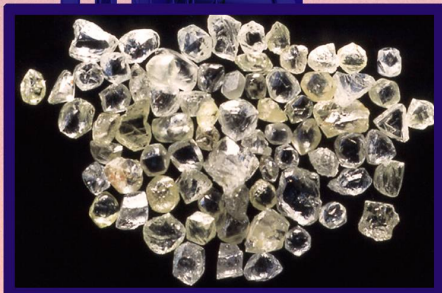




AFRI-CAN MARINE MINERALS CORPORATION



**MANAGEMENT'S DISCUSSION
AND
ANALYSIS**

**FOR THE YEARS ENDED
AUGUST 31, 2011 AND 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 years ended August 31, 2011 and 2010

Introduction

This Management's Discussion and Analysis of financial condition and results of operations ("MD&A") of Afri-Can Marine Minerals Corporation ("Afri-Can" or the "Corporation") should be read in conjunction with the accompanying Management's Responsibility for Financial Reporting statement, the Independent Auditors' Report to Shareholders, the Audited Consolidated Financial Statements of Afri-Can and the notes thereto for the fiscal years ended August 31, 2011 and 2010. Unless expressly stated otherwise, all references to dollar amounts are in Canadian dollars.

The effective date of this MD&A is December 12, 2011. Additional information about Afri-Can, including all technical reports, 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 Corporation undertakes to inform shareholders and to update forward-looking statements if circumstances or management's estimates or opinions should change.

Highlights

Afri-Can is a Canadian corporation, actively involved in the acquisition, exploration and development of marine and terrestrial mineral properties in Namibia, mainly in the field of diamond. Afri-Can's creative and scientific approach targets large marine diamond deposits in prospective territories that offer the potential to become mining projects.

Exploration highlights:

a) EPL 3403:

- On October 12, 2010 the Corporation announced its intention to acquire up to 100% of Thyme Investment (PTY) Ltd. ("Thyme") in exchange for 65 million common shares of the Corporation. Thyme, a Namibian company, holds Exclusive Prospecting License 3403 ("EPL 3403"), a marine diamond concession adjacent to Namdeb's Atlantic One Mining Lease in Namibia (Refer to Notes 4 and 13 to the consolidated financial statements for details);
- On January 26, 2011, the Shareholders of the Corporation approved the acquisition of Thyme;
- On March 16, 2011, the Corporation filed a National Instrument 43-101 compliant qualification report on EPL 3403;

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Highlights (Cont'd)

- On March 28, 2011, the Corporation announced the start of the diamond-sampling program on the EPL 3403 concession (completed on April 19, 2011);
- On May 10, 2011, the Corporation announced the results of the sampling program on EPL 3403. This first stage program discovered three depositional features in the southern region and recovered 84 diamonds, confirming the potential of the planned acquisition of EPL 3403;

b) Block J:

- On October 25, 2010, the Corporation filed a National Instrument 43-101 compliant technical report on the Block J sampling program.

c) Base metals Haib project:

- On November 29, 2010, the Corporation announced Teck Namibia's 5,000 metres Haib drill results;
- In July 2011, Teck Namibia completed the required US\$2 million exploration expenditures on Haib and US\$700,000 payments to Deep South Mining (Pty) ("Deep South"). In September 2011, Deep South confirmed that Teck Namibia exercised its option to earn 70% interest in the Haib project.

Operation highlights

- During Fiscal 2011, the Corporation raised \$3,192,525 in cash through private placements to fund its exploration activities and for working capital purposes;
- During Fiscal 2011, the Corporation invested \$2,294,830 in order to fund the diamond sampling program on EPL 3403 and \$130,194 on Block J.

Subsequent events to the end of the fiscal year:

- In November 2011, the Corporation and Deep-South announced the engagement of Jennings Capital Inc. as financial advisor and lead agent in connection with the listing of their combined 30% interest in Haib. Deep-South and Afri-Can will transfer their interests in Haib to a new entity ("Newco") and will seek the listing of Newco's common shares on the TSX Venture Exchange (the "TSXV") and on the Namibian Stock Exchange. Upon listing of Newco, Afri-Can will transfer its shares in Newco to Afri-Can's common shareholders. Newco's listing, financing and spin-off are subject, among other things, to the Corporation's shareholders and regulatory approval;
- In November 2011, the Thyme Share Sale Agreement was amended in order to allow flexibility as to the timing of the financing and hence limit the dilution to shareholders.

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Marine Exploration projects

EPL 3403 - Thyme Investments Concession

On October 12, 2010, the Corporation announced that it has entered into an agreement to acquire up to 100% of EPL 3403 from International Mining and Dredging Holding Ltd ("IMDH") and BV Investments Four Hundred and Nine (Pty) Ltd. ("BVI").

Terms of the agreement:

EPL 3403 is wholly-owned by Thyme, which in turn is owned by IMDH and BVI (the "Sellers"). Afri-Can intends to acquire 100% of Thyme by issuing IMDH with 48.75 million Afri-Can common shares and BVI with 16.25 million Afri-Can common shares from treasury, for a total issuance of 65 million shares. At that time, IMDH will have the right to appoint two Directors to the Board of Directors of Afri-Can.

The value of the historic work programs conducted by Thyme on EPL 3403 is estimated at approximately US\$7 million. Closing of the sale of EPL 3403 was conditional upon Afri-Can raising a minimum of US\$5.5 million before December 31, 2010.

The agreement was subject to approval by the TSXV.

On January 6, 2011, the Corporation announced that in order to obtain the approval of the TSXV for the completion of the transaction, Afri-Can would be obliged to receive shareholder approval for the acquisition of 100% of the issued and outstanding share capital of Thyme and for the issuance of the aggregate 65 millions new common shares ("New Shares") of Afri-Can since this could result in the creation of a control shareholder.

As a result of the request of the Exchange and the final issuance of a National Instrument 43-101 compliant qualification report on EPL 3403, the sale agreement was modified as follows:

- i. The minimum funding for exploration to be raised by the Corporation by December 31st, 2010 as provided for in the agreement was modified so that the Corporation undertakes (a) to raise US\$2 million by March 15, 2011, and (b) to raise the balance of US\$3.5 million within 90 days of the completion of the first sampling phase.
- ii. In consideration of (a) above, the Corporation shall have the option to acquire 20% of the shares of Thyme within a period ending 30 days after the said US\$2 million has been utilized in exploration on EPL 3403 pursuant to the agreement (the "20% Option").
- iii. In the event the 20% Option is exercised by the Corporation, the commensurate number of New Shares of the Corporation will be issued to IMDH and BVI pro rata in accordance with the agreement.
- iv. The transfer of the balance of the shares of Thyme and the issue of the balance of the New Shares of the Corporation shall only become effective upon the raising of the US\$3.5 million as referred to in (i) above.

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Marine Exploration (Cont'd)

EPL 3403 - Thyme Investments Concession (Cont'd)

In March 2011, the Corporation fulfilled the first requirement of the agreement with the closing of a private placement financing for an amount of \$2,085,825 (approximately US \$2,132,000) and the start of the first sampling program on EPL 3403. Prevailing market conditions were such that the Corporation succeeded in raising only \$1,106,700 million in July 2011.

