-down of Deferred Exploration Expenses

As a matter of policy, Afri-Can undertakes a review of the carrying values of its mining properties and related expenditures during the fourth quarter of each fiscal year or whenever events or changes in circumstances indicate that their carrying values may exceed their recoverable value. A write-down is recognized when the carrying value of those assets is not recoverable or exceeds their fair value. In undertaking this review, management is required to make significant estimates. These estimates are subject to various risks and uncertainties, which may ultimately have an effect on the expected recoverability of the carrying values of the mining properties and related expenditures.

Outstanding Share Data

During the year, the Corporation completed \$ 3,145,500 (21,482,821 common shares) worth of private placements, exercised \$ 97,000 (800,000 common shares) worth of options and exercised \$ 752,815 (4,633,135) worth of warrants.

As of August 31, 2007 and December 20th, 2007, Afri-Can had 145,558,390 (118,642,434 as of August 31, 2006) shares issued and outstanding with a paid in value of \$ 36,812,755 (or \$ 0.25 of paid in value per shares issued), 14,976,808 warrants (11,401,062 as of August 31, 2006) and 6,195,000 options outstanding (3,625,000 as of August 31, 2006), for a fully-diluted share position of 166,730,198.

SHARE CAPITAL

The authorized share capital of the Corporation consists of an unlimited number of shares and of which 145,558,390 were outstanding as of the date hereof.

OTHER

As required by Multilateral Instrument 52-109, Afri-Can evaluated the effectiveness of its disclosure controls and procedures and the internal control over financial reporting as of August 31, 2007 under the supervision and with the participation of the President and Chief Executive Officer and the Executive Vice-President and CFO. Based on the results of this evaluation, the President and Chief Executive Officer and the Executive Vice-President and CFO concluded that the design and operation of these disclosure controls and procedures were generally effective.

The only issue identified during the process was related to internal control over financial reporting. The issued identified, the concentration of some duties, is one that affects small companies. As a small organization, the Corporation's management is composed of a small number of key individuals, resulting in a situation where limitations in segregation of duties have to be compensated by more effective supervision and monitoring by the CEO and CFO. Afri-Can's officers will continue to monitor very closely all financial activities of the corporation and increase the level of supervision in key areas. It is important to note that this issue would also require the Corporation to hire additional staff in order to provide greater segregation of duties. Since the increased funding costs of such hiring could threaten the

Corporation's financial viability, Afri-Can's management has chosen to disclose the potential risk in its filings and proceed with increased staffing only when budgets will enable that action.

There has been no change in the Corporation internal control over financial reporting during the most recent full fiscal year and most recent interim period.

RISKS

All of the resource properties in which the Corporation has joint-venture agreements are at the exploration stage only and are without a known body of commercial ore or minerals. Substantial expenditures are required for our marine exploration programs and the development of reserves. In the absence of cash flow from operations, the Corporation relies on capital markets to fund its exploration and evaluation activities. Capital market conditions and other unforeseeable events may impact the Corporation's ability to finance and develop its projects.

While discovery of diamonds may result in substantial rewards, few exploration properties ultimately evolve into producing mines. Major expenditures are required to identify, confirm reserves and to construct mining and processing facilities. It is impossible to know whether the Corporation's current exploration programs will ultimately result in a profitable commercial mining operation.

A number of factors determine the economic viability of a diamond deposit. They include the size of the deposit; the quantity, quality and average unit carat size of the diamonds; the proximity of the deposit to existing infrastructure; the estimated development and operating costs; the financing costs and the projected cash flows; the prevailing prices and markets for diamonds; and the competitive nature of the industry. Also of key importance are governmental regulations, including those relating to taxes, royalties, land use, the environment, and interests and socio-economic impacts on affected communities.

In addition, although the Corporation has taken steps to verify that it holds good title to its mineral properties, there can be no guarantee that the Corporation's title may not be subject to unregistered prior agreements, encumbrances or adverse regulatory requirements. The consequences of these risks cannot be accurately predicted, but any combination of them may impair the development of a deposit or render it uneconomic.

The Corporation intends to continue the evaluation and exploration of its properties subject to the availability of financing on acceptable terms. The Corporation intends to finance these activities either through existing financial resources or through additional equity or quasi-equity financing. However, there can be no assurance that the Corporation will be able to raise such additional equity.

(s) Bernard J. Tourillon
Bernard J. Tourillon, MBA
Executive Vice-President and CFO

Montreal, December 20, 2007

Consolidated Financial Statements of

**AFRI-CAN MARINE MINERALS
CORPORATION**

For the years ended August 31, 2007 and 2006

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of Afri-Can Marine Minerals Corporation and all information herein is the responsibility of Management. The consolidated financial statements have been prepared by Management in accordance with Canadian generally accepted accounting principles and where appropriate include Management's best estimates and judgments. Management has reviewed the financial information presented throughout this report and has ensured it is consistent with the consolidated financial statements.

