Afri-Can Marine Minerals Corporation

MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE FIRST QUARTER
ENDED NOVEMBER 30, 2008

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, **unaudited** consolidated financial statements of Afri-Can and the notes thereto for the three months ended November 30, 2008 and with the Annual Report and audited annual consolidated financial statements of the Corporation and the notes thereto for the fiscal years ended August 31, 2008. Unless expressly stated otherwise, all references to dollar amounts are in Canadian dollars.

Management has prepared the **unaudited** quarterly financial statements as at November 30, 2008 and **the Company's external auditor has not reviewed them.**

The effective date of this MD&A is January **16**, 2009. 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**. ("**IMDH**") to complete a previously initiated sampling and resource delineation program on the Corporation's 70% Block J marine concession 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 favour of the agreement. As a result of this vote, the IMDH agreement is now in force.

The first phase of the planned resources delineation program for Block J was completed on November 22, 2006. This phase entailed a geophysical survey of 854 line/kilometres 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 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, was issued during the third quarter of fiscal 2008. This report allows the Corporation to finalize the preparation and scheduling for the second phase of the resources delineation program.

During fiscal 2008, the conversion of the "DP Trenchsetter" into the "MV DP The Explorer", a state of the art dedicated marine sampling vessel, took much longer then originally planned. IMDH, the vessel owner and operator, initially planned that the conversion at the JSML Shipyard in Singapore would be completed at the end of March 2008. High demand for rig building and ship repair, combined with scarcities in the availability of the specialized equipment used in marine oil and gas and mining operations, delayed the departure of the vessel which is presently in the JMSL Shipyard. **IMDH has not yet advised Afri-Can of the revised departure date for the vessel.**

A revised and detailed time schedule will be provided once the vessel arrives in Cape Town, South Africa. It will remain in Cape Town for about 2 months in order to install the sampling tool and the mineral recovery plant and to carry out some sampling and recovery tests.

The second phase of the resource delineation program involving bulk sampling is now expected to commence during the third quarter (previously expected to commence in the second quarter) of 2009, and will be carried out over a period of about 45 days. 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 would 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 has 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.

The CRC decision to withdraw has provided the Corporation with an opportunity to undertake a strategic review of its options concerning the potential development of Haib. In October 2004, the Corporation issued a National Instrument 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 was to identify options available to the Corporation in light of the higher copper prices since the last review of the project in 2005.

On July 2, 2008, Afri-Can announced that Afri-Can and Deep South Mining (PTY) Ltd. ("Deep South") had signed an option and joint venture agreement ("Agreement") with Teck Cominco Namibia Ltd. ("Teck Cominco") giving Teck Cominco an option to earn a 70% undivided interest in the Haib Copper Project in southern Namibia. The project comprises one prospecting license ("Property") held by Deep South. With the signing of this agreement, Afri-Can terminated its pre-existing option with Deep South in consideration for certain payments included in the Agreement.

Under the terms of the Agreement, Teck Cominco has the option to acquire a 70% indirect beneficial interest in the Property by incurring exploration expenditures on the Property totalling US$2 million and incurring optional non-cumulative cash payments to Deep South totalling US$700,000 over 4 years. Once Teck Cominco has acquired its 70% interest, Deep South will have the option of either converting its 30% interest into a 2% Net Smelter Royalty (NSR), payable to Deep South and Afri-Can as to 50% each, or of funding its 30% share of ongoing exploration and development costs. In the event that Deep South does not fund its share of ongoing costs and its share in the joint-venture is diluted to less than 20%, the remaining interest will be transferred into a 12% Net Profit Interest (NPI) payable to Deep South and Afri-Can as to 50% each. In the event that Teck Cominco decides to bring the Property into commercial production, Teck Cominco will pay a US$1 million production bonus, payable to Deep South and Afri-Can as to 50% each, within 60 days of the completion date of the mine.

The agreement has been approved by the Ministry of Mines and Energy of Namibia and became effective on July 28, 2008.

SELECTED ANNUAL DISCLOSURE

The following table sets forth selected financial information for the fiscal years 2008, 2007, 2006, 2005, 2004 and 2003.