During the fourth quarter of Fiscal 2011, and the first quarter of Fiscal 2012, the Corporation and the Sellers negotiated an amendment to the agreement regarding the financing of US\$3.5 million in order to allow flexibility as to the timing of the financing.

On November 11, 2011, the parties agreed on the following amended terms:

- ❑ In consideration for 20% of Thyme's shares, Afri-Can will issue 9,750,000 common shares to IMDH and 3,250,000 common shares to BVI (the "First Shares Exchange"), and make a cash payment of US\$100,000 to IMDH;
- ❑ In consideration for the remaining 80% of Thyme's shares, Afri-Can shall start a geophysical survey on EPL 3403 within 3 months of the First Shares Exchange, make a cash payment of US\$50,000 to IMDH at that time, complete an initial resource delineation sampling program before December 31st, 2012, and issue a total of 52 million common shares to IMDH and BVI.
- ❑ The geophysical survey will cover a minimum of 1,000 line-kilometres on an area of 90 square kilometres. The sampling program will extract a minimum of 300 samples and/or last for a maximum of 30 days.
- ❑ The total number of shares that Afri-Can will issue for 100% of EPL 3403 remains unchanged from the original agreement at 65 million common shares.

The amendment to this agreement and common share issuances of the Corporation are subject to regulatory approval.

The US\$150,000 cash payment included in the modified transaction represents payment of an outstanding amount due to IMDH as per the 2011 sampling program and does not represent an additional payment to the Sellers.

About EPL 3403

EPL 3403 sits in the middle of the largest and richest marine diamond field in the world. It covers about 800 km² and is adjacent to the north of the Atlantic One Mining Lease ("ML") 47 (owned by Namdeb and operated by De Beers Marine). Atlantic One is the largest marine diamond deposit in the world with a resource estimated at about 100 million carats. Atlantic One is currently producing in excess of 1,300,000 carats per year and, with diamonds selling for an average of US\$450 per carat, EPL 3403 is contiguous with ML 128(C), and is close to ML 43 and ML 44. Namdeb recently announced that it will spend US\$175 million on increasing the diamond resources in ML 43 by 68 million carats. EPL 3403 also faces the raised beaches on Diamond Area Number One concession where De Beers has mined over 250 million carats since 1932. EPL 3403 is situated about 75 km north from the mouth of the Orange River, which is considered to be the primary route bringing diamonds to the sea.

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Marine Exploration (Cont'd)

EPL 3403 - Thyme Investments Concession (Cont'd)

Previous reconnaissance sampling programs conducted by IMDH and Namdeb on EPL 3403 recovered 33 diamonds weighing 14.07 carats in the Southern region of the EPL. The four largest diamonds weighed 1.15, 1.17, 1.73 and 2.69 carats respectively. Multiple stones were found in 5 IMDH samples, one of which contained 6 diamonds. This is an important indication of concentration and confirms the likelihood of a deposit lying in this specific area. All of these results are comparable to results from Atlantic One.

The aim of the first sampling program conducted by Afri-Can was to start delineating the diamond potential of the Southern portion of EPL 3403, and to prove diamond presence and find areas of diamond concentration in the Northern region. The program lasted 25 days, and was completed on April 19, 2011.

On May 10th, 2011 the Corporation summarized the results of its successful sampling program completed on April 19th, 2011. The program comprised 350 sample sites producing 341 acceptable samples of 5 square metres each. The program enabled the discovery of three depositional features and one prospective depositional area. The sampling recovered 84 diamonds, of which the 4 largest diamonds weighed 1.60, 1.30, 1.15 and 1.15 carats and 15 diamonds weighed over 0.5 carats. All diamonds recovered were of the highest gem quality and 2 of the depositional areas showed an average stone size of 0.50 carat per stone, which is similar to the averages of the adjacent concessions. The successful sampling program confirms the potential and validates the planned acquisition of EPL 3403.

Results are summarized as follows:

Southern Region:	Number of Diamonds	Aggregate Weight (carats)	Average Diamond Weight (carats)
Area 1:	19	10.67	0.56
Area 2:	18	6.68	0.37
Area 3:	45	4.37	0.10
Prospect:	2	0.90	0.45

The combination of Afri-Can's results with the 33 diamonds previously extracted from the same areas by IMDH and by De Beers Marine, for a total of 117 diamonds, of which 28 have been extracted in the indicated depositional areas.

Total results are as follows:

Southern Region:	Number of Diamonds	Aggregate Weight (carats)	Average Diamond Weight (carats)
Area 1:	26	14.49	0.56
Area 2:	29	14.25	0.49
Area 3:	55	5.79	0.11
Prospect:	2	0.90	0.45

The diamonds have been weighed on land in the presence of an official of the Ministry of Mines and Energy of Namibia.

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Marine Exploration (Cont'd)

EPL 3403 - Thyme Investments Concession (Cont'd)

Afri-Can is currently planning the next exploration phase, which will include an acoustic and seismic geophysical survey to start by mid-March 2012. This will be followed by an initial resource delineation sampling program to be completed before December 31, 2012. The goals of these program are to start delineating inferred resources in the Southern Region in order to allow the Corporation to implement a trial mining program on EPL 3403 as soon as technically feasible.

Qualified Person

Richard W. Foster (BSc (Hons), ARCS, Pr.Sci.Nat) is the Qualified Person under National Instrument 43-101 who has reviewed the scientific and technical information in this section of the document.

EPL 2499 - Block J

Exclusive Prospecting Licence (EPL) 2499, called "Block J", is located approximately 25 kilometres off the coast of the Republic of Namibia, in the south west region of Africa. The area covers about 1,000 km² and the Namibian company Woduna Mining Holdings (Pty) Ltd ("Woduna") has been granted the Exclusive Prospecting License over the concession area.

The Corporation's 70% interest in the Block J is held through joint venture between the Corporation and Woduna. Afri-Can is the operator and manager of the exploration and development programs. Furthermore, in the event that Block J becomes a commercial mining lease, the Corporation shall be reimbursed its full investment (exploration, development and acquisition costs) with interest before Woduna is paid its 30% share of the net profit of the project.

Between years 2000 and 2003, Afri-Can conducted 2 geophysical surveys and 2 sampling programs that resulted in the discovery and delineation of many prospective geological Features, of which 4 Features are considered prospective marine diamond deposits.

The 2 sampling programs enabled the recovery of 107 diamonds weighing a total of 15.69 carats, with the largest stone weighing 0.64 carats.

On January 11, 2006, the Corporation concluded an agreement with IMDH to complete a geophysical survey and a sampling and resource delineation program on Block J.

The previous exploration results were re-assessed and compiled into a National Instrument 43-101 compliant report dated 1st May 2006.