Management maintains a system of internal control designed to provide reasonable assurance that assets are safeguarded from loss or unauthorized use, and that financial information is timely and reliable.

The Board of Directors is responsible for ensuring that Management fulfils its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements. The Board carries out this responsibility principally through its Audit Committee.

The Board of Directors appoints the Audit Committee, and three of the four members are non-executive directors. The Audit Committee meets periodically with Management and the Corporation's auditors to review internal controls, audit results, accounting principles and related matters. The Board of Directors approves the consolidated financial statements on the recommendation of the Audit Committee.

Raymond Chabot Grant Thornton LLP, an independent firm of Chartered Accountants, was appointed to audit the consolidated financial statements and provide an independent professional opinion.

The Board of Directors has approved the Corporation's consolidated financial statements for the years ended August 31, 2007 and 2006 on the recommendation of the Audit Committee.

(s) Pierre Léveillé
Pierre Léveillé
President and Chief
Executive Officer

(s) Bernard J. Tourillon
Bernard J. Tourillon, MBA
Executive Vice-President and Chief
Financial Officer

Montréal, Canada
December 20, 2007

Auditors' Report

To the Shareholders of
Afri-Can Marine Minerals Corporation

We have audited the consolidated balance sheets of Afri-Can Marine Minerals Corporation (a company operating in the exploration and development of mining properties) as at August 31, 2007 and 2006 and the consolidated statements of deferred exploration and development expenses, operations and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at August 31, 2007 and 2006 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Raymond Chabot Grant Thornton LLP

Chartered Accountants

Montréal, Canada
December 20, 2007

AFRI-CAN MARINE MINERALS CORPORATION

Consolidated Financial Statements

For the years ended August 31, 2007 and 2006

Financial Statements

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AFRI-CAN MARINE MINERALS CORPORATION

Consolidated Balance Sheets
As at August 31, 2007 and 2006

	2007	2006
	\$	\$
Assets		
Current assets:		
Cash	974,777	567,300
Amounts receivable (note 3)	815,395	118,004
Prepaid expenses	132,872	2,375
	1,923,044	687,679
Note receivable, without interest	-	24,433
Fixed assets (note 4)	16,288	19,198
Mining properties (note 5)	978,621	978,621
Deferred exploration and development expenses (note 6)	5,140,007	3,528,166
Cash in trust related to Haib project	175,000	-
	8,232,960	5,238,097
Liabilities		
Current liabilities:		
Accounts payable	38,526	38,899
Accrued liabilities	435,607	42,000
Due to directors and corporation held by directors, without interest	52,297	130,739
	526,430	211,638
Due to directors, without interest or repayment terms	458,038	513,980
	984,468	725,618
Shareholders' equity		
Share capital, options and warrants (note 7)	36,812,755	33,519,419
Contributed surplus (note 7)	1,377,084	450,450
Deficit	(30,941,347)	(29,457,390)
	7,248,492	4,512,479
	8,232,960	5,238,097

Governing Statutes, Nature of Operations and Going Concern Assumption (note 1)
Commitments (note 13)

See accompanying notes to consolidated financial statements.

On behalf of the Board:

(s) Pierre Léveillé Pierre Léveillé , director
(s) Marcel Drapeau Marcel Drapeau , director

AFRI-CAN MARINE MINERALS CORPORATION

Consolidated Statement of Deferred Exploration and Development Expenses
Years ended August 31, 2007 and 2006

	2007	2006
	\$	\$
Exploration and development expenses:		
Project management, geologist, consulting fees, taxes and permits	475,092	157,786
Travelling	10,802	11,642
Geophysical exploration expenses	1,017,659	-
Base metal exploration expenses related to Haib project	108,288	-
Increase during the year	1,611,841	169,428
Balance, beginning of year	3,528,166	3,358,738
Balance, end of year	5,140,007	3,528,166

See accompanying notes to consolidated financial statements.

AFRI-CAN MARINE MINERALS CORPORATION

Consolidated Statement of Operations and Deficit
Years ended August 31, 2007 and 2006

	2007	2006
	\$	\$
General and administrative expenses:		
Travelling	125,774	81,257
Professional fees	225,977	261,628
Salaries, benefits and management fees	350,427	318,757
Stock-based compensation expenses	297,786	114,515
Office	117,108	98,736
Information to shareholders and registration fees	175,489	58,428
Public relations	224,186	265,099
Interest	18,140	19,950
Bank charges	8,874	6,923
Depreciation of fixed assets	7,087	6,436
	1,550,848	1,231,729
Others:		
Foreign exchange loss (gain)	(26,295)	21,908
Doubtful accounts	-	14,727
Interest income	(9,439)	(3,130)
Expenses recovered	(31,157)	-
	(66,891)	33,505
Net loss	1,483,957	1,265,234
Deficit, beginning of year	29,457,390	28,192,156
Deficit, end of year	30,941,347	29,457,390
Net loss per share, basic and diluted	(0.01)	(0.01)
Weighted average number of shares outstanding	123,494,652	107,678,600

See accompanying notes to consolidated financial statements.