Complete fiscal year

	FISCAL 2008	FISCAL 2007	FISCAL 2006	FISCAL 2005	FISCAL 2004	FISCAL 2003
For nine months ending:	**31/08/08**	**31/08/07**	**31/08/06**	**31/08/05**	**31/08/04**	**31/08/03**
	$	$	$	$	$	$
General and administrative expenses	1,342,972	1,550,848	1,231,729	954,713	1,011,394	799,809
Loss before write-downs	1,295,762	1,483,957	1,265,234	1,038,142	1,055,289	882,920
Loss and diluted loss per share (before write downs)	0.010	0.010	0.010	0.012	0.014	0.010
Net loss	1,295,762	1,483,957	1,265,234	6,849,562	4,835,086	891,676
Net Loss and diluted net loss per share	0.010	0.010	0.010	0.080	0.060	0.010
Current assets	391,827	1,923,044	687,679	345,862	93,217	160,148
Total assets	7,084,557	8,232,960	5,238,097	4,738,641	10,053,595	13,451,968
Current liabilities	484,791	526,430	211,638	133,084	938,334	974,476
Due to directors	368,985	458,038	513,980	356,042	812,162	239,913
Shareholders' equity	6,230,781	7,248,492	4,512,479	4,249,515	8,303,099	13,451,968

General Discussion on 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 other concessions.

Prior to the fiscal 2007 exploration program and the fiscal 2008 desktop studies and analyses, 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 square kilometres 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 the agreement with IMDH 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, in November 2006, the first phase of its exploration program, a geophysical survey totalling 854 line-kilometres, combined with the extraction of 38 vibracore samples and 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; and on July 5, 2007, a progress report on Feature 6 which showed an increase of the feature's prospective area of 57%.

During fiscal 2008, the Corporation's technical team produced: on September 27, November 20, 2007 and January 24 2008, three progress reports on Feature 8, Feature 17 and Feature 19 that confirmed an increase in the size of the prospective area and validated the diamond potential model. On April 21, 2008, a new National Instrument 43-101 report was completed and a revised estimation of the diamond potential of Block J was announced.

Furthermore, during fiscal 2008, the Corporation also had to deal with the conversion of the "DP Trenchsetter" into the "MV DP The Explorer", a state of the art dedicated marine sampling vessel, which has taken longer then originally planned. IMDH, the vessel owner and operator, initially expected the vessel to be ready to leave the JSML Shipyard in Singapore at the end of March 2008, but high demand for rig building and ship repair, combined with scarcities in the availability of the specialized equipment used in underwater mining operations, has delayed the departure of the vessel from the shipyard. IMDH has not yet advised Afri-Can of the revised departure date for the vessel.

All direct costs for the conversion of the "MV DP The Explorer" are supported by IMDH. To date the Corporation has incurred approximately $ 900,000 of general and administrative expenses during the nearly 10 month conversion delay. Once operational, "MV DP The Explorer" will be the one of the few marine diamond sampling vessel of its class with this level of high technology. Without the 2006 agreement with IMDH, the Corporation would not have had access to a state of the art marine sampling vessel under such advantageous chartering conditions.

During this period, the Corporation has secured an agreement with Deep-South and Teck Cominco, concerning the development of the Haib copper project in Namibia. This project has a long term significant potential and its added value to the Corporation may be reflected over its development time line.

Selected Financial Information fiscal 2008 and 2007

General and administrative expenses, losses before write-down and net loss for fiscal 2008 periods stood at $ 1,342,972, $ 1,295,762 and $ 1,295,762 respectively versus the average for the last six equivalent periods of $ 1,148,565, $ 1,170,217 and $ 2,770,212 respectively.

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 8 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 2008, the Corporation incurred $ 409,357 in exploration expenses for its Block J marine concession and $ 149,575 in base metal exploration expenses related to the Haib project versus $ 1,503,553 in exploration expenses for its Block J marine project and $ 108,288 in base metal exploration related to the Haib project for the same period last year. The $ 409,357 in marine exploration expenses was invested in the Block J project and is comprised of: $ 400,898 ($ 475,092 in 2007) in project management, geologist, consulting fees, taxes and permits; $ 8,459 ($ 10,802 in 2007) in travelling costs and Nil ($ 1,017,659 in 2007) in geophysical exploration costs.

For the period, the Corporation's net loss decreased by $ 188,195 (or 13%), ($ 1,295,762 versus $ 1,483,957), general and administrative expenses decreased by $ 207,876 (or 13%) while other costs increased by $ 19,681.