The first part of the program was carried out in October and November 2006 and entailed a geophysical survey of 854 line/kilometres and the extraction of 38 vibracore samples at a cost of \$1,017,659 (US\$963,343). The results were published in a series of reports and culminated in a National Instrument 43-101 report dated March 30, 2008, which included a revision of the geological models and selection of targets for quantitative sampling.

The second part of the program was carried out in May 2010 with the extraction of 314 samples of 5 square meters each. The program enabled the recovery of 398 diamonds weighing 48.27 carats. All the diamonds were individually weighed on land and in the presence of an official of the Ministry of Mines and Energy of Namibia in June 2010. The diamonds ranged in weight from 0.01 carats to 0.64 carats.

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Marine Exploration (Cont'd)

EPL 2499 - Block J / Woduna Concession (Cont'd)

The most important achievement of the program was the discovery of a higher grade strip of at least 1.8 km within Feature 8. The geophysical survey data from previous programs suggest that the high grade strip extends towards the northerly end of Block J, over a distance of approximately 20 km. Furthermore, it appears that the northern part of the strip in Feature 8 converges with Feature 6 where a potential concentration of diamonds was encountered at the end of the first part of the program.

On October 25, 2010 The Corporation announced that it had completed a report compliant with the National Instrument 43-101 covering the 2010 sampling program. The report includes a resources estimation completed by the independent consultants Z Star Mineral Resource Consultants (Pty) Ltd. ("Z*").

The current estimated Inferred Diamond Resource in Feature 8 is 154,000 carats in 1,720,000 m² at an average grade of 0.09 carats/m². Within the blocked-out area, there is a 78,000 carats higher grade zone, measuring about 400,000 m² with an average block grade of 0.20 carats/m². The sampling results and the revised geological models outside the area of Inferred Resource enabled the estimation for a potential for further mineralization ranging between 1.2 million carats at an average grade of 0.03 carats/ m² and 1.5 million carats at an average grade of 0.04 carats/ m² in Block J. The report is available at www.afri-can.com and on SEDAR.

Results of the 2010 sampling program justify a stage 4 sampling and trial mining program on Block J in order to increase the resource level from Inferred to Indicated Resources and possibly to Probable Reserves. In addition, the program aims to transform some of the Potential into Inferred Resources.

On November 11, 2010, the Corporation announced the final design of the work program, which comprises geophysical survey, vibracore sampling and 257 samples of 5 m² each. The sampling program will be focused on the northerly extension of the high grade strip in Feature 8 and the definition of the diamondiferous potential of the extension, and the expansion of Inferred Resources. Furthermore, the program includes a trial mining of 100,000 m² within the high grade strip in Feature 8.

In order to complete its acquisition of EPL 3403, the Corporation has decided to focus its resources in priority toward the development of EPL 3403. After the completion of EPL 3403 planned program in Fiscal 2012,, the Corporation intends to resume its exploration work on Block J.

Qualified Person

Richard W. Foster (BSc (Hons), ARCS, Pr.Sci.Nat) is the Qualified Person under National Instrument 43-101 who has reviewed the scientific and technical information in this section of the document.

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Base Metals Exploration Project

EPL 3140 - Haib Copper Project

The Haib Copper project is an Exploration and Prospecting License (EPL) covering 74,563 hectares, located in the Karas region, 8 km from the Orange River in the south of Namibia. The EPL hosts a large, low grade copper porphyry deposit. Past exploration work carried out mainly by Rio Tinto has enabled the delineation of an historical resource of about 4 billion pounds of copper. The deposit is a classic porphyry copper-molybdenum dating from the Archean age. The principal mineralised hosts at Haib are quartz feldspar porphyry ("QFP") and a feldspar porphyry ("FP") rock.

Previous work on the concession was carried out by several companies including Rio Tinto and Falconbridge. In 1996, Behre Dolbear estimated an historical Indicated Resource. A qualified person has not done sufficient work to classify the historical resource as a current mineral resource and the historical estimate should not be relied upon. Using the Nearest Neighbour method, Behre Dolbear estimated a resource of 630 million tonnes of 0.34% Cu at a cut off grade of 0.2% Cu, equivalent to 4 billion lbs of Cu in situ. With a cut off grade 0.3% Cu, the Haib deposit hosts a resource of 292 million tonnes of 0.46% Cu, equivalent to 2.7 billion lbs of Cu in situ.

On July 2, 2008, Afri-Can announced that Afri-Can and Deep South signed an option and joint venture agreement ("Agreement") with Teck Cominco Namibia Ltd. ("Teck"), a wholly owned subsidiary of Teck Resources Limited. The agreement was approved by the Ministry of Mines and Energy of Namibia and became effective on July 28, 2008.

On August 17, 2011, Afri-Can and Deep-South announced that Teck had exercised its option to earn a 70% undivided interest in the Haib copper project. Teck has completed US\$2 million exploration expenditures on Haib and has paid US\$700,000 to Deep South as per the agreement. Teck has completed 7,120 metres of drilling on Haib and is currently planning further work programs.

The agreement with Teck stipulates that, upon Teck earning its 70% interest, Deep-South shall fund its 30% share of costs of the development of the project. In the event that Deep South does not fund its share of an approved program, its interest in the joint-venture shall be diluted and, should it be diluted to under 20%, the remaining Deep-South interest will be converted into a 12% Net Profit Interest (NPI). In the event that Teck should decide to bring the Property into commercial production, Teck will pay a production bonus to Deep South totalling US\$1 million within 60 days of the completion date of the mine. The agreement also states that the NPI and any production bonus will be divided equally between Deep South and Afri-Can.

Deep-South and Afri-Can have agreed to transfer their Haib interest into a new company (Newco) and will seek a listing of the shares of Newco on the TSX Venture Exchange and the Namibian Exchange. Deep-South and the Corporation will own 50% each of Newco. Upon listing of Newco, the Corporation will transfer its shares of Newco ("spin-off") to Afri-Can's shareholders via a share dividend payment. Newco's listing, financing and spin-off are subject, among other things, to the Corporation's shareholders and regulatory approval.

Teck Exploration Model:

Teck operates a number of large tonnage copper mines, and some of them are porphyry copper deposits similar to the Haib Copper deposit, such as; Highland Valley Copper in Canada, and Quebrada Blanca and Andacollo in Chile.

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Base Metal Project Exploration (Cont'd)

EPL 3140 - Haib Copper Project (Cont'd)

According to Teck, ***"... due too several factors, including its remote location and general low grade, the Richtersveld Subprovince is relatively underexplored and has the potential to host a major ore deposit. The objective of Teck Haib Project exploration program is the discovery of a large tonnage, open-pit table, Cordilleran-style, porphyry-hosted copper +/- molybdenum, gold and silver deposit."***

Teck is confident that the deposit has the potential for large-scale mining, particularly if the tonnage or grade, or both, could be improved. Teck decided to investigate the open ended parts of the deposit (deep drilling and extension drilling) and to explore for new undiscovered outlying ore bodies. This had not been previously attempted. Teck suspects that it was unlikely that the Haib body was isolated, rather that it would be one of several similar bodies.

