



Afri-Can Marine Minerals Corporation



MANAGEMENT DISCUSSION AND ANALYSIS

**FOR THE SECOND QUARTER
ENDED FEBRUARY 28, 2010**

AFRI-CAN MARINE MINERALS CORPORATION

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AFRI-CAN MARINE MINERALS CORPORATION

Management's Discussion and Analysis of Financial Condition and Results of Operations
For the second quarter ended February 28, 2010

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 unaudited consolidated financial statements of Afri-Can and the notes thereto for the six months ended February 28, 2010 and with the MD&A included in the 2009 Annual Report and audited annual consolidated financial statements of the Corporation and the notes thereto for the fiscal year ended August 31, 2009. Unless expressly stated otherwise, all references to dollar amounts are in Canadian dollars.

Management has prepared the unaudited quarterly financial statements as at February 28, 2010 and the Company's external auditor has not reviewed them.

The effective date of this MD&A is April 25, 2010. 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, 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 to inform shareholders and to update forward-looking statements if circumstances or management's estimates or opinions should change.

Results of Operations and Highlights

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.

- During the first six months of fiscal 2010 the Corporation concluded a new agreement with IMDH concerning the terms of the sampling program.
- During the first quarter of fiscal 2010, the Corporation raised \$820,301 in cash, \$650,000 through private placements and \$170,301 through warrants exercise.
- During the second quarter of fiscal 2010, the Corporation raised \$1,971,938 in cash, through warrants exercise.

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Exploration

Block J / Woduna Concession

On January 11, 2006, the Corporation concluded an agreement with **INTERNATIONAL MINING AND DREDGING HOLDING LTD.** ("IMDH") to complete a sampling and resource delineation program on the Corporation's 70% owned Block J marine concession in Namibia using the vessel the MV Mare Oceano.

The MV Mare Oceano was hired to complete the program in two distinct phases. Phase 1 would consist of a geophysical survey and vibracore sampling program, and phase 2, the actual sampling program, was to be done at a later time, once the vessel MV Mare Oceano was equipped with sampling and mining tools.

The agreement was conditional on shareholder approval since it included a stock capital payment option that contained a significant bonus payment (Cost +40%) if IMDH agreed to be paid in shares of the Corporation. Afri-Can's shareholders approved the payment option on February 23, 2006 by a vote of 99.8% in favour of the agreement. (Please refer to note 15 of the audited annual consolidated financial statements for the fiscal year ended August 31, 2009).

Under the terms of the 2006 agreement Afri-Can was required to pay a mobilization/demobilization fee, a daily vessel chartering fee and the fuel consumption of the vessel during the chartering period. The complete program was estimated to cost up to US \$2.5 million. Afri-Can was required to make an upfront payment of US \$300,000 upon mobilization of the MV Mare Oceano for the phase 1 of the program 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 (before the addition of a 40% mark-up) was subject to various payment options available to IMDH and only became due 30 days following the completion of the sampling program.

The first phase was completed on November 22, 2006 and entailed a geophysical survey of 854 line/kilometres and the extraction of 38 vibracore samples. The analysis and interpretation of these results completed in 2007 has led to the detailed planning of a bulk sampling program to be conducted in 2010. The program will consist of the extraction of about 332 large samples of 5 square metres each.

The cost of the first phase completed during fiscal 2007 totalled US \$963,343. This amount represents funds that were either paid to IMDH (the US \$300,000 up front payment made upon mobilization of the MV Mare Oceano and US \$263,343 for fuel and sundry expenses incurred during phase one of the program) and an accrued amount of US \$400,000 that represents management's best estimate of the amount to be invoiced by IMDH 30 days after the completion of the resource delineation program, as per the terms of the original contract.

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 showed 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.

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Exploration (Continued)

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.

At the start of fiscal 2008, IMDH, the Corporation's technical partner, informed the Corporation that they would not be converting the MV Mare Oceano into a sampling vessel as stipulated in the original agreement, since IMDH had subsequently acquired the vessel "DP Trenchsetter" for conversion.

IMDH's plan to convert the "DP Trenchsetter" into a state-of-the-art dedicated marine sampling vessel, renamed the "MV DP The Explorer", took longer than 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, delayed the departure of the vessel from the JSML Shipyard in Singapore. The vessel finally departed Singapore on February 10, 2009 and arrived in Cape Town on March 16, 2009.