The general and administrative expense decrease of $ 207,876 (or 13%) over the same period last year came about because the increases of $ 80,174 in professional fees ($ 306,151 versus $ 225,977); $ 6,409 in travelling expenses ($ 132,183 versus $ 125,774); $ 16,923 in office expenses ($ 134,031 versus $ 117,108) and $ 1,538 in salaries and fringe benefits ($ 351,965 versus $ 350,427) were more than offset by the decreases of $ 184,236 in stock-based compensation expenses (Note 9 in the Financial Statements) ($ 113,550 versus $ 297,786); $ 70,125 in public relations expenses ($ 154,061 versus $ 224,186) and $ 43,149 in expenses related to the provision of information to shareholders and registration fees ($ 132,340 versus $ 175,489).

The ($ 47,210) in other costs is comprised of foreign exchange losses of $ 3,094; $ 34,852 in expenses recovered from a company managed by directors, $ 32,211 in interest income and $ 16,759 on impairment of one account receivable. The impairment of this account receivable has been strongly recommended by the Namibian auditors of Noragem (PTY) Ltd, our fully own Namibian subsidiary, on the basis that the loan is contracted out to a shareholder of Woduna was and is without interest or repayment terms. Management is of the opinion that the loan will be repaid in due course.

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 $ 3,094 foreign exchange loss which represents a cash loss 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 2009	FISCAL 2008				FISCAL 2007		
For the quarter ending:	**30/11/08**	**31/08/08**	**31/05/08**	**28/02/08**	**30/11/07**	**31/08/07**	**31/05/07**	**28/02/07**
	$	$		$	$	$		$
General and administrative expenses	264,153	307,794	393,586	308,988	332,604	424,621	575,021	297,730
Loss before write downs and stock based compensation	329,108	200,978	297,826	291,784	315,414	472,823	218,989	310,340
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	329,108	340,972	387,428	291,784	275,578	405,932	516,775	310,340
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	152,505	391,827	909,705	1,235,773	1,521,540	1,923,044	556,498	479,943
Total assets	6,901,077	7,084,557	7,396,087	7,569,768	7,906,372	8,232,960	6,473,376	6,249,107
Current liabilities	578,946	484,791	430,827	465,077	468,670	526,430	966,208	794,252
Due to directors	381.408	368,985	393,507	390,357	431,584	458,038	560,383	539,201
Shareholders' equity	5,940,723	6,230,781	6,571,753	6,714,334	7,006,118	7,248,492	4,946,785	4,915,654

Discussion on the Selected Quarterly Financial Information

General and administrative expenses and losses before write-down and stock-based compensation for the quarter stood at $ 264,153 and $ 329,108 respectively versus the average for the last eight quarters of $ 363,062 and $ 304,658.

The following factors have had a strong influence on our operating costs: 1) During fiscal 2006 and 2007, the Corporation increased its operational activities year over year which, combined with its marketing efforts, resulted in higher travel costs, remuneration, public relations and information to shareholders and registration related costs. Since fiscal 2008 the Corporation maintained its current operational activities while seeking ways of reducing its operational 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 8 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-based compensation of $ 300,000 per quarter, represents a level that is indicative 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 first quarter of fiscal 2009, the Corporation incurred $ 57,402 in exploration expenses for its Block J marine concession and $ Nil in base metal exploration expenses related to the Haib project versus $ 65,265 in exploration expenses for its marine project and $ 10,554 in base metal exploration expenses related to the Haib project for the same period last year. The $ 57,402 in marine exploration expenses was invested on the Block J project and is composed of: $ 56,056 ($ 62,184 in 2008) in project management, geologist, consulting fees, taxes and permits; and $ 1,346 ($ 3,081 in 2008) in travelling costs.

For the first quarter of fiscal 2009, the Corporation's net loss increased by $ 53,530 (or 20%) versus the same period last year, ($ 329,108 versus $ 275,578), while general and administrative expenses decreased by $ 68,451 (or 21%) ($ 264,153 versus $ 332,604).

The general and administrative expense decrease of $ 68,451 (or 21%) over the same period last year resulted from the increase of $ 11,186 in public relations expenses ($ 33,323 versus $ 22,137) more than offsetting the decreases of $ 28,373 in travelling expenses ($ 1,595 versus $ 29,968); $ 17,790 in stock-based compensation expenses (Note 9 in the Financial Statements) ($ 0 versus $ 17,790); $ 16,733 in expenses related to the provision of information to shareholders and registration fees ($ 7,695 versus $ 24,428); and $ 14,692 in professional fees ($ 104,733 versus $ 119,425).