Teck's geologists came up with a model that suggested that the folding and faulting only re-distributed the mineralization and that the mineralization was essentially syngenetic and coeval with the mineralizing vulcanism. This would be similar to modern porphyry systems. Furthermore they believed from detailed mapping of the alteration zones that the deposit was not only dipping but overturned. This model had enormous advantages as it suggested that the higher grade upper porphyry zones could still be preserved at depth. What was being seen at surface was the poorer mineralization associated with the root zones of a porphyry system. If this was the case then deep drilling should indicate higher grade zones.

Following this model Teck, from 2008 to date, completed the following work:-

- ❑ A total of 13 diamond drillholes (totalling 7,126 metres). These were drilled within the historically defined deposit and on the north-eastern IP defined anomaly;
- ❑ Using the Anaconda mapping method Teck has mapped about 75% of the area around the main deposit (at a scale of 1:10,000) and about 1/3 of the main deposit at 1:2,000;
- ❑ Teck re-logged some 29 of the old boreholes in detail. These were mostly on the eastern side of the main deposit around some of the projected deep drill holes;
- ❑ Teck re-sampled 14 of the old drillholes for their molybdenum content; and
- ❑ Teck completed some 37 kms of pole dipole Reconnaissance Induced Polarization (RIP); and another 6 km of Audio Magnetotellurics (AMT).

The Teck drilling programme comprised 13 diamond drillholes. These drillholes were in two groups. The first group of 9 drill holes was drilled within the existing ore body. These holes were drilled to test existing assay values; to test the higher grade portion of the body; and to investigate deeper portions of the known orebody. The second group of four drillholes was drilled to the east of the main Haib deposit to start testing the Haib east geophysical anomaly. Table 1 below gives the basic data for these 13 drillholes.

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Management's Discussion and Analysis of Financial Condition and Results of Operations
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Base Metal Project Exploration (Cont'd)

EPL 3140 - Haib Copper Project (Cont'd)

Drilling summary results

Hole #	From (m)	To (m)	Width (m)	Copper (%)	Molybdenum (%)	Hole Angle (°)
TCDH-01	0	434.17	434.17	0.010	0.0002	-90
TCDH-02	0	350.04	350.04	0.047	0.001	-90
TCDH-03	0	383.23	383.23	0.005	0.0001	-90
TCDH-04	0	357.91	357.91	0.009	0.0005	-90
TCDH-05	0	806.52	806.52	0.167	0.005	-80
TCDH-06	0	842.78	842.78	0.285	0.012	-50
Including	534.00	598.00	64.00	0.543	0.031	
Including	598.00	832.00	234.00	0.370	0.022	
TCDH-07	0	822.86	822.86	0.250	0.007	-65
Including	321.00	405.00	84.00	0.364	0.007	
Including	704.00	764.90	60.90	0.370	0.011	
TCDH-08	0	370.00	370.00	0.047	0.0006	-60
TCDH-09	0	602.10	602.10	0.158	0.0055	-55

The above table shows that several drillholes were drilled deeper than the original average grid depth (about 400 metres). The deepest of these was drillhole TCDH-06 that was drilled to 842.78 metres. The hole was drilled at an azimuth of 194 (just west of south) at 50 degrees inclination. This hole was very interesting as the average grade throughout the drillhole was significantly higher than found on previous drilling.

The program has confirmed Teck's hypothesis that the tonnage and / or grades could be increased. Teck is currently planning a follow up drilling and RIP program for the next 2 years. The goal will be to define the extensions of the main ore body and investigate the newly discovered outcropping areas where RIP has shown high chargeability.

Qualified Person

Mr. Vivian Stuart-Williams ("SACNASP") is the Qualified Person under National Instrument 43-101 who has reviewed the scientific and technical information in this section of the document.

General Discussion on Afri-Can's Business Model

The Corporation's decision to invest in Namibian exploration projects is based on management confidence that the properties chosen can generate a great added value to Afri-Can shareholders.

Geologists estimate that the total Southern African west coast potential is in excess of 2 billion carats and less than 400 million carats have been delineated to date. Namibian marine diamond deposits host the highest gem quality content in the world at 95% and Namibia has the highest average selling price in the world at US\$440 per carat (source: Kimberley Process). More than 50% of the Namibian diamond production is derived from the sea and, according to De Beers information, its marine production unit is its second most profitable diamond project.

Decisions concerning future investments in a project are always based on pro-forma economic valuation models of the project, which can be derived from the geological information available to date.

AFRI-CAN MARINE MINERALS CORPORATION

Management's Discussion and Analysis of Financial Condition and Results of Operations
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General Discussion on Afri-Can's Business Model (Cont'd)

For our marine projects, the two most important factor behind the evaluation of the economic potential of an exploration project are the fashion in which the diamonds are discovered and the stone size. Finding diamonds grouped together in a clear and defined environment indicates diamonds concentration. Diamond values are not linearly linked to the size of stones: larger stones are disproportionately more valuable than smaller ones. Therefore, while the number of stones, which are recovered during an exploration program, is important, the information is less significant in evaluating the potential economics of a project than either the diamond concentration or the average diamond size.

Selected Annual Financial Information

The following table sets forth selected annual financial information for the years ended August 31, 2011, 2010 and 2009:

For years ended	August 31, 2011	August 31, 2010	August 31, 2009
	\$	\$	\$
General and administrative expenses	1,237,301	1,222,945	1,119,925
Net loss	1,259,042	887,047	1,123,261
Net loss and diluted net loss per share	0.01	0.01	0.01
As at			
Current assets	150,443	714,392	50,891
Total assets	12,441,351	10,580,276	7,116,290
Current liabilities	279,766	38,144	480,570
Total liabilities	636,632	399,010	871,436
Shareholders' equity	11,804,719	10,181,266	6,244,854

Results of Operations

For fiscal 2011, the Corporation's net loss increased by \$371,995 (or 42%) versus the same period last year, (\$1,259,042 versus \$887,047), while general and administrative expenses increased by \$14,356 (or 1%) (\$1,237,301 versus \$1,222,945).

The variance in general and administrative expenses this fiscal year as compared to last year is analyzed as follows:

- an increase of \$171,983 in professional and consulting fees mainly due to non-recurring legal fees related to the EPL 3403 projected acquisition, the planning of the spin-off of the Haib project and the dual listing of the Corporation on the Namibian Stock Exchange undertaken this period;
- a decrease of \$192,657 in stock-based compensation expenses; 1,000,000 options having a fair value of \$24,443 were granted this year as compared to 3,590,000 options with a fair value of \$217,100 expensed last year;
- an increase of \$44,330 in public relations expenses following an increase in communication efforts with institutional investors and business development work relating to possible listing on the Johannesburg Stock Exchange undertaken during this year versus the same period last year.

The \$357,639 variance in other items this year over last year is mostly a result of a gain on settlement of accounts payable and accrued liabilities of \$253,000 in 2010 and foreign exchange loss of \$16,550 this year (a gain of \$57,299 in 2010).