Between March 16 and August 27, 2009, MV DP The Explorer remained in Cape Town in order to complete the installation of the sampling tool and the mineral recovery plant, carry out systems tests and for the vessel to receive the necessary validation that the Dynamic Positioning system (DP II) operated within prescribed parameters (pictures of the installations of the equipment are available on our web site at www.afri-can.com).

From September 2009 to March 2010, IMDH has been conducting deep sea testing in Namibia, in the vicinity of Walvis Bay and Luderitz in Namibia, in order to calibrate the new onboard sampling equipment, treatment plant, and Dynamic Positioning system (DP II) for optimal efficiency. IMDH has also conducted crew training and a test sampling program on its own concessions in order to ensure all systems are functioning properly before commencing the sampling program on Afri-Can's Block J.

With the change of vessel for the sampling from the MV Mare Oceano to the MV DP The Explorer, the sampling parameters of the second phase of the resource delineation program were modified and upgraded to take full advantage of the vessel's enhanced technical capacity. The aim of the complete program is still the same, namely to delineate diamond resources in compliance with National Instrument 43-101 on four features of Block J and take no more than 30 days to complete the program (please refer to Phase 3 sampling report dated March 19, 2009 for more details).

On December 10th, 2009, the Corporation announced the signature of a new charter agreement with IMDH. With this agreement, the Corporation has been able to eliminate costly payment options while maintaining the advantages of the original agreement with IMDH. The agreement was subject to the approval of the TSX Venture Exchange.

On January 21, 2010, The Corporation announced that the December 10, 2009 agreement (as amended) was approved by the TSX Venture Exchange and became effective.

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Exploration (Continued)

With the signature of this agreement the following important issues have been clarified:

- The new payment arrangement which replaces the payment terms of the original agreement signed and announced on January 19th, 2006, provides for the cost of the program to be paid in cash by Afri-Can:
 - ⇒ IMDH will no longer have the option of converting the cost of the program marked up by 40% into Afri-Can shares,
 - ⇒ IMDH will no longer have the option of converting the cost of the program marked up by 40% into a new Namibian company that would own 70% of Block J and be 51% owned by IMDH.
 - ⇒ IMDH will no longer have the option of converting the cost of the program marked up by 40% into a direct 51% holding of the Block J joint venture.
- The charter cost of the sampling program is estimated at US\$1.8 million, of which US\$900,000 is to be paid on the departure of the vessel and the balance within 30 days of completion of the program.
- Afri-Can grants IMDH 12.5 million warrants to purchase common shares of Afri-Can at an exercise price of CDN \$0.20 per share until June 15th, 2010 as payment for accrued liabilities totalling \$420,000 (US\$400,000) and for the acquisition of data from IMDH's TOPAS geophysical survey amounting to \$532,411 for a total consideration of \$ 952,411.
- IMDH grants to Afri-Can a Charter Call Option, exercisable by Afri-Can within a period of up to 365 days after the completion of this Charter, to charter another one of their exploration or mining vessels. The Option Vessel will be made available by IMDH subject to availability but no later than 180 days after the exercise of the Charter Call Option, at a daily rate and for a charter period to be agreed upon between the parties at the time of signature of the charter for the Option Vessel. In consideration for the Charter Call Option, Afri-Can will issue 2 million of its common shares to IMDH and will deliver the shares within 15 days of the delivery to Afri-Can of the Option Vessel.

Under the terms of the new agreement, the sampling program was scheduled to start by February 14th, 2010. Unfortunately, delays in obtaining regulatory approvals for the transaction within the 30 days originally anticipated created a series of delays in the issuing of permits for Afri-Can's geologist.. The Corporation announced on February 12th, 2010 that the departure of the vessel was being delayed until Afri-Can's geologist was issued the requisite permits from the Ministry of Home Affairs in Namibia. On March 12th, 2010, Afri-Can finally received notice that all the required permits had been received. However, further delays were encountered when IMDH requested time to complete additional repairs and maintenance work on the vessel. A new start date of March 29, 2010 was agreed upon but on March 25th, 2010 Afri-Can was informed by IMDH that a deficiency had been identified in the umbilical compensation system and the umbilical cable which would necessitate replacement of the umbilical cable and adjustment of the speed of the umbilical compensation system.. The parties therefore agreed that the start of the sampling should occur on or about April 14th, 2010.