AFRI-CAN MARINE MINERALS CORPORATION

Consolidated Statement of Cash Flows
Years ended August 31, 2007 and 2006

	2007	2006
	\$	\$
Cash flows from operating activities:		
Net loss	(1,483,957)	(1,265,234)
Adjustments to:		
Depreciation of fixed assets	7,087	6,436
Stock-based compensation expenses	326,221	126,030
Unrealized exchange loss (gain)	(29,360)	5,353
	(1,180,009)	(1,127,415)
Changes in non-cash working capital:		
Amounts receivable	(20,391)	47,430
Prepaid expenses	(130,497)	75,632
Accounts payable	(81)	(15,248)
Accrued liabilities	(37,120)	-
	(188,089)	107,814
	(1,368,098)	(1,019,601)
Cash flows from financing activities:		
Increase (decrease) in due to directors and corporation held by directors	(78,442)	130,709
Increase in due to directors	42,058	105,597
Issuance of common shares and units	3,220,315	1,612,139
Share and unit issue costs	(113,290)	(100,908)
	3,070,641	1,747,537
Cash flows from investing activities:		
Note receivable	24,433	-
Advance to a corporation controlled by a director	-	(98,000)
Acquisition of fixed assets	(4,177)	-
Deferred exploration and development expenses	(1,140,322)	(155,336)
Cash in trust related to Haib project	(175,000)	-
	(1,295,066)	(253,336)
Net increase in cash	407,477	474,600
Cash, beginning of year	567,300	92,700
Cash, end of year	974,777	567,300

See accompanying notes to consolidated financial statements.

AFRI-CAN MARINE MINERALS CORPORATION

Notes to Consolidated Financial Statements
For the years ended August 31, 2007 and 2006

1. Governing Statutes, Nature of Operations and Going Concern Assumption:

The Corporation, incorporated under the Canada Business Corporations Act, is involved in the exploration and development of mining properties, mainly in the diamond's field.

The Corporation holds mining properties at the exploration and development stage in Namibia. The recoverability of amounts shown for mining properties and related deferred exploration and development expenses is dependent upon the discovery of economically recoverable reserves, the ability of the Corporation to obtain the necessary financing to complete the exploration and the development and to place these properties into production, stable political situation, renewal of underlying titles to the mining properties and/or future proceeds from the disposition thereof. According to Management, the net book value of mining properties and deferred exploration and development expenses as at August 31, 2007 and 2006 represents Management's best estimate of their net recoverable value. However, this value could be reduced in the future.

The accompanying consolidated financial statements have been prepared by Management in accordance with Canadian generally accepted accounting principles on the going concern basis. This presumes funds will be available to finance on-going exploration and development operations and capital expenditures and the realization of assets and the payment of liabilities in the normal course of operations for the foreseeable future.

The Corporation has minimal capital resources presently available to meet obligations which normally can be expected to be incurred by similar corporations and has an accumulated deficit of \$30,941,347 (\$29,457,390 in 2006). These factors raise doubt about the Corporation's ability to continue as a going concern which is dependent upon its ability to obtain and maintain an appropriate level of financing on a timely basis and to achieve sufficient cash flows to cover obligations and expenses. The outcome of these matters cannot be predicted. These consolidated financial statements do not give effect to any adjustments to the amounts and classification of assets and liabilities which might be necessary should the Corporation be unable to continue its operations as a going concern.

The Corporation will periodically have to raise additional funds to continue operations, and while it has been successful in the past, there can be no assurance it will be able to do so in the future.

Although the Corporation has taken steps to verify titles to the mining properties in which it has an interest, in accordance with industry standards for the current stage of exploration and development of such properties, these procedures do not guarantee the Corporation's titles. Property titles may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

AFRI-CAN MARINE MINERALS CORPORATION

Notes to Consolidated Financial Statements
For the years ended August 31, 2007 and 2006

2. Significant Accounting Policies:

(a) Use of estimates:

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities, related amounts of revenues and expenses, the recoverability of mining properties and deferred exploration and development expenses, the valuation of environmental liabilities and disclosure of the contingent liability. These estimates are based on management's best knowledge of current events and actions that the Corporation may undertake in the future. Actual results could differ from these estimates.

(b) Basis of consolidation:

The consolidated financial statements include the accounts of the Corporation and its wholly-owned subsidiary, Noragem (Pty) Limited, a Namibian corporation.