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Results of Operations (Cont'd)

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

	FISCAL 2011				FISCAL 2010			
For the quarter ended:	August 31, 2011	May 31, 2011	February 28, 2011	November 30, 2010	August 31, 2010	May 31, 2010	February 28, 2010	November 30, 2009
General and administrative ("G&E") expenses	\$ 307,774	\$ 390,123	\$ 256,863	\$ 282,541	\$ 317,307	\$ 285,437	\$ 375,972	\$ 244,229
Less: Stock-based compensation expenses	17,499	6,944	-	-	69,000	33,500	105,600	9,000
G&E less Stock-based compensation expenses	290,275	383,179	256,863	282,541	248,307	251,937	270,372	235,229
Loss before stock-based compensation	287,571	409,971	260,388	276,669	224,886	226,224	6,381	212,456
Net loss	305,070	416,915	260,388	276,669	293,886	259,724	111,981	221,456
Net loss and diluted net loss per share	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
As at	August 31, 2011	May 31, 2011	February 28, 2011	November 30, 2010	August 31, 2010	May 31, 2010	February 28, 2010	November 30, 2009
Current assets	150,443	352,897	273,291	349,211	714,392	850,177	2,145,368	575,358
Total assets	12,441,351	12,583,435	10,370,800	10,325,742	10,580,276	10,636,115	9,594,708	7,735,023
Current liabilities	279,766	1,116,433	294,725	69,279	38,144	1,011,934	29,426	491,348
Total liabilities	636,632	1,473,299	651,591	426,145	399,010	1,402,800	420,292	882,214
Shareholders' equity	11,804,719	11,110,136	9,719,209	9,899,597	10,181,266	9,233,315	9,174,416	6,852,809

Discussion on the Selected Quarterly Financial Information

General and Administrative expenses excluding non-cash stock-based compensation expenses and loss before stock-based compensation for the fourth quarter of fiscal 2011 stood at \$290,275 and \$287,571 respectively versus the average for the last seven quarters of \$275,490 and \$230,996 respectively. The loss before stock-based compensation for the second quarter of fiscal 2010 was affected by the \$253,000 gain on settlement of accounts payable and accrued liabilities; without this the equivalent number for the second quarter would be \$265,381.

General and administrative expenses minus stock-based compensation enable management to be 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, \$37,500 represents the President's salary and approximately \$70,000 represents compensation payable to other 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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Investing activities in Deferred Exploration and Development Expenses

During fiscal 2011, the Corporation incurred \$2,425,024 in exploration expenses for the Block J and EPL 3403 marine diamond concessions and nil in base metal exploration expenses related to the Haib project versus \$2,814,610 in exploration expenses on Block J and nil on the Haib project in fiscal 2010.

Details of deferred exploration and development expenses for fiscal 2011 and 2010 are as follows:

	2011	2010
	\$	\$
Marine projects:		
EPL 3403		
Sampling program	2,134,810	-
Geology	141,863	-
Travel and other	18,157	-
	<u>2,294,830</u>	<u>-</u>
Block J		
Sampling program	13,601	2,172,284
Geophysics	-	208,000
Geology	114,917	247,025
Stock-based compensation	-	146,600
Travel and other	1,676	40,701
Diamond recovery		(10,200)
	<u>130,194</u>	<u>2,804,410</u>
Terrestrial base metal Haib project	-	-
Increase during the year	2,425,024	2,804,410
Balance, beginning of year	8,887,264	6,082,854
Balance, end of year	<u>11,312,288</u>	<u>8,887,264</u>

During the first two quarters of fiscal 2011, the Corporation completed a 43-101 compliant technical report on the Block J sampling program and another one on EPL 3403. During the third quarter of fiscal 2011, the Corporation initiated and completed a diamond-sampling program on the EPL 3403 concession at a cost of \$2,134,810.

During fiscal 2010, actual cost of the diamond sampling program on Block J was \$2,172,284 while the geophysics' cost was for the acquisition of data relating to the TOPAS (Topographical Parametric Acoustic System) geophysical survey.

Fourth Quarter Discussion

In July 2011, the Corporation closed a private placement financing of units for gross proceeds of \$1,106,700 based upon the issue of 15,810,000 units at a price of \$0.07 per unit. This financing enabled the Corporation to decrease the current liabilities during this fourth quarter to \$215,016 from \$1,116,433.

During the fourth quarter of fiscal 2011, the Corporation incurred \$60,370 in exploration expenses for its marine concessions versus \$91,661 for the same period last year.

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Fourth Quarter Discussion (Cont'd)

For the fourth quarter of Fiscal 2011, the Corporation's net loss increased by \$11,184 versus the same period last year, (\$305,070 versus \$293,886), while general and administrative expenses decreased by \$9,533 (\$307,774 versus \$317,307) due mainly to:

- a) a decrease in stock-based compensation cost of \$51,501 (\$17,499 this quarter as compared to \$69,000 for the same period last year);
- b) an increase of \$67,511 in professional and consulting fees mainly due to non-recurring legal fees related to the EPL 3403 projected acquisition and the planning of the spin-off of the Haib project.

Financing Activities

The Corporation finances itself mainly through share issuance.

Fiscal 2011

Cash flows from financing activities related to the issuance of shares and units totalled \$3,192,525 in fiscal 2011 and consisted of two private placements that resulted in the issuance of 45,607,500 common shares and 25,862,510 warrants. The Corporation had incurred \$382,012 of share issue expenses related to this financing.

Fiscal 2010

Cash flows from financing activities related to the issuance of shares and units totalled \$4,072,239 in fiscal 2010 and consisted of the following items:

- a) The Corporation completed two private placement financings totalling \$1,850,000 (\$92,000 received after year end in October 2010) that resulted in the issuance of 19,062,500 common shares and 9,573,250 warrants;
- b) 14,281,590 warrants were exercised for \$2,142,239; and
- c) 1,075,000 options were exercised for \$172,000.

As of August 31, 2011, Afri-Can had 238,524,984 (192,917,484 as of August 31, 2010) shares issued, 40,808,885 warrants (14,957,625 as of August 31, 2010) and 11,390,000 options outstanding (10,940,000 as of August 31, 2010), for a fully-diluted share position of 290,723,869.

Outstanding Share, Warrant and Option Data

as of December 8, 2011	Number
Common shares	238,524,984
Warrants	38,750,635
Options	11,390,000
Fully-diluted	288,665,619

Liquidity

On average, during Fiscal 2011 and 2010, Afri-Can's working capital expenditure was approximately \$150,000 to \$200,000 for the quarter. For fiscal 2012, management anticipates that working capital expenditure should approximate between \$160,000 and \$200,000 per quarter. Note that these amounts do not include approximately \$100,000 per quarter of 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 and paid later or reduced if the financial position of the Corporation required it. (Please refer to Transaction with Related Parties for more details).

