



MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEARS ENDED AUGUST 31, 2012 AND 2011

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TSX Venture Exchange: AFA

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, 2012 and 2011

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, 2012 and 2011. Unless expressly stated otherwise, all references to dollar amounts are in Canadian dollars.

Afri-Can's audited consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") including comparative figures. The financial statements for the year ended August 31, 2011 have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). Note 13 to the audited consolidated financial statements presents the effect of the transition to IFRS.

Further information regarding the Corporation and its operations are filed electronically on the System for Electronic Document Analysis and Retrieval (SEDAR) in Canada and can be accessed 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 expressly disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise, except as required by applicable law.

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.

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Highlights (Cont'd)

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 16.25 million post-consolidation 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;
- In November 2011, the Thyme Share Sale Agreement was amended in order to allow flexibility as to the timing of the financing. The TSX Venture Exchange ("TSXV") approved the terms of the amended agreement in February 2012;
- On April 12, 2012, the Corporation announced a financing agreement for \$3 million with Trinity Asset Management International Ltd. ("Trinity") located in Mauritius;
- The private placement was conditional upon a consolidation of the Corporation's issued and outstanding common shares in a ratio of 4 pre-consolidation common shares for 1 post-consolidation common share. The share consolidation was approved by the Corporation's shareholders on June 1, 2012;
- In May 2012, the Corporation completed a geophysical survey on EPL 3403 marine diamond concession in Namibia. The geophysical survey recovered a total of 1,519 line-kilometres of high resolution Sparker and TOPAS seismics as well as 480 line-kilometres of multibeam echosounder data. The survey covered approximately 123 square kilometres in the south end of EPL 3403, representing 15% of the concession area, which measures 800 square kilometres. The survey mainly covered the Areas 1 and 2 depositional areas and enabled the delineation of a new promising target area covering 18 square kilometres. The survey served to prepare the sampling program that began on December 2, 2012.

b) Haib Copper project:

- In July 2011, Teck Namibia completed the required US\$2 million exploration expenditures on the Haib base metal project and made the US\$700,000 payments to Deep South Mining (Pty) ("Deep South"). In September 2011, Deep South confirmed that Teck Namibia had exercised its option to earn 70% interest in the Haib project;
- On December 4, 2012, Deep-South granted to the Corporation an irrevocable option to acquire 50% of Deep-South's share capital in exchange for the Net Profit Interest ("NPI") and production bonus in the Haib property held by the Corporation and subject to the listing of Deep-South's common shares on an Exchange. Upon the listing of Deep-South, Afri-Can will transfer its shares in Deep-South to Afri-Can's common shareholders. Deep-South's listing and financing are subject, among other things, to the approval of the Corporation's shareholders and to regulatory approval.

c) Consolidation of common shares and financing

- On July 5, 2012, the Corporation gave effect to the consolidation of its common shares on the basis of four (4) pre-consolidation common shares for one (1) post-consolidation common share. The post-consolidation common shares commenced trading on the TSX Venture Exchange the same day;
- In July and August 2012, the Corporation closed the \$3 million financing announced in April 2012.

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Marine Exploration Projects

EPL 3403 - Thyme Investments Concession

On October 12, 2010, the Corporation announced that it had 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 to the Sellers 16.25 million Afri-Can common shares. At that time, IMDH will have the right to appoint two Directors to the Board of Directors of Afri-Can.

Closing of the sale of EPL 3403 was conditional upon Afri-Can raising a minimum of US\$5.5 million before December 31, 2010.

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 shall receive shareholders approval for the acquisition of 100% of the issued and outstanding share capital of Thyme and for the issuance of the aggregate 16.25 million new common shares ("New Shares") of Afri-Can because the transaction could result in the creation of a control shareholder.

As a result of the request of the Exchange and for 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 31, 2010 as provided for in the agreement was modified and the Corporation was undertaking (a) to raise US\$2 million by March 15, 2011, and (b) raise the balance of US\$3.5 million within 90 days after completion of the first sampling phase.
- ii. In consideration of (a) above, the Corporation had the option to acquire 20% of the shares of Thyme within a period ending 30 days after the said US\$2 million had been invested 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.

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 started the first sampling program on EPL 3403. Prevailing market conditions were such that the Corporation only succeeded in raising \$1,106,700 in July 2011.

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Marine Exploration (Cont'd)

EPL 3403 - Thyme Investments Concession (Cont'd)

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 timing flexibility for the financing.