The $ 64,955 in other costs is comprised of foreign exchange losses of $ 72,032; $ 6,248 in expenses recovered from a company managed by directors, and $ 829 in interest income.

The Corporation's foreign exchange loss results from the fact that some monetary assets of the Corporation are denominated in Namibian and United States dollars while an accrued liabilities of the Corporation is denominated in United States dollars. During the period the Corporation incurred a $ 72,032 foreign exchange loss which represents a cash and non cash loss incurred during the normal course of operations.

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.

The financial statements do not give effect to adjustments that would be necessary should the Corporation be unable to secure sufficient funds to continue as a going concern. These adjustments could be material.

During the first quarter of fiscal 2009, Afri-Can's working capital expenditure was approximately $ 150,000. During fiscal 2008, Afri-Can's working capital requirement was approximately $ 200,000 per quarter and for the remaining quarters of fiscal 2009 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).

Afri-Can's marine exploration activities restarted during fiscal 2007. During fiscal 2008, the Corporation's exploration related capital expenditures were around $ 140,000 per quarter. Of this amount, marine exploration related capital expenditures, excluding the cost of the IMDH contract,

averaged around $ 102,000 per quarter, while base metal exploration related capital expenditures stood around $ 37,000 per quarter.

During the first quarter of fiscal 2009 the Corporation exploration related capital expenditure was $ 57,402. The Corporation anticipates that the exploration related capital amounts required for fiscal 2009 to finance its marine exploration activities (not including the IMDH contract) should approximate an additional $ 100,000 per quarter. The Corporation does not anticipate any capital amounts will be required for its base metal exploration project following the signature of the Agreement on the Haib project with Teck Cominco.

Capital Resources

As of November 30, 2008 the Corporation's accounting working capital deficit stood at $ 426,441 (versus working capital deficit of $ $ 92,964 as of August 31, 2008).

The Corporation's working capital position as at November 30, 2008 includes Accrued Liabilities of $ 496,080 ($ 425,800 as of August 31, 2008) representing the Canadian dollar equivalent of exploration related charges incurred during the first phase of the exploration program completed on November 22, 2006. In conformity with Canadian Generally Accepted Accounting Principles, the Accrued Liabilities amount represent management's best estimate of the amount to be invoiced, based on the US dollars dominated daily chartering cost schedule included in the contract with IMDH.

Under the terms of the agreement, these charges have not yet been invoiced and will not be invoiced until 30 days after the completion of the resources delineation exploration program, presently scheduled to be started during the third quarter of 2009.

The payment of all future invoices with IMDH is subject to an agreement entered into between the parties, and as such, there is a probability that the payment of these future invoices will not require the utilization of the Corporation's capital resources. (Please refer to the relevant section of the MD&A and Financial Statements, note 15, marine concessions, for details.)

The Corporation's current assets as of November 30, 2008 include the following items: cash of $ 67,823 ($ 300,398 as of August 31, 2008); $ 48,832 ($ 51,313 as of August 31, 2008) in amounts receivable; and $ 35,850 ($ 40,116 as of August 31, 2008) in prepaid expenses. Afri-Can's $ 578,946 ($ 484,791 as of August 31, 2008) in current liabilities includes the following items: $ 82,866 ($ 58,991 as of August 31, 2008) in general accounts payable; and $ 496,080 ($ 425,800 as of August 31, 2008) in accrued liabilities.

In order to resolve the Corporation's accounting working capital deficit, the Corporation will proceed with private placements during the second quarter of fiscal 2009.

Capital Resources Requirements

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

Land based project:

Further to the signature of an Agreement for the Haib Copper project in Namibia between the Corporation, Deep South and Teck Cominco, on July 2, 2008 and its subsequent approval by the Ministry of Mines and Energy of Namibia on July 28, 2008, the Corporation has no financial obligation related to

the Haib Copper project for at least the coming two years or until Teck Cominco has incurred exploration expenditures totalling US $ 2 million.

Marine project:

The terms governing the agreement between Afri-Can and IMDH, including different payment options, were ratified by the shareholders at the Annual General Meeting held on February 23, 2006. (Please refer to the Financial Statements, note 14, Commitments, for details.)