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Liquidity (Cont'd)

During fiscal 2011, the Corporation's exploration related capital expenditure totalled \$2,425,024. This amount includes \$2,134,810 of sampling expenditures related to the resources delineation sampling program conducted on EPL 3403. Excluding these amounts, because of their one-time nature, the Corporation's exploration related capital expenditure was \$290,214. The Corporation anticipates that the exploration related capital amounts required for fiscal 2012 to finance its ongoing marine exploration activities should approximate \$70,000 to \$80,000 per quarter. The Corporation does not anticipate any capital amounts will be required for its base metal exploration project considering its plan to spin-off this property into a separate entity.

Based on the above, the Corporation's minimum capital requirements to maintain our operations for fiscal 2012 are between \$230,000 and \$280,000 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 or quasi-equity-related fund raising programs.

The Corporation's present cash position is not sufficient to meet the Corporation minimum capital requirements for the coming quarters. Since the execution of the original agreement with IMDH in 2006, the Corporation has been able to raise the funds required to advance the project, and pay ongoing working and exploration expenses. While the Corporation has been successful in the past, there can be no assurance it will be in the future. As a result of the planned acquisition of EPL 3403 combined with the its 70%-owned Block J marine diamond concession, Afri-Can now has the foundation to strengthen its development and to achieve its primary goal of developing an economic diamond resource ready for production.

Therefore, the consolidated 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.

Capital Resources

As at August 31, 2011, the Corporation's working capital, consisting of current assets less current liabilities, stood at negative \$129,323 (versus \$676,248 as at August 31, 2010).

The Corporation's current assets of \$150,443 as at August 31, 2011 (\$714,392 as of August 31, 2010) include the following items: \$64,796 (\$572,579 as at August 31, 2010) in cash; \$33,112 (\$134,550 as at August 31, 2010) in amounts receivable; and \$52,535 (\$7,263 as at August 31, 2010) in prepaid expenses.

Afri-Can's current liabilities of \$279,766 as at August 31, 2011 (\$38,144 as of August 31, 2010) include \$146,685 (US\$150,000) payables to IMDH related to the sampling program on EPL 3403 completed in May 2011.

Further to the execution of the sampling program by IMDH on Block J in Fiscal 2010, the Corporation presently does not have any financial obligations related to its Block J marine project. The US\$150,000 payment is contingent upon the closing of the Thyme Share Sale Agreement (Refer to Note 13 b) to the consolidated financial statements for details).

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Capital Resources (Cont'd)

As per the agreement for the acquisition of Thymes shares and EPL 3403, the Corporation intends to start the geophysical survey at a cost of about US\$ 375,000 by mid-March 2012. The Corporation is currently negotiating and analyzing financing proposal in order to achieve this exploration phase. The Corporation has always succeeded in funding its project in the past and Management is confident that it will be successful in completing this exploration phase.

Off-Balance Sheet Arrangements

The Corporation does not have any off-balance sheet arrangements.

Transactions with Related Parties

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

	2011	2010
	\$	\$
Management fees from an officer	130,000	130,000
Professional fees from directors	112,045	104,150
Share and unit issuance costs	46,125	48,827
Administrative expenses recovered from a company managed by an officer of the Corporation	(7,720)	(25,565)

For fiscal 2011, management services fees for an amount of \$130,000 (\$130,000 for fiscal 2010), accounted for as salaries, fringe benefits and management fees was charged by a Corporation owned by the Chief Financial Officer and director of the Corporation.

From September to August 1st 2011, an amount of \$37,045 (\$29,150 for fiscal 2010) in legal and secretarial fees was accounted for as professional fees in the Consolidated Statement of Operations and \$46,125 (\$48,827 for fiscal 2010) in share issuance expenses with regards to legal services rendered related to financing activities provided by a former Director of the Corporation.

For fiscal 2011, professional fees for an amount of \$75,000 (\$75,000 for fiscal 2010) representing consulting fees were charged by a company managed by the Chairman in connection with consulting services rendered to Afri-Can.

For fiscal 2011, \$7,720 in expenses (\$25,565 for fiscal 2010) were recovered from a company managed by an officer and director of the Corporation.

These transactions are completed 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.

The amount due to a director classified as current liabilities does not bear interest and is repayable at any time on demand.

Amounts due to directors and a corporation held by a director, classified as long term liabilities, do not bear interest and the lenders will not request the repayment before 12 months from the date of the publication of these consolidated financial statements.

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Transaction with Related Parties (Cont'd)

The \$356,866 total (\$360,866 as of August 31, 2010) due to directors and a corporation held by a director of Afri-Can payable at August 31, 2011 is composed of unpaid salaries and other fees payable to two members of management who are also directors and another director of the Corporation. In fiscal 2011, the Corporation reimbursed \$4,000 to a director.

Subsequent Events

a) Base metal Haib project:

In September 2011, Deep South confirmed that Teck Namibia had exercised its option to earn the 70% interest in Haib. Teck has completed US\$2 million exploration expenditures on the Property and has paid US\$700,000 to Deep South as per the agreement.

In November 2011, the Corporation and Deep-South have engaged Jennings Capital Inc. as financial advisor and lead agent in connection with the listing of their combined 30% interest in the Haib project. Teck Cominco, the operator, owns the remaining 70% interest in the project.

Deep-South and the Corporation will transfer their interests in Haib to a new Canadian entity ("Newco") and will seek the listing of Newco's common shares on the TSX Venture Exchange and on the Namibian Stock Exchange. Upon listing of Newco, the Corporation will transfer its shares of Newco ("spin-off") to Afri-Can's common shareholders. Newco's listing, financing and spin-off are subject, among other things, to the Corporation's shareholders and regulatory approval.

b) Acquisition of a marine mining concession EPL 3403:

On November 11, 2011, the parties involved in the Thyme Share Sale Agreement, owner of EPL 3403, amended the terms of this agreement as follows:

- i) In consideration for 20% of Thyme's shares, the Corporation will issue 13 million common shares of the Corporation to the owners (the "First Shares Exchange") and make cash payment of US\$100,000 to IMDH;
- ii) In consideration for the remaining 80% of Thyme's shares, the Corporation shall start a geophysical survey on EPL 3403 within 3 months of the First Shares Exchange, make a cash payment of US\$50,000 to IMDH at that time, complete an initial resource delineation sampling program on EPL 3403 before December 31st, 2012, and issue 52 million common shares of the Corporation to the owners.

The US\$150,000 cash payments represent outstanding payables to IMDH from the 2011 sampling program included in the accounts payable and accrued liabilities as at August 31, 2011.

The amendment to the Thyme Share Sale Agreement and common share issuances of the Corporation are subject to regulatory approval.

c) Short-term loan

On November 1, 2011, the Corporation arranged an unsecured loan repayable on December 16, 2011, in the amount of \$150,000 at a monthly interest rate of 2.5%.

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Critical Accounting Estimates

The preparation of consolidated 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 during the reporting period. Significant areas where management judgement is applied are the recoverability of mining properties and of deferred exploration and development expenses, the valuation of stock based compensation and warrants, the valuation of environmental liabilities and disclosure of the contingent liability. These estimates are based on management's best knowledge of current events and actions that the Corporation may undertake in the future. Actual results could differ from these estimates.