(c) Fixed assets:

Fixed assets are accounted for at cost and depreciation is based on their useful lives according to the straight-line method at the following annual rates:

Assets	Rates
Furniture and office equipment	5 years
Computer equipment	3 and 5 years

(d) Mining properties and deferred exploration and development expenses:

Costs related to the acquisition, exploration and development of mining properties are capitalized by property until the beginning of commercial production. If any, the accessory revenues earned over the period of exploration and development are carried in decrease of the deferred expenses. If commercially profitable ore reserves are developed, capitalized acquisition costs, deferred exploration and development costs of the related mining property will then be reclassified as mining assets and amortized using the unit of production method.

If it is determined that capitalized acquisitions, deferred exploration and development expenses are not recoverable over the estimated economic life of the mining property, or the project is abandoned or has been delayed in an important way, the mining property and the deferred exploration and development expenses are written down to their net known realizable value.

AFRI-CAN MARINE MINERALS CORPORATION

Notes to Consolidated Financial Statements
For the years ended August 31, 2007 and 2006

2. Significant Accounting Policies (Continued):

The recoverability of amounts recorded for mining properties and deferred exploration and development expenses is dependent upon the discovery of economically recoverable reserves, confirmation of the Corporation's interest in the underlying mining titles, the ability of the Corporation to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof. The amounts shown for mining properties and deferred exploration and development expenses do not necessarily represent actual or future values.

(e) Income taxes:

The Corporation uses the liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are determined according to differences between the carrying amounts and tax basis of assets and liabilities. They are measured by applying enacted or substantively enacted tax rates and laws at the date of the financial statements for the years in which the temporary differences are expected to reverse. The Corporation records a valuation allowance with respect to the future income tax asset if, according to available information, it is more likely than not that part or all of the future income tax asset will not be realized.

(f) Net loss per share:

Net loss per share is calculated using the weighted average number of outstanding shares each year. The treasury stock method is used to determine the dilutive effect of stock options and warrants. The diluted net loss per share is equal to the basic net loss per share due to the anti-dilutive effect of outstanding common share purchase options and common share purchase warrants described in Note 7.

(g) Stock-based compensation plan:

The Corporation has a stock-based compensation plan for which a compensation expense is recognized at its fair value when stock options are issued. Any consideration paid on exercise of stock options or purchase of stock is credited to share capital. If stock options are repurchased from employees and non-employees, the excess of the consideration paid over the carrying amount of the stock option cancelled is charged to deficit.

(h) Foreign currency translation:

Monetary assets and liabilities in foreign currency of the Canadian corporation and integrated foreign operations are translated at the exchange rate in effect at the balance sheet date, whereas other assets and liabilities are translated at the exchange rate in effect at the transaction date. Expenses and revenues in foreign currency are translated at the average rate in effect during the year, with the exception of depreciation, which is translated at the historical rate. Gains and losses are included in the operations for the year.

AFRI-CAN MARINE MINERALS CORPORATION

Notes to Consolidated Financial Statements
For the years ended August 31, 2007 and 2006

3. Amounts Receivable:

	2007	2006
	\$	\$
Commodity taxes receivable	22,415	17,698
Advance to a corporation controlled by a director, without interest	-	98,000
Subscriptions receivable (1)	775,000	-
Other	17,980	2,306
	815,395	118,004

(1) As of September 17, 2007, all outstanding subscriptions receivable were received.

4. Fixed Assets:

			2007
	Cost	Accumulated depreciation	Net book value
	\$	\$	\$
Furniture and office equipment	52,073	44,668	7,405
Computer equipment	64,080	55,197	8,883
	116,153	99,865	16,288

			2006
	Cost	Accumulated depreciation	Net book value
	\$	\$	\$
Furniture and office equipment	50,494	41,550	8,944
Computer equipment	62,468	52,214	10,254
	112,962	93,764	19,198

AFRI-CAN MARINE MINERALS CORPORATION

Notes to Consolidated Financial Statements
For the years ended August 31, 2007 and 2006

5. Mining Properties:

		Balance as at August 31, 2006	Addition (adjustments)	Balance as at August 31, 2007
		\$	\$	\$
Namibia - Namibian Gemstones	(1)	1	-	1
Namibia - Block J Woduna (interest)	(2)	896,206	-	896,206
Namibia - Haib project	(3)	82,414	-	82,414
		978,621	-	978,621

		Balance as at August 31, 2005	Addition (adjustments)	Balance as at August 31, 2006
		\$	\$	\$
Namibia - Namibian Gemstones	(1)	1	-	1
Namibia - Block J Woduna (interest)	(2)	896,206	-	896,206
Namibia - Haib project	(3)	82,414	-	82,414
		978,621	-	978,621

- (1) As at August 31, 2007 and 2006, the Corporation has an interest of 60% in the diamond concession Namibian Gemstones.
- (2) The Corporation's interest in the Block J Woduna concession is done through an agreement between the Corporation and Woduna Mining Holding (PTY) Ltd. (a Namibian Corporation). This agreement shall remain in force unless renegotiated by the parties involved. The agreement stipulates that the Corporation is the operator and manager of the exploration and development programs on the concession. It also stipulates that, in the event that Block J Woduna concession becomes a commercial mining lease, the Corporation shall be reimbursed its full investment (exploration and development and acquisition cost) with interest before Woduna can receive its 30% share of the net profit of the project.