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

- i) In consideration for 20% of Thyme's shares, Afri-Can will issue 3.25 million common shares to the Sellers and make a cash payment of US\$100,000 to IMDH (the "First Shares Exchange"); and
- ii) 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 13 million common shares to the Sellers. The geophysical survey had to cover a minimum of 1,000 line-kilometres on an area of 90 square kilometres. The sampling program shall 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 16.25 million common shares.

TSXV approved the terms of the amended agreement in February 2012.

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.

On December 3, 2012, the parties involved in the Thyme Share Sale Agreement, amended the terms of this agreement as follows:

- a) The parties have agreed that the first part of the transaction with regard to the acquisition of 20% of Thyme's shares has been completed by Afri-Can. However, the parties have agreed that Afri-Can will proceed with the issuance of 3.25 million shares of the Corporation at the same time that Afri-Can and Thyme will close the acquisition of the remaining 80% of Thyme's shares by the issuance of an additional 13 million shares of Afri-Can. At the same time, IMDH and BVI will transfer 100% of the shares from any classes of Thyme to the Corporation;
- b) Afri-Can shall complete a first resource delineation sampling program on EPL 3403 before December 31, 2012; and
- c) Prior to the completion of the sampling program, Thyme shall provide to the Corporation its audited financial statements for the years 2006 to 2011 and unaudited financial statements for the year 2012. In the event that the statements are not to the satisfaction of the Corporation or are not provided as aforesaid, the Corporation will hold the option either to proceed with the acquisition of 100% of the shares in Thyme or the Corporation will hold the option to acquire the underlying License EPL 3403 with the Namibian governmental approval.

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Marine Exploration (Cont'd)

EPL 3403 - Thyme Investments Concession (Cont'd)

About EPL 3403

EPL 3403 is 120 kilometres south of the town of Luderitz in Namibia. 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, with diamonds selling for an average price of US\$450 per carat. EPL 3403 is contiguous with ML 128(C), and is close to ML 43 and ML 44. Namdeb is currently conducting a vast exploration program in order to increase 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.

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 during 25 days in March to April 2011 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.

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:

	Number of Diamonds	Aggregate Weight (carats)	Average Diamond Weight (carats)
Southern Region:			
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

A total of 117 diamonds have been extracted from EPL 3403: previous programs by IMDH and by De Beers Marine extracted 33 diamonds, 28 of which were from the depositional areas specified in the table above.

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Marine Exploration (Cont'd)

EPL 3403 - Thyme Investments Concession (Cont'd)

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.

Afri-Can Marine completed its geophysical survey on EPL 3403 marine diamond concession in Namibia on May 14th, 2012. The geophysical survey recovered a total of 1,519 line-kilometres of high resolution Sparker and TOPAS seismics as well as 480 line-kilometres of multibeam echosounder data. The survey covered approximately 123 square kilometres in the south end of EPL 3403, representing 15% of the concession area, which measures 800 square kilometres. Notably, 94.7 square kilometres or 77% of the 123 square kilometres show a sediment thickness over bedrock footwall of less than 10 metres, which is well within the penetration parameters of the sampling tool of the MV DP The Explorer, recently contracted for the upcoming sampling program. The survey has mainly covered the Areas 1 and 2 depositional areas and served to prepare the sampling program to be conducted in December 2012. The survey has also enabled the delineation of a new promising target area covering 18 square kilometres.

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.

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Marine Exploration (Cont'd)

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

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.

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.

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Marine Exploration (Cont'd)

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

In order to complete its acquisition of EPL 3403, the Corporation has decided to focus its resources on the development of EPL 3403. After the completion of the EPL 3403 planned program in 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.

Base Metals Exploration Project

EPL 3140 - Haib Copper Project

The Haib Copper project is an Exploration and Prospecting License (EPL) covering 37,000 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 estimate 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 calculated an historical estimate, using the Nearest Neighbour method, of 630 million tonnes of 0.34% Cu at a cut off grade of 0.2% Cu, equivalent to 4.7 billion lbs of Cu in situ. With a cut off grade 0.3% Cu, the Haib historical estimate is 292 million tonnes of 0.46% Cu, equivalent to 2.9 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.

In September, 2011, Deep-South confirmed 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.

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Base Metal Project Exploration (Cont'd)

EPL 3140 - Haib Copper Project (Cont'd)

On December 4, 2012, Deep-South granted to the Corporation an irrevocable option to acquire 50% of Deep-South's share capital in exchange for the NPI and production bonus in the Haib property held by the Corporation and subject to the listing of Deep-South's common shares on an Exchange. Upon the listing of Deep-South, Afri-Can will transfer its shares in Deep-South to Afri-Can's common shareholders. Deep-South's listing and financing are subject, among other things, to the approval of the Corporation's shareholders and to 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.