It is important to mention that the entire cost of the conversion of the vessel "MV DP The Explorer" into a dedicated marine sampling vessel is fully supported by IMDH, the owner and operator of the vessel. Once operational on Afri-Can's Block J concession in Namibia, the "MV DP The Explorer" under contract with Afri-Can to perform a diamondiferous resource delineation sampling program, Afri-Can's daily chartering rate established in 2006 will not be influenced by the delays encountered by IMDH during the conversion of the vessel in Singapore.

Therefore, Afri-Can's Capital resource requirements under the terms of the agreement for the periods covered by the MDA are:

- A minimum-funding obligation of approximately US $500,000 for fiscal 2007. Included in this amount was an up-front payment of US $ 300,000 payable to IMDH 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;

- No minimum-funding obligation to IMDH for fiscal 2008;

- No minimum-funding obligation to IMDH for fiscal 2009, but the Corporation will be responsible for the payment of the fuel consumption of the vessel at the end of each month of utilization. The estimated amount of the fuel expense for the resource delineation sampling program is about US $ 350,000.

After the completion of the resource delineation sampling program, the remaining balance owing to IMDH is estimated to be US $ 1.8 million. The exact amount due by the Corporation to IMDH will be stipulated no later than 30 days after the completion of the sampling program, at which date IMDH will have to inform the Corporation of the payment option it elects.

As previously mentioned, the nature of the terms and options attached to the agreement between the Parties provide for an alternative such that the payment will not require the utilization of the Corporation capital resources (please refer to the Financial Statements, note 14, Commitments, for details).

Furthermore, based on documented historical events, it is possible that during the sampling program, a certain quantity of diamonds will be recovered. The sale of these diamonds, which will be the exclusive propriety of the Corporation, could generate sufficient funds to completely or partially offset the cost of the sampling program.

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

The extension and re-pricing of 14,582,775 share purchase warrants during January 2009, gives the Corporation potential access to funding once the share price of the Corporation exceeds $0.15 per share.

Changes in Accounting Policies including Initial Adoption

Recently adopted standards (Fiscal 2008)

- On September 1, 2007, in accordance with the applicable transitional provisions, the Corporation applied the recommendations of new Section 1506, "Accounting Changes", of the Canadian Institute of Chartered Accountants' Handbook ("CICA"). This new section, effective for the years beginning on or after January 1, 2007, prescribes the criteria for changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies, changes in accounting estimates and corrections of errors. Furthermore, the new standard requires the communication of the new primary sources of GAAP that are issued but not yet effective or not yet adopted by the Corporation. The new standard has no impact on the Corporation's financial results.

- On September 1, 2007, in accordance with the applicable transitional provisions, the Corporation adopted the new recommendations in Sections 3855, "Financial Instruments - Recognition and Measurement", 3861, "Financial Instruments - Disclosure and Presentation" and 3251, "Equity", of the CICA Handbook.

- Sections 3855 and 3861 deal with the recognition, measurement, presentation and disclosure of financial instruments and non-financial derivatives in the financial statements. The transitional provisions of these sections require that the Corporation remeasure the financial assets and liabilities as appropriate at the beginning of its fiscal year. Any adjustment of the previous carrying amount is recognized as an adjustment of the balance of deficit at the beginning of the fiscal year of initial application. The financial statements of prior fiscal years are not restated

- Section 1530 establishes standards for reporting and display of comprehensive income. Section 3251 establishes standards for the presentation of equity and changes in equity during the reporting fiscal year. Pursuant to the transitional provisions of these sections, the Corporation's financial statements of fiscal years are not restated.

Adoption of these new recommendations resulted in the following impacts on the classification and measurement of the Corporation's financial instruments, which were previously recognized at cost:

- Cash is classified as held-for-trading assets.

- Amounts receivable are classified as loans and receivables. Amounts receivable are measured at amortized cost, which is generally the initially recognized amount, less any allowance for doubtful accounts.

- Accounts payable, accrued liabilities and due to directors are classified as other financial liabilities. They are measured at amortized cost using the effective interest method.

These changes had no impact on the financial statements as at August 31, 2008.

Recently adopted standards (Fiscal 2009)

- Section 1535, "Capital Disclosures" establishes standards for disclosing information about the entity's capital and how it is managed to enable users of financial statements to evaluate the entity's objectives, policies and procedures for managing capital.