AFRI-CAN MARINE MINERALS CORPORATION

Notes to Consolidated Financial Statements

For the years ended August 31, 2007 and 2006

5. Mining Properties (Continued):

(3) In 2005, the Corporation announced that it had signed an amended agreement with Deep South Mining (PTY) Ltd. ("Deep South"), whereby the Corporation acquired an option to acquire a 70% undivided interest in the Haib Copper deposit in Namibia. The terms of the agreement were as follows:

- A cash payment to Deep South of \$200,000 and issuance of \$50,000 of the Corporation's shares upon signature of the amended agreement;
- A cash payment of \$250,000 to Deep South upon completion of the Phase I drilling program;
- Cash payments to Deep South of \$200,000 per year, for five years, with the first such payment on the one-year anniversary of the second \$250,000 payment noted above;
- Exploration expenditures to a minimum of \$3 million. Upon satisfaction of this condition, the Corporation will be deemed to have acquired an undivided interest of 55% in Haib Copper;
- Upon completion of a positive feasibility study, the Corporation will make an additional cash payment of \$1 million to Deep South. The Corporation will be deemed to have acquired an additional undivided interest of 15% in Haib Copper. The total undivided interest of the Corporation shall then be 70%. Funding thereafter will be on a pro rata basis;
- Upon the commencement of mining operations, the Corporation shall make a further cash payment of \$1 million to Deep South;
- The Corporation shall have a call option on 20% of Deep South's remaining 30% interest (i.e. two-thirds of Deep South's holdings) for a cash payment of \$2 million and a 1% net smelter royalty, such option being exercisable for a period of up to 36 months following completion of the feasibility study.

In 2005, the Corporation completed the first payment and share issuance and, before incurring any expenses on the property, announced that it had signed an option and operating agreement ("Option Agreement") with Copper Resources Corporation ("CRC") whereby CRC will acquire the Corporation's option to manage the exploration programs and earn a 70% undivided interest in the Haib Copper Project. The terms of the agreement were as follows:

- Under the terms of the Option Agreement, CRC is able to earn a 60% interest in the Haib Copper Project by assuming all of the Corporation's future payment commitments to Deep South;
- By incurring initial expenditures of US\$1.2 million;
- By reimbursing the Corporation for the \$200,000 already paid to Deep South, and by making an investment of \$350,000 in common shares of the Corporation;
- CRC shall acquire its interest in confirming its expenditures on or before February 26, 2007.

As at February 26, 2007, CRC had not confirmed its expenditures on the project. On June 20, 2007, Deep South informed the Corporation that it considered CRC to have withdrawn from the Option Agreement.

The Corporation has no other financial obligations to Deep South, and has received from CRC all payments and investments required under the Option Agreement.

AFRI-CAN MARINE MINERALS CORPORATION

Notes to Consolidated Financial Statements
For the years ended August 31, 2007 and 2006

6. Deferred Exploration and Development Expenses:

	Balance as at August 31, 2006	Addition	Balance as at August 31, 2007
	\$	\$	\$
Namibia - Block J Woduna	3,528,166	1,503,553	5,031,719
Namibia - Haib project (1)	-	108,288	108,288
	3,528,166	1,611,841	5,140,007

	Balance as at August 31, 2005	Addition	Balance as at August 31, 2006
	\$	\$	\$
Namibia - Block J Woduna	3,358,738	169,428	3,528,166

(1) Included in deferred exploration and development expenses is an amount of \$108,288 representing several payments made to Deep South in order to cover any future exploration work concerning the development of the Haib project.

7. Share Capital, Options, Warrants and Contributed Surplus

Authorized:

An unlimited number of common shares, voting, without par value.

Issuance:

During the years, the Corporation issued common shares as follows:

	2007		2006	
	Number	Amount	Number	Amount
		\$		\$
Balance, beginning of year	118,642,434	33,519,419	107,103,434	32,211,008
Paid in cash	16,316,095	2,003,194	6,578,462	855,200
Subscriptions receivable (note 3)	5,166,726	648,996	-	-
Paid in cash, to be issued	-	-	4,960,538	644,870
Share and unit issuance expenses	-	(129,787)	-	(104,985)
Issued for cash on exercise of options	800,000	129,393	-	-
Issued for cash on exercise of warrants	4,633,135	752,815	-	-
Transferred to contributed surplus upon expiration of warrants	-	(101,275)	-	(86,674)
Balance, end of year	145,558,390	36,812,755	118,642,434	33,519,419

AFRI-CAN MARINE MINERALS CORPORATION

Notes to Consolidated Financial Statements
For the years ended August 31, 2007 and 2006

7. Share Capital, Options, Warrants and Contributed Surplus (Continued):

Stock-based compensation plan:

The Corporation maintains a stock-based compensation plan ("Plan") whereby the Board of Directors may, from time to time, grant to employees, officers, directors of, or consultants to the Corporation options to acquire common shares in such numbers, at such exercise prices as may be determined by the Board and for a maximum term of five years. The exercise price is fixed at the time of the granting and the options can be exercisable when granted. The exercise price is the market value of the share on the date the option is granted.