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-pittable, 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 and invested more than US \$ 2 million:-

- ☐ 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 70 of the old RTZ 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;
- ☐ Teck re-assayed 29 of the old RTZ drill hole cores and concluded that the results correlated well with the original RTZ assays, and
- ☐ Teck completed some 37 kms of pole dipole Reconnaissance Induced Polarization (RIP); and another 6 km of Audio Magnetotellurics (AMT).

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Base Metal Project Exploration (Cont'd)

EPL 3140 - Haib Copper Project (Cont'd)

The Teck drilling program 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. Table1 below gives the basic data for these 13 drillholes.

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 confirmed Teck's hypothesis that the tonnage and/or grades could be increased. In May 2012 Teck started a 2 year follow-up drilling and RIP program. 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.

Teck conducted a 6,500 meter drilling program between May and September 2012 with the aim to test the grades of some of the newly discovered outcropping areas and re-assess some historical results the main ore body. Assay results are pending and are expected in February 2013.

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.

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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 significant 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.

For the Corporation's marine projects, the two most important factors 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 diamond 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, 2012, 2011 and 2010:

For years ended	August 31, 2012 (i)	August 31, 2011 (i)	August 31, 2010 (ii)
	\$	\$	\$
Expenses	1,218,142	1,246,131	1,222,945
Net loss	1,244,100	1,259,042	887,047
Net loss and diluted net loss per share	0.02	0.02	0.01
As at			
Current assets	1,792,598	150,443	714,392
Total assets	14,617,161	12,441,351	10,580,276
Current liabilities	268,333	279,766	38,144
Non-current liabilities	431,866	356,866	360,866
Total liabilities	700,199	636,632	399,010
Shareholders' equity	13,916,962	11,804,719	10,181,266

(i) Prepared in accordance to IFRS.

(ii) Prepared in accordance to Canadian GAAP.

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Operating activities

For Fiscal 2012, the Corporation's net loss decreased by \$14,942 versus the same period last year, (\$1,244,100 versus \$1,259,042), while expenses decreased by \$27,989 (\$1,218,142 versus \$1,246,131).

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

- a) a decrease of \$21,961 in professional and consulting fees is described below;
- b) an increase of \$32,294 in investor relations and promotion expenses following an increase in communication efforts with institutional investors and business development work this year during the financing period;
- c) a decrease of \$21,143 in management travel expenses to South Africa and Namibia compensated by an increase in promotion expense conducted by a third party on behalf of the Corporation this year; and
- d) a decrease of \$8,888 in stock-based compensation expenses; fair value of \$15,555 of options vested this year compared to options with fair value of \$24,443 vested last year. No options were granted this year as compared to 250,000 granted last year;

The increase of \$12,362 interest expenses on short-term loan in other gains and losses this year over last year is mostly a result of short term loans held this year during a longer period than the prior year.

Professional and consulting fees consist of:

	2012	2011
	\$	\$
Accounting and audit fees	186,114	169,217
Legal fees	70,825	141,377
Consulting fees: Chairman	75,000	75,000
Consulting fees: Others	110,427	78,733
Total professional and consulting fees	442,366	464,327

- a) An increase in accounting and audit fees in Fiscal 2012 as compared to Fiscal 2011 following the implementation of IFRS;
- b) A decrease in legal fees due to non-recurring 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 last year; and
- c) An increase in consulting fees in Fiscal 2012 relating mainly to the preparation of a valuation report and two technical reports required for the listing of Deep-South's common shares on a Canadian Exchange.

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Investing Activities

During Fiscal 2012, the Corporation incurred \$533,655 in exploration and evaluation expenses on its marine diamond concessions and nil in base metal exploration and evaluation expenses related to the Haib project versus \$2,425,024 on its marine diamond concessions and nil on the Haib project in fiscal 2011.

Details of exploration and evaluation expenses for Fiscal 2012 and 2011 are as follows:

	2012	2011
	\$	\$
Marine projects:		
EPL 3403		
Sampling program	-	2,134,810
Geology	130,421	141,863
Geophysics	369,282	-
Travel and other	1,000	18,157
	<u>500,703</u>	<u>2,294,830</u>
Block J		
Sampling program	-	13,601
Geology	32