- Section 3862, "Financial Instruments - Disclosures" describes the required disclosures related to the significance of financial instruments on the entity's financial position and performance and the nature and extent of risks arising for financial instruments to which the entity is exposed and how the entity manages those risks. Section 3863, "Financial Instruments – Presentation" establishes standards for presentation of financial instruments and non-financial derivatives. These Sections complement the principles of recognition, measurement and presentation of financial instruments of Section 3855, "Financial Instruments – Recognition and Measurement" and Section 3865, "Hedges" and replace the presentation standards of Section 3861, "Financial Instruments – Disclosure and Presentation" .

- Section 1400, "General Standards of Financial Statement Presentation" requires that management make an assessment of the Company's ability to continue as a going concern over a period which is at least, but not limited to, twelve months from the balance sheet date.

These new accounting standards only address disclosures and have no impact on the Company's financial results.

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 3 to the Annual Consolidated Financial Statements for the year ended August 31, 2008 and 2007.

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.

Financial Instruments

Financial instruments used by the Company consist of cash, amounts receivable, accounts payable, accrued liabilities and dues to directors and corporation held by directors. Cash, accounts receivable and accounts payable are financial instruments used for working capital and any other corporate purposes.

As of November 30, 2008, the Corporation's cash was held in an interest bearing account with HSBC Bank of Canada.

Cash is classified as held-for-trading assets. Amounts receivable are classified as loans and receivables. Amounts receivable are measured at amortized cost, which is generally the initially recognized amount, less any allowance for doubtful accounts. Accounts payable, accrued liabilities and due to directors are classified as other financial liabilities. They are measured at amortized cost using the effective interest method.

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.

Outstanding Share Data

During the period, the Corporation did not complete any private placements, 300,000 shares were issued for payment of professional fees, no options were exercised and no warrants were exercised.

As of November 30, 2008, Afri-Can had 146,667,644 (146,367,644 as of August 31, 2008) shares issued and outstanding with a paid in value of $ 36,983,256 (or $ 0.25 of paid in value per shares issued), 14,884,808 warrants (14,884,808 as of August 31, 2008) and 7,735,746 options outstanding (7,735,746 as of August 31, 2008), for a fully-diluted share position of 169,288,198.

As of January 16, 2009, Afri-Can had 146,667,644 (146,367,644 as of August 31, 2008) shares issued and outstanding with a paid in value of $ 36,983,256 (or $ 0.25 of paid in value per shares issued), 14,824,808 warrants (14,884,808 as of August 31, 2008) and 7,735,746 options outstanding (7,735,746 as of August 31, 2008), for a fully-diluted share position of 169,228,198.

SHARE CAPITAL

The authorized share capital of the Corporation consists of an unlimited number of shares and of which 146,667,644 were outstanding as of the date hereof.

Transactions with Related Parties

Legal and secretarial services are provided to the Corporation by a director of Afri-Can. For the period, an amount of $ 15,000 ($ 13,050 in 2008) in legal fees was accounted for as professional fees in the Consolidated Statement of Operations and Deficit and $ 0 ($ 0 in 2008) in share issuance expenses with regards to legal and secretarial services rendered.

Management services fees for an amount of $ 32,497 ($ 32,490 in 2008), 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, $ 6,248 in expenses ($ 10,332 in 2008) were recovered from a company managed by directors of the Corporation.

Professional fees for an amount of $ 18,750 ($ 18,750 in 2008) representing the Chairman's fees was paid to a company managed by a director in connection with consulting services rendered to Afri-Can.

Professional fees for an amount of $ 11,500 (nil in 2008) representing directors fees was accounted for in connection with directors services rendered to Afri-Can.

All 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 $ 381,408 total ($ 368,985 as of August 31, 2008) due to directors payable at November 30, 2008 is composed of unpaid salaries and other fees payable to two members of management who are also directors and another director of the Corporation.

Management's Report on Internal Control over Financial Reporting

In connection with Exemption Orders issued in November 2007 by each of the securities commissions across Canada, the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") of the Company will file a Venture Issuer Basic Certificate with respect to the financial information contained in the audited annual consolidated financial statements and respective accompanying Management's Discussion and Analysis.

In contrast to the certificate under Multilateral Instrument ("MI") 52-109 (Certification of Disclosure in Issuer's Annual and Interim Filings), the Venture Issuer Basic Certification includes a 'Note to Reader' stating that the CEO and CFO do not make any representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in MI 52-109.

RISKS

The Company strongly depends on the business and technical expertise of its management and technical team and there is little possibility that this dependence will decrease in the near term.

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.

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

Montreal, January 16, 2009