The Plan provides that the maximum number of common shares in the capital of the Corporation that may be reserved for issuance under the stock option plan shall be equal to 8,728,746 common shares and that the maximum number of common shares, which may be reserved for issuance to any one optionee pursuant to the share option, may not exceed 5% of the common shares outstanding at the time of grant.

During the years ended August 31, 2007 and 2006, the Corporation granted 3,560,000 stock options to employees and non-employees (2,425,000 in 2006). The fair value on the grant date of the options awarded was estimated using the Black-Scholes model and the following weighted average assumptions:

	2007	2006
Rate of return of dividends	Nil %	Nil %
Projected volatility	70%	75%
Risk-free interest rate	4.30%	3.90%
Predicted average duration of options	4.39 years	2.66 years
Weighted average estimated fair value of each option	\$0.10	\$0.06

A summary of changes in the common share purchase options is presented below:

	2007		2006	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		\$		\$
Balance, beginning of year	3,625,000	0.13	1,915,000	0.21
Granted	3,560,000	0.23	2,425,000	0.12
Expired	(190,000)	0.28	(140,000)	0.32
Exercised	(800,000)	0.12	-	-
Forfeited	-	-	(575,000)	0.30
Balance, end of year	6,195,000	0.18	3,625,000	0.13

AFRI-CAN MARINE MINERALS CORPORATION

Notes to Consolidated Financial Statements
For the years ended August 31, 2007 and 2006

7. Share Capital, Options, Warrants and Contributed Surplus (Continued):

Options exercisable as at August 31, 2007:

Span of exercise price	Exercisable options		Projected average exercise price
	Number of valid options during fiscal 2007	Projected average contractual time remaining	
			\$
\$0.10 - \$0.15	3,125,000	1.16 years	0.12
\$0.17 - \$0.25	3,070,000	4.24 years	0.25
	6,195,000	2.69 years	0.18

Warrants:

A summary of changes in the common share purchase warrants is presented below:

	Number of warrants	2007	Number of warrants	2006
		Average exercise price		Average exercise price
		\$		\$
Balance, beginning of year	11,401,062	0.19	7,600,000	0.23
Issued	11,135,443	0.20	5,769,500	0.18
Exercised	(4,633,135)	0.16	-	-
Expired	(2,926,562)	0.25	(1,968,438)	0.30
Balance, end of year	14,976,808	0.19	11,401,062	0.19

Warrants exercisable as at August 31, 2007:

Number	Exercise price	Expiry date
	\$	
4,539,423	0.18	July 2008
1,377,019	0.18	January 2009
9,060,366	0.20	August 2009
14,976,808		

AFRI-CAN MARINE MINERALS CORPORATION

Notes to Consolidated Financial Statements
For the years ended August 31, 2007 and 2006

7. Share Capital, Options, Warrants and Contributed Surplus (Continued):

During the years ended August 31, 2007 and 2006, the Corporation issued 11,075,443 warrants (5,769,500 in 2006) as part of private placement offerings and granted 334,033 brokers' warrants (92,000 in 2006). The fair value on the grant date of the warrants awarded was estimated using the Black-Scholes model and the following assumptions:

	2007	2006
Rate of return of dividends	Nil %	Nil %
Projected volatility	73%	75%
Risk-free interest rate	4.28%	4.18%
Predicted average duration of warrants	2 years	2 years
Weighted average estimated fair value of each warrant	\$0.11	\$0.04

For the years ended August 31, 2007 and 2006, the Corporation recorded \$26,497 as share and unit issuance expenses (\$4,075 in 2006).

A summary of changes in the Corporation's contributed surplus is presented below:

	2007	2006
	\$	\$
Balance, beginning of year	450,450	230,663
Add: Stock-based compensation expenses related to:		
Salaries, benefits and management fees to employees	297,786	114,515
Public relations expenses	28,435	11,515
Deferred exploration and development expenses	11,724	3,008
Brokers' warrants	26,497	4,075
Transfer from share capital upon expiration of warrants	101,275	86,674
Warrants issued through capital stock offering	367,306	-
Warrants issued through capital stock offering included in subscriptions receivable (note 3)	126,004	-
Less: Transfer to share capital upon exercise of options	(32,393)	-
Balance, end of year	1,377,084	450,450

AFRI-CAN MARINE MINERALS CORPORATION

Notes to Consolidated Financial Statements
For the years ended August 31, 2007 and 2006