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Exploration (Continued)

Haib Copper Concession

Between May 26, 2005 and July 2008, Afri-Can and Deep South Mining (Pty) Ltd. ("Deep South") signed a series of agreements regarding the development of the Haib Copper project in Namibia.

On July 2, 2008, Afri-Can announced that Afri-Can and 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 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 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 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 50% each, within 60 days of the completion date of the mine.

The agreement was approved by the Ministry of Mines and Energy of Namibia and became effective on July 28, 2008. As of the date of the signing of this MD&A, Teck Cominco is committed to continuing its exploration program on the Haib Copper project.

General Discussion on Afri-Can's Business Model

Since inception, Afri-Can's business model has been straightforward: develop a resource on the Block J concession first and, once that project has reached an advanced stage, acquire and 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 also forced Afri-Can to delay the implementation of its exploration programs in 2004 and to place the 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.

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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, which comprised a geophysical survey totalling 854 line-kilometres and the extraction of 38 vibracore samples. On January 31, 2007 the Corporation's technical team produced, a National Instrument 43-101 report based on work done by the Corporation before the start of the fiscal 2007 exploration program, estimating a preliminary diamond potential on Block J and, on July 5, 2007, produced a progress report on Feature 6 showing an increase of 57% of the feature's prospective area.

During fiscal 2008, the Corporation's technical team produced three progress reports dated September 27, November 20, 2007 and January 24 2008, on Features 8, 17 and 19 confirming an increase in the size of the prospective area and validating 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.

During fiscal 2009 the Corporation negotiated a new agreement with IMDH. Since the arrival of The Explorer in Cape Town, Afri-Can's technical team, in collaboration with IMDH, has been working to ensure that the sampling program performs to the highest industry standards. The cooperation between the Corporation and IMDH has been excellent and all the required steps are being taken to ensure the efficiency of the sampling program.

During the three-month period ended February 28, 2010 the Corporation concluded the new agreement with IMDH, strengthened its balance sheet and acquired important data from IMDH's TOPAS (Topographical Parametric Acoustic System) geophysical survey. Using the newly acquired TOPAS data, the Afri-Can technical team were able to produce a new Technical Report that revises and increases the target area for diamond sampling on Block J by over 50%. The \$532,411 cost of the TOPAS data was settled by the grant of 12,5 million warrants with a strike price of \$0.20 per share, valid until June 15th, 2010.. In addition, the Corporation eliminated an accrued liability of \$420,000 (US\$400,000) and increased its cash position by \$1,971,938 through the exercise of warrants.

Once operational, MV DP the Explorer will be the most technically advanced marine diamond-sampling vessel available for charter. Management is highly confident that the cost of waiting for this state-of-the-art vessel is minimal when compared with other options available or the investments that would have been required had the Corporation followed the approach taken by others in purchasing, equipping and manning their own sampling vessels.

Prior to 2006, the Corporation looked at many different approaches to starting its exploration programs and compared each one against the cost per carat method which has become the standard for delineating an inferred resource and measuring marine exploration success.. Since De Beers Marine is the only company with a successful long term track record to date, the Corporation elected to use marine data from De Beers's discovery of the Atlantic One deposit as a benchmark against which all potential technical options could be evaluated. Using De Beer's numbers from Atlantic One, it is generally accepted in the industry that the exploration cost of developing an inferred resource is approximately US \$5 per carat. At the time Atlantic One was discovered, the average selling price for Namibian marine diamonds was approximately US \$125.00 per carat while the most recent published Namibian marine diamond selling price (August 2009) was US \$218.00 per carat.