A detailed summary of the entire Corporation's significant accounting policies and the significant estimates derived there from is included in Note 2 to the Annual Consolidated Financial Statements for the years ended August 31, 2011 and 2010.

Changes in Accounting Policies Including Initial Adoption

During 2011, the Corporation has not adopted new accounting policies.

Financial Instruments

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

As of August 31, 2011, 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.

Other amounts receivable are classified as loans and receivables. They are measured at amortized cost, which is generally the initially recognized amount, less any allowance for doubtful accounts. Accounts payable and accrued liabilities, and due to directors and a corporation held by a director are classified as other financial liabilities. They are measured at amortized cost. Transaction costs, if so, are applied against the carrying amount of any related 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.

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IFRS Convergence

The Corporation is using a four step roadmap to convert to the International Financial Reporting Standards ("IFRS"):

Step 1: Diagnostic:

The initial diagnostic stage has been completed in 2009 to understand, identify and assess the overall effort required to produce financial information under IFRS.

Step 2: Design and planning:

Step 2.1: Accounting policies:

The final detailed analysis of the accounting policies impacted by the IFRS convergence is expected to be completed by January 2012. Overall, effort will focus on the financial statements presentation as IFRS requires added disclosure.

Set out below are the main areas where changes in accounting policies are expected to have a significant impact on the Corporation's financial statements. The list below should not be regarded as a complete list of changes that will result from transition to the IFRS. It is intended to highlight areas that the Corporation believes to be the most significant; however, the analysis of changes is still in process and the selection of accounting policies where choices are available under IFRS has not been completed. The standards listed below are those existing based on current pre-change accounting standards and IFRS.

They are as follows:

First time adoption (IFRS 1)

IFRS 1 provides guidance to entities on the general approach to be taken when first adopting IFRS. The underlying principle of IFRS 1 is retrospective application of IFRS standards in force at the date an entity first reports using IFRS. IFRS 1 acknowledges that full retrospective application may not be practical or appropriate in all situations and prescribes:

- optional exemptions from specific aspects of certain IFRS standards in the preparation of the Corporation's opening balance sheet; and
- mandatory exceptions to retrospective application of certain IFRS standards.

Additionally, to ensure financial statements contain high-quality information that is transparent to users, IFRS 1 contains disclosure requirements to highlight changes made to financial statement items due to the transition to IFRS.

The Corporation expects that key IFRS 1 exemption decisions will be approved by the Audit Committee in January 2012. The Corporation's transition plan is currently on track with its implementation schedule.

The Corporation intends to adopt the following exemptions:

Mandatory exceptions:

- The estimates established by the Corporation in accordance with IFRS at the date of transition to IFRS are consistent with estimates made for the same date in accordance with pre-change accounting standards, after adjustments to reflect any difference in accounting principles, if applicable.

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IFRS convergence (Cont'd)

Optional exemptions:

- The Corporation has elected to not apply IFRS 2 on all options granted before November 7, 2002. IFRS 2 applies to all grants after November 7, 2002 that have not yet vested by the later of the September 1, 2010 transition date and January 1, 2005. The Corporation has no option issued between November 7, 2002 and the CICA 3870 adoption date that were not vested on the transition date.

Share-based payment (IFRS 2)

The Corporation manages equity-settled stock-based remuneration plans for its directors, officers, employees and consultants. The plan does not feature any options for a cash settlement.

All goods and services received in exchange for the grant of any share-based payment are measured at their fair values.

Where employees are rewarded using share-based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the equity instruments granted. This fair value is measured at grant date, using the Black-Scholes option pricing model.

For graded-vesting features, IFRS requires each instalment to be treated as a separate share option grant, because each instalment has a different vesting period and hence the fair value of each instalment will differ. However, the pre-change accounting standards allow an entity the option of either using the graded vesting method or the straight-line method which recognizes expenses equally over the average life of the grant. The Corporation is already using the graded vesting method for its grants.

An individual is classified as an employee when the individual is an employee for legal or tax purposes (including directors and officers) or provides services similar to those performed by an employee. This definition of an employee is broader than that currently applied by the Corporation and might result in certain contractors and consultants being classified as employees under IFRS. During the convergence, no consultant was reclassified as an employee.

For option granted to non-employees, IFRS requires that stock-based compensation be measured at the fair value of the services received unless the fair value of the services cannot be reliably measured.

Per IFRS, the forfeiture rate, with respect to share options, needs to be estimated by the Corporation at the grant date instead of recognizing the entire compensation expense and only record actual forfeitures as they occur. Forfeiture occurs when an option is granted with a vesting period, but the person who received the option leaves before all the option is vested. Each quarter, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest. There was no forfeiture for options granted since the adoption of section 3870 and consequently we have considered the forfeiture rate to be nil based on our past experience for grants. At the date of transition, there was no material adjustment needed relating to forfeiture.

According to IFRS 1 transition rules, the Corporation has elected to not apply IFRS 2 on all options granted before November 7, 2002. IFRS 2 apply to all grants after November 7, 2002 that have not yet vested by the later of the date of transition to IFRS (January 1, 2010) and January 1, 2005. The Corporation has no option issued between November 7, 2002 and the CICA 3870 adoption date that were not vested on the transition date.

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IFRS convergence (Cont'd)

Exploration and evaluation ("E&E") assets (IFRS 6)

Under IFRS, the Corporation must identify and account for pre-E&E, E&E and development expenditure separately. There was no such obligation under pre-change accounting standards. The E&E phase begins when the Corporation obtains the legal rights to explore a specific area and ends when the technical feasibility and commercial viability of extracting a mineral resource are demonstrable.

Pre-E&E costs are and must be expensed.

E&E costs may be expensed as incurred or capitalized. Indeed according to IFRS, an entity must decide on an accounting method determining which expenses are accounted for as an E&E asset considering the level that the expense can be associated with a mineral resource.

Unlike IFRS, pre-change accounting standards indicate that exploration costs may initially be capitalized if the Corporation considers that such costs have the characteristics of property, plant and equipment.

Amongst Canadian exploration companies that have announced their IFRS treatment, part are capitalizing and the other part are expensing the E&E costs.

Nevertheless, the management believes that it is important and relevant to display on the face of the statement of financial position that mining assets are one of its most valuable assets and the essence of the Corporation's business. In April 2010, IASB published a discussion paper on extractive activities. We are waiting to see the developments on these consultations that could bring a revised IFRS 6 in the future. We believe that we should wait for this new IFRS 6 before making a change from capitalizing the E&E costs to expensing them. Consequently the Corporation will continue to capitalize E&E costs. There is no transition impact on the statement of financial position and the statement of comprehensive loss.

E&E costs for each separate area of interest are recognized as an E&E asset where the following conditions are satisfied:

- The rights to explore the area of interest are current; and
- At least one of the following conditions is met:
 - o The E&E costs are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale; or
 - o E&E activities in the area interest have not reached a stage which permits a reasonable assessment of the existence of economically recoverable reserves, and active and significant operations in relation in the area are continuing.