8. Statement of Cash Flows:

Supplemental disclosures of cash flows information:

	2007	2006
	\$	\$
Cash paid during the year for:		
Interest paid	18,140	19,950
Non-cash financing and investing activities:		
Deferred exploration and development expenses included in accrued liabilities	430,727	-
Deferred exploration and development expenses included in accounts payable	10,792	11,084
Deferred exploration and development expenses financed through issuance of stock options to non-employees	11,724	3,008
Share issuance expenses through the brokers' warrants	26,497	4,075
Share issuance expenses increase of the due to directors	-	4,350
Accounts payable through reduction of due to directors	-	48,021
Advance to a corporation controlled by a director through reduction of due to directors	98,000	-

9. Financial Instruments:

(a) Fair value:

The carrying amount of cash, amounts receivable, accounts payable and accrued liabilities approximates their fair value because of the short-term maturity of those instruments.

The fair value of the due to directors and the due to directors and corporation held by directors could not be determined since it is practically impossible to find financial instruments on the market having substantially the same economic characteristics.

(b) Foreign exchange risk:

The Corporation is exposed to foreign exchange risk due to cash, amounts receivable and accounts payable and accrued liabilities denominated in US dollars, Namibian dollars and euros. As at August 31, 2007 and 2006, assets denominated in US dollars and Namibian dollars consists of cash and amounts receivable totalling US\$6,051 and N\$27,771 (US\$20,400 and N\$176,437 in 2006) and accounts payable and accrued liabilities denominated in US dollars, Namibian dollars and euros totalling US\$410,172, N\$ nil and €7,600 (US\$10,000, N\$24,000 and euros nil in 2006).

The Corporation does not buy futures contracts to reduce its foreign exchange risk.

AFRI-CAN MARINE MINERALS CORPORATION

Notes to Consolidated Financial Statements
For the years ended August 31, 2007 and 2006

10. Environment:

The Corporation's operations are subject to governmental laws and regulations regarding environmental protection. It is very difficult to identify the environmental consequences in terms of outcome, impact or time frame. At the date of the consolidated financial statements, and to the best knowledge of Management, the Corporation is in conformity with the laws and regulations. Restoration costs will be recorded and accounted for at their fair value in the financial statements only when the Corporation will be legally liable and they can be reasonably estimated. A corresponding amount will be capitalized to the mining asset and depreciated over its useful life.

11. Income Taxes:

The tax effects of significant components of temporary differences that give rise to future income tax assets are as follows:

	2007	2006
	\$	\$
Future income tax assets:		
Mining properties and deferred exploration and development expenses	6,134,408	6,151,639
Capital losses carried forward	967,700	967,700
Non-capital losses carried forward	4,585,866	4,214,195
Share capital issuance costs	134,546	117,710
	11,822,520	11,451,244
Less: valuation allowance	(11,822,520)	(11,451,244)
Future income taxes	-	-

The provision for income taxes is different from the amount that would have resulted from applying the combined Canadian statutory income tax rate (federal and Québec: 32.02% in 2007 and 31.69% in 2006) as a result of the following:

	2007	2006
	\$	\$
Income tax benefit at combined Canadian statutory rate (federal and Québec)	(475,163)	(400,953)
Increase (decrease) resulting from:		
Income tax rate differential of foreign subsidiary	(328,193)	(280,695)
Permanent difference and other	432,080	1,509,338
Unrecognized deductible temporary difference for the year	371,276	(827,690)
	-	-

AFRI-CAN MARINE MINERALS CORPORATION

Notes to Consolidated Financial Statements
For the years ended August 31, 2007 and 2006

11. Income Taxes (Continued):

As at August 31, 2007, the Corporation has accumulated non-capital losses which may be carried forward to reduce taxable income in future years. These losses expire as follows:

	Federal	Provincial
	\$	\$
2008	658,546	658,546
2009	981,728	981,728
2010	981,220	981,220
2014	1,186,784	1,186,784
2015	1,137,544	1,134,083
2026	1,158,755	1,154,801
2027	1,191,295	1,185,260
	7,295,872	7,282,422

As at August 31, 2007, the Corporation's wholly-owned subsidiary, Noragem (Pty) Limited, also has loss carry-forwards of approximately \$1,638,000. The foreign loss carry-forwards can be carried forward indefinitely, subject to continuity of business tests.

12. Related Party Transactions:

The Corporation carried out the following transactions with its directors or with corporations whose directors and shareholders are also directors of the Corporation:

	2007	2006
	\$	\$
Management fees	129,960	122,000
Professional fees	130,290	139,800
Share and unit issuance expenses	21,750	-
Expenses recovered from a company managed by directors	(31,157)	-

The transactions are made in the normal course of operations of the Corporation and are measured at the exchange value, which is the amount agreed upon by both parties involved in the transactions.