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Before starting the following section, the following disclaimer is required: *"Statements of potential quantity are conceptual in nature. There has been insufficient exploration to define a mineral resource and it is uncertain if further exploration will result in the target being delineated as a mineral resource."*

This is an extract from the Corporation's April 21, 2008 press release: ... *"The total area of the mapped and interpolated outcrops of the Miocene Basal Unit and the TC formation is approximately 12.3 square kilometres, slightly more than the original estimate of approximately 11.5 square kilometres (see technical report entitled "Phase 2 Sampling in Feature 8, EPL 2499, Offshore, Republic of Namibia", reported in Afri-Can's press release of January 31st, 2007, which estimated potential mineral content at between 0.6 million and 1.6 million carats). The average grade of the samples within the target zone was 0.053 carats per square metre, and the average of the best 20% (used to compensate for inadequate sampler performance) was 0.146 carats per square metre. Applying these figures to the total area of the TC formation target zone suggests a potential mineral content between 0.7 and 1.8 million carats."*

Using the potential mineral resource information published on April 21, 2008 and the revise target areas published in January 2010 as a guide, the following tables present an overview of the investment of the Corporation versus the benchmark of investing US\$5.00 per carat to delineate an inferred resource

Table 1: Funds invested in CDN \$ to delineate a resource on block J	
Block J investment cost as of February 28, 2010	\$7,106,744
Projected cost / 2 nd sampling phase	\$1,800,000
Total project cost to delineating resource on Block J	\$8,906,744

Table 2: Block J 43-101 ESTIMATED POTENTIAL RESOURCE						
Formations	Area		Grade in carats per m ²		Carats	
			All results	Best 20% results *	All results	Best 20% results *
Terrestrial Colluvial & Miocene Basal Unit	12.3 km ²	30%	0.057	0.146	700,000	1,800,000
Last Transgressive Sequence	15.5 km ²	37%	Proven diamondiferous, but the potential has not been assessed yet due to inadequate sampling			
Newly Identified Terrestrial Colluvial Areas	8.8 km ²	21%	Recently identified, report of January 2010. Potentially diamondiferous but not yet sampled			
Additional Miocene Basal Unit	5.1 km ²	12%	Revision of targets, report of January 2010. Proven diamondiferous but the potential cannot be assessed yet due to low number of samples			
Total	41.7 km ²				700,000	1,800,000
*The average of the best 20% was used to compensate for inadequate sampler performance						

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Table 3: Investment cost per carat model to date in CDN \$		
	Result	Best 20% results
Cost as of February 28, 2010 of Block J investment	\$10.15	\$3.95
Projected cost of the next phase of the sampling program	\$2.57	\$1.00
Total project cost related to delineating a resource on Block J	\$12.72	\$4.95

As the area where a potential diamondiferous resource has been calculated under the NI 43-101 rule, represent about 30% of the total mineralized areas of the concession, the main conclusion from the above tables is that the Corporation is well within its stated performance goal to invest US \$5.00 per carat to delineate diamond inferred resources.

These numbers validate management's view that were it not for having entered into the agreement with IMDH, and instead the Corporation had opted to invest the necessary funds required to find, equip and man a vessel with similar capabilities as those of the MV DP The Explorer, the objective would have been impossible to attain.

Qualified Person

Richard W. Foster ("SACNASP") is the Qualified Person under National Instrument 43-101 who has reviewed the scientific and technical information in this section of the document.

Selected Annual Disclosure

The following table sets forth selected semi-annual financial information for the fiscal years 2010, 2009 and 2008:

For six month period ending	February 28, 2010	February 28, 2009	February 29, 2008
	\$	\$	\$
General and administrative expenses	620,201	493,627	641,592
Loss before write-downs	333,437	563,309	567,362
Loss and diluted loss per share (before write-downs)	0.000	0.000	0.000
Net loss	333,437	563,309	567,362
Net Loss and diluted net loss per share	0.000	0.000	0.000
Current assets	2,145,368	241,332	1,235,773
Total assets	9,594,708	7,109,728	7,569,768
Current liabilities	29,426	614,778	465,077
Due to directors	390,866	418,050	390,357
Shareholders' equity	9,174,416	6,076,900	6,714,334

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Discussion on the Selected Quarterly Financial Information