E&E assets include: the acquisition of rights to explore; research and analysis of existing exploration data; topographical, geological, geochemical and geophysical studies; exploratory drilling; trenching; sampling; activities in relation to evaluating the technical feasibility and commercial viability of extracting a mineral resource. General and administrative costs are only allocated to the extent that they can be related directly to operational activities in the relevant area of interest.

E&E assets shall be classified as either tangible or intangible asset according to the nature of the assets acquired. The Corporation will present them as intangible assets under the description exploration and evaluation assets on the face of the statement of financial position.

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IFRS convergence (Cont'd)

When technical feasibility and commercial viability of extracting a mineral resource are demonstrable, the costs capitalized in E&E assets are transferred to mining assets in development. Following this transfer, all construction, installation and infrastructure costs will be capitalized in the mining assets in development category or property plant and equipment under construction. At the end of the development phase, all assets in the mining assets in development will be transferred to mining assets and will be amortized according to the unit of production mode.

Under IFRS, initial measurement of E&E is at cost. Subsequently the Corporation can elect to measure exploration and evaluation assets using either the cost model or the revaluation model. Under pre-change accounting standards, E&E are measured at cost and the revaluation of E&E is not allowed other than during business combination and assets acquisition. Based on our review, the revaluation model has not been widely selected as an accounting policy due to the difficulty and the effort required to continually monitor fair values. Since it believes the cost is more reliable, the Corporation will continue to use the cost for initial and subsequent measurement and therefore there is no transition impact on the statement of financial position and statement of comprehensive loss.

No depreciation charge is recognized during the E&E phase. In circumstances where a property is abandoned or it is established that the E&E costs capitalized cannot be recovered, the cumulative capitalized costs relating to the property are written down to their fair value less cost to sell.

IFRS 6's requirements for impairment are different to IAS 36 for: considering what are the triggering events and the level at which impairment testing is performed. E&E assets are assessed for impairment at least once a year if facts and circumstances indicate that impairment may exist. Following is a non exhaustive list of trigger events examples: the right to explore has, or will in the near future, expire, and renewal is not expected; further E&E expenses are not budgeted nor planned; the decision to discontinue activities had been made due to lack of discovery; the development is likely but the E&E asset is unlikely to be recovered in full. Concerning the level at which impairment testing is performed, IFRS 6 allows E&E assets to be grouped with producing assets or other long lived asset. Since the Corporation has no producing asset at the moment, impairment testing will be done on an area of interest basis.

Impairment of assets (IAS 36)

At least once a year, the carrying amount of the Corporation's assets is reviewed to determine whether there is any indication that those assets are impaired. The impairment loss is the amount by which the asset's or cash generating unit's carrying amount exceeds its recoverable amount. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, management estimates the future cash flows for each asset or cash generating unit and then it determines an appropriate interest rate to calculate the present value of the cash flows. The actualization factors are established individually for each assets or cash generating unit and reflect their risk profile determined by management. If the recoverable amount of an asset is estimated to be less than the carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the statement of comprehensive loss for the period. For an asset that does not generate largely independent cash flow, the recoverable amount is determined for the cash generating unit to which the asset belongs. For E&E asset, the cash generating unit will be the area of interest.

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IFRS convergence (Cont'd)

IFRS requires the use of a one-step impairment test (impairment testing is performed using discounted cash flows) rather than the two-step test under pre-change accounting standards (using undiscounted cash flow as a trigger to identify potential impairment loss). IFRS requires reversal of impairment losses (excluding goodwill) where previous adverse circumstances have changed; this is prohibited under pre-change accounting standards. The Corporation believes that the changes of this policy should not have an impact on the financial statements on the changeover date. Nevertheless, in the subsequent years, this policy could generate more volatility in the statement of comprehensive loss.

When an impairment loss subsequently reverses when it is justified by a change of circumstances, the carrying value of the asset is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized in the statement of comprehensive loss.

The Corporation assessed its assets by reviewing the trigger events and found that no impairment losses were required to be recognized as at the transition date of September 1, 2010.

Income taxes (IAS 12)

The principles of accounting for income taxes are the same under both IFRS and pre-change accounting standards.

Under IFRS, future income tax assets are recognized to the extent that it is probable that the benefit will be realized. In pre-change accounting standards, there is the notion of more likely than not. Under the convergence project between the IASB and the Financial Accounting Standards Board ("FASB") in the USA, it has been tentatively concluded that probable will be defined as more likely than not, eliminating any future tax asset recognition difference.

Under IFRS, all deferred tax assets and liabilities are classified as non-current while under pre-change accounting standards, they are classified as either current or non-current depending on the classification of the underlying asset or liability. Since the Corporation's tax assets and liabilities arise mainly from non current asset or liabilities, this difference will not have a significant impact on the transition date.

The Corporation has not completed its detailed evaluation of the differences between IFRS and current GAAP related to accounting for income taxes. These differences could require changes to accounting policies that may impact the Corporation's financial statements and require adjustments to future income taxes liabilities and shareholders' equity.

Step 2.2: Financial statements preparation:

By January 2012, we will prepare the financial statement model and we will identify the IFRS convergence adjustments.

Step 2.3: Training and communication:

Members of the Corporation's finance department have taken steps to become proficient in IFRS, including participating in IFRS training sessions.

A communication plan beyond the mandatory disclosure required in the MD&A will be developed by February 2012 if the changes on the financial statements are important.

AFRI-CAN MARINE MINERALS CORPORATION

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IFRS convergence (Cont'd)

Step 2.4: IT systems:

The accounting processes of the Corporation are simple since it is still at the exploration stage and no major challenges are expected at this point to operate the accounting system under the IFRS. Nevertheless, some supporting documents will probably have to be adapted to support the changes made in accounting policies.

Step 2.5: Internal Controls:

By January 2012, Management will review existing internal control process and procedures to address significant changes to existing accounting policies and practices.

Step 2.6: Impact on the business:

The business processes of the Corporation are simple and no major challenges are expected at this point to operate under IFRS.

Step 3: Implementation:

In this stage the Corporation will implement the changes that have been developed including changes to the accounting processes and policies. The Corporation will also quantify the IFRS impacts.

Management will prepare the structure of the first quarterly financial statements as of November 30, 2011 with the balance sheet reflecting the opening balance as of September 1st, 2010, and August 31, 2010, while the statement of operations, comprehensive loss and deficit will reflect the three-month period ended November 30, 2011 as compared to November 30, 2010 with the disclosure notes.

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.

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 Corporation will file a Venture Issuer Basic Certificate with respect to the financial information contained in the annual and interim consolidated financial statements and respective accompanying Management's Discussion and Analysis.

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.

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Risks

The Corporation 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.

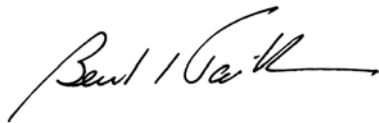
All of the resource properties in which the Corporation has joint-venture agreements are at the exploration stage only and are without a known body of commercial ore or minerals. Substantial expenditures are required for our marine exploration programs and the development of reserves. In the absence 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, December 12, 2011