13. Commitments:

Following the agreement with Ototina Regional Marine Minerals Exploration (Pty) Ltd. ("ORMME"), the Corporation is committed to invest not less than 5% of its exploration expenditures toward employment and training programs in various sectors of the economy related to its mining ventures. In addition, upon starting commercial production, the Corporation is committed to finance a special goodwill grant of 1% of its gross sales generated from the production of its Namibian Marine diamond EPLs.

AFRI-CAN MARINE MINERALS CORPORATION

Notes to Consolidated Financial Statements
For the years ended August 31, 2007 and 2006

13. Commitments (Continued):

Marine Operations:

Following the February 23, 2006 ratification by its shareholders, the Corporation and International Mining and Dredging Holding Ltd. ("IMD") are bound by an agreement whereby the Corporation will charter a vessel from IMD in order to conduct a survey and sampling program ("Program") on the Concession Block J Woduna.

The complete survey and Program is estimated to cost approximately US\$2.5 million. The Corporation will pay for fuel consumption at the end of each month of vessel utilization. At the end of the Program, the remaining balance, after payment of mobilization fees and fuel costs, is estimated to be about US\$1.8 million.

Upon completion of the Program, IMD will have the choice of requesting a cash payment, estimated at US\$1.8 million, or choosing one of the following options:

Option 1

IMD will have the option of converting the remaining balance, increased by a value of 40% of the said balance, into shares of the Corporation at a price equal to the market value of the Corporation's shares on the same day as the notification of the remuneration election by IMD. IMD shall also have the right to appoint one director to the Board of Directors of the Corporation. The amount to be paid in shares under Option 1 is estimated to be about US\$2.5 million.

Option 2

IMD shall have the option to convert the remaining balance, increased by a value of 40% of the said balance, into a new Namibian company (Newco) to be established, that will then own the 70% interest of Block J Woduna which is presently owned by the Corporation. IMD shall own 51% and the Corporation 49% of Newco.

Under Option 2, ownership of Block J Woduna would be IMD: 35.7%, the Corporation: 34.3% and Woduna Mining Holding (PTY) Ltd.: 30%. Under Option 2, ownership of the Corporation's other concessions in Namibia would not be affected and would remain unchanged.

Option 3

IMD shall have the option to convert the remaining balance, increased by a value of 40% of the said balance, into a direct 51% holding interest of the Block J Woduna. In the event that IMD elects Option 3, the Corporation shall have the option to pay IMD the remaining balance in cash, excluding the 40% value added described in Options 1 and 2 above. The Corporation shall have the obligation to complete the payment within 30 days after IMD's election notification date but not earlier than 30 days after completion of the prospecting work.

AFRI-CAN MARINE MINERALS CORPORATION

Notes to Consolidated Financial Statements
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13. Commitments (Continued):

In the event that the Corporation exercises its option to pay the remaining balance in cash, the resulting ownership of Block J would remain unchanged, with the Corporation at 70% and Woduna Mining Holding (PTY) Ltd. at 30%. In the event that the Corporation does not exercise its option to pay the remaining balance in cash, the resulting ownership of Block J Woduna would be IMD: 51%, Woduna Mining Holding (PTY) Ltd.: 30% and the Corporation: 19%. Ownership of the Corporation's other concessions in Namibia would not be affected by Option 3, and would remain unchanged.

The agreement with IMD contains a cancellation clause which stipulates that the Corporation can cancel the agreement at any time before mobilization, in consideration of a cancellation fee of US\$250,000, and at any time after mobilization in consideration of US\$250,000 plus the daily utilization fee of the vessel for the number of days that the vessel was working on the sampling program.

The existing agreement between the Corporation and Woduna Mining Holding (PTY) Ltd. shall remain in force unless renegotiated by the parties involved. The agreement stipulates that the Corporation is the operator and manager of the exploration and development programs on the concession Block J Woduna. It also stipulates that, in the event that Block J Woduna becomes a commercial mining lease, the Corporation and, if applicable, IMD shall be reimbursed their full investment with interest before Woduna Mining Holding (PTY) Ltd. can receive its 30% share of the net profit. As at August 31, 2007, the Corporation's exploration and development investment in the Block J Woduna amount \$5.0 million.

Investor Relations

The Corporation has retained PaRadox Public Relations to increase the Corporation's visibility in the financial community in Canada. PaRadox receives a monthly fee of \$5,000, and was granted 500,000 options at an exercise price of \$0.14 per share to be exercised at any time prior to January 23, 2009. During 2007, the Corporation has renewed the agreement for twelve months, and both parties can cancel the agreement by giving a 30-day notice. On June 6, 2007, PaRadox subscribed for the half the amount of its options for a total amount of \$35,000.

Leases Commitments:

The Corporation leases locals under long-term operating leases. Required minimum lease payments for the balance for the next four years are as follows:

	\$
2008	21,778
2009	18,035
2010	18,479
2011	6,209
	64,501