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

	FISCAL 2010		FISCAL 2009				FISCAL 2008	
For the quarter ending:	February 28, 2010	November 30, 2009	August 31, 2009	May 31, 2009	February 28, 2009	November 30, 2008	August 31, 2008	May 31, 2008
	\$	\$	\$	\$	\$	\$	\$	\$
General and administrative expenses	375,972	244,229	262,953	363,345	229,474	264,153	307,794	393,586
Loss before write-downs and stock-based compensation	12,381	212,456	250,148	202,177	234,201	329,108	200,978	297,826
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	111,981	221,456	265,547	294,405	234,201	329,108	340,972	387,428
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	2,145,368	575,358	50,891	418,396	241,332	152,505	391,827	909,705
Total assets	9,594,708	7,735,023	7,116,290	7,375,446	7,109,728	6,901,077	7,084,557	7,396,087
Current liabilities	29,426	491,348	480,570	500,300	614,778	578,946	484,791	430,827
Due to directors	390,866	390,866	390,866	423,710	418,050	381,408	368,985	393,507
Shareholders' equity	9,174,416	6,852,809	6,244,854	6,451,436	6,076,900	5,940,723	6,230,781	6,571,753

Overall Performance

General and administrative expenses and losses before write-down and stock-based compensation for the quarter stood at \$375,972 and \$12,381 respectively versus the average for the last seven quarters of \$295,077 and \$246,670 respectively. This quarter losses before write-down and stock-based compensation was affected by the \$253,000 gain on settlement, without this number the equivalent number for the quarter would be \$265,381.

The following factors have had a strong influence on our operating costs: 1) During this quarter and the previous one, the Corporation increased its current operational activities; 2) Options issuance related costs are a significant part of our operating costs (please refer to the relevant section of MD&A and Financial Statements, notes 7 for details); and 3) Year-over-year the costs associated with corporate governance, financial reporting and AGM fees continue to increase.

As a result of the above, general and administrative expenses minus stock-based compensation of \$276,372 this quarter, combined with the lower trend seen in general and administrative expenses over the last quarters, management is of the opinion that a range between \$225,000 and \$285,000 represents a level that is indicative of the quarterly cost of operating the Corporation. Of this amount, approximately \$100,000 represents compensation payable to members of management, and professional fees payable to two directors of the Corporation (please refer to the section entitled Transactions with Related Parties for more details).

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Deferred Exploration and Development Expenses

During the first six-month period of fiscal 2010, the Corporation incurred \$385,547 in exploration expenses for its Block J marine concession and \$Nil in base metal exploration expenses related to the Haib project versus \$121,384 in exploration expenses for its marine project and \$Nil in base metal exploration expenses related to the Haib project for the same period last year.

Details of Deferred Exploration Expenses

	Six-month period ending February 28	
	2010	2009
	\$	\$
Exploration and development expenses:		
Marine projects:		
Geophysical survey	208,000	-
Project management	-	47,909
Geologist	141,885	68,019
Stock-based compensation	28,350	4,809
Traveling and other	7,312	647
Terrestrial base metal (Haib) project:		
Geologist	-	-
Laboratories	-	-
Others	-	-
Increase during the period	385,547	121,384
Balance, beginning of period	6,082,854	5,698,939
Balance, end of period	6,468,401	5,877,725

Consolidated Statement of Operations

For the second quarter of fiscal 2010, the Corporation's net loss decreased by \$122,220 (or 52%) versus the same period last year, (\$111,981 versus \$234,201), while general and administrative expenses increased by \$146,498 (or 64%), (\$375,972 versus \$229,474).

Non cash stock-based compensation expenses increased by \$99,600 during the quarter versus the same period last year (\$99,600 versus \$0), and this expense was the major contributor to the general and administrative expense increase of \$146,498 (or 63%) over the same period last year. The remaining \$49,898 increase in general and administrative expense was spread over almost evenly over the following accounts: traveling expenses with an increase of \$15,334 (147%) over the same period last year (\$25,736 versus \$10,402), \$25,843 in professional fees (50%), (\$77,374 versus \$51,531); Information to shareholders and registration fees with an increase of \$14,219 (99%) over the same period last year (\$28,587 versus \$14,368) and \$6,985 in public relations (18%), (\$45,357 versus \$38,372).

The \$268,718 variance in other costs is mostly comprised of a gain on settlement of accrued liabilities of \$253,000; a foreign exchange gain increase of \$13,228; a decrease in net investment income of \$26 and an increase in administrative expenses recovered of \$2,516 versus the same period last year.

The gain on settlement of accrued liabilities of \$253,000 was created through the payment with warrants to IMDH against the Corporation accrued liability.

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Capital Resources

As of February 28, 2010, the Corporation's working capital stood at \$2,115,942 (versus a deficit of \$429,679 as of August 31, 2009).

The Corporation's current assets of \$2,145,368 as of February 28, 2010 (\$50,891 as of August 31, 2009) include the following items: cash \$2,111,625 (\$30,065 as of August 31, 2009); \$22,464 (\$16,446 as of August 31, 2009) in amounts receivable; and \$11,279 (\$4,380 as of August 31, 2009) in prepaid expenses.

Afri-Can's current liabilities of \$29,426 as of February 28, 2010 (\$480,570 as of August 31, 2009) include the following items: \$29,426 (\$43,770 as of August 31, 2009) in general accounts payable; and \$Nil (\$436,800 as of August 31, 2009) in accrued liabilities.

Liquidity

During the second quarter of fiscal 2010, Afri-Can's working capital expenditure was around \$170,000 for the quarter. During Fiscal 2009, Afri-Can's working capital expenditure was around \$150,000 per quarter. For the remaining quarters of fiscal 2010 management anticipates that working capital expenditure should approximate between \$150,000 and \$200,000 per quarter. Note that these amounts do not include management's salaries and fees, or professional fees owed to other insiders of the Corporation, since, as in the past, these payments could be accrued or reduced if the financial position of the Corporation required it. (Please refer to Discussion on the Selected Quarterly Financial Information and Transaction with Related Parties for more details).

During the six-month period ended February 28, 2010, the Corporation's exploration related capital expenditure was \$385,547 including \$208,000 for the acquisition of the TOPAS geophysical survey paid with the grant of warrants. Excluding the acquisition of the geophysical survey, the Corporation's exploration related capital expenditure was approximately \$90,000 per quarter unchanged from the quarterly averages of fiscal 2009. The Corporation anticipates that the exploration related capital amounts required for fiscal 2010 to finance its ongoing marine exploration activities (not including the IMDH sampling contract) should approximate an additional \$90,000 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.

Based on the above, the Corporation's minimum capital requirements to maintain our operations for fiscal 2010 are between \$240,000 and \$290,000 per quarter.

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 Corporation's present cash position is sufficient to meet the Corporation minimum capital requirements for the coming quarters. Furthermore, management is of the opinion that if no new negative market events occur, the Corporation should be capable of completing necessary financing (if required) to meet the liquidity needs of the Corporation over the next twelve months.

Therefore, 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. Investors are advised that if such adjustments were required, these adjustments could be material.

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Capital Resource 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:

Under the terms of the new agreement with IMDH, the cost of the sampling program, including the fuel expense estimated at US\$300,000 remains unchanged at an estimated US\$1.8 million. Half of the charter cost is to be paid on departure of the vessel and the balance within 30 days of completion of the program. The Corporation will pay the cost of the sampling program from its cash in hand.

There is also documented historical evidence that during the bulk sampling phase of a sampling program, a certain quantity of diamonds will be recovered which are the exclusive property of the Corporation and could be sold to generate funds to partially offset the cost of the sampling program.

Changes in Accounting Policies Including Initial Adoption

Taking effect September 1, 2009, according to the transition dispositions, the Corporation adopted the following new accounting policy published by the Canadian Institute of Chartered Accountants ("CICA"):

Financial Instrument: In June 2009, the CICA amended Section 3862, "Financial instrument - disclosure". This section has been amended to introduce new financial disclosure requirements, particularly with respect to fair value measurement of financial instruments (three hierarchy levels) and entity exposure to liquidity risk. The amendments to this section apply to annual financial statements for years ending after September 2009. Disclosure and presentation requirements pertaining to this section are contained in Note 10 of the February 28, 2010 financial statements and have no impact on the Corporation's financial results.

IFRS Convergence

No new development to report since the filing of the MD&A included in the 2009 annual report dated December 17, 2009.

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 and related amounts of revenues and expenses. Significant estimates include the recoverability of mining properties and deferred exploration and development expenses, the valuation of accrued liabilities regarding the marine operations, the valuation of environmental liabilities, warrants and stock-based compensation cost valuations, and disclosure of the contingent liability. Actual results could differ from those estimates.

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A detailed summary of the entire Corporation's significant accounting policies and the significant estimates derived there from is included in Note 3 to the 2009 Annual Consolidated Financial Statements. The estimates mentioned above involve considerable judgment and are, or could be, affected by significant factors that are out of the Corporation's control and are described in the Corporation's 2009 MD&A.

Financial Instruments

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

As of February 28, 2010, the Corporation's Canadian and US cash was held in an interest bearing account with HSBC Bank of Canada. The Corporation's Namibian denominated cash was held in an interest bearing account with The First National Bank of Namibia.

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 are classified as other financial liabilities.

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.

Financing Data

During the first quarter of fiscal 2010, the Corporation completed one private placement totalling \$650,000 that resulted in the issuance of 4,062,500 new shares, 2,031,250 warrants, and 27,000 broker warrants. Additionally, 1,135,340 warrants were exercised for \$170,301.

During the second quarter of fiscal 2010, 13,146,250 warrants were exercised for \$1,971,938.

As of February 28, 2010, Afri-Can had 176,812,484 (158,468,394 as of August 31, 2009) shares issued and outstanding with a book value of \$41,247,178 (or \$0.233 of book value per shares issued), 19,942,625 warrants (19,940,150 as of August 31, 2009) and 9,130,000 options outstanding (8,035,000 as of August 31, 2008), for a fully-diluted share position of 205,885,109.

Outstanding Share, Warrant and Option Data (as of April 25, 2010)

	Number
Common shares	177,887,484
Warrants	19,942,625
Options	10,815,000
Fully-diluted	208,645,109

Stock Option Plan

The purpose of the Stock Option Plan (the "Plan") is to serve as an incentive for the directors, officers and service providers who will be motivated by the Corporation's success as well as to promote ownership of common shares of the Corporation by these people. There is no objective attached to the Plan and no relationship to manage the Corporation's risks.

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Transactions with Related Parties

A director of Afri-Can provides legal and secretarial services to the Corporation. For the first six months of fiscal 2010, an amount of \$14,150 (\$33,957 during the same period last year) in legal fees was accounted for as professional fees in the Consolidated Statement of Operations and \$25,250 (\$Nil during the same period last year) in share issuance expenses with regards to legal and corporate secretarial services rendered.

For the first six months of fiscal 2010, management services fees for an amount of \$65,000 (\$65,000 during the same period last year), accounted for as salaries, fringe benefits and management fees was charged by a Corporation owned by a member of management who is also an officer and director of the Corporation.

For the first six months of fiscal 2010, \$13,985 in expenses (\$10,201 during the same period last year) was recovered from a company managed by an officer and directors of the Corporation.

For the first six months of fiscal 2010, professional fees for an amount of \$37,500 (\$37,500 during the same period last year) representing consulting fees was paid to a company managed by the Chairman in connection with consulting services rendered to Afri-Can.

Professional fees for an amount of \$11,500 (\$11,500 during the same period last year) was paid to directors 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 and a corporation held by a director of Afri-Can are non-interest bearing and with no specific repayment terms, but these amounts are not reimbursable before a period of 12 months after the date of the publication of the financial statements of the Corporation.

The \$390,866 total (\$390,866 as of August 31, 2009) due to directors and a corporation held by a director of Afri-Can payable at February 28, 2010 is composed of unpaid salaries and other fees payable to two members of management who are also directors and another director of the Corporation.

Subsequent Event

Options:

On March 11, 2010, the Corporation granted 1,325,000 common share purchase options to non-employees. The options vested immediately, have an exercise price of \$0.25 and expire on March 11, 2013.

On March 19, 2010, the Corporation issued 1,075,000 common shares upon the exercise of common share purchase options having an exercise price of \$0.16.

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 quarterly unaudited consolidated financial statements and respective accompanying Management's Discussion and Analysis.

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In contrast to the certificate required for non-venture issuers under Regulation 52-109 respecting 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 Regulation 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.

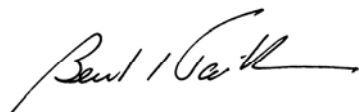
All of the resource properties in which the Corporation has joint-venture agreements are at the exploration stage only and are without a known body of commercial ore or minerals. Substantial expenditures are required for our marine exploration programs and the development of reserves. In the absence 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, April 25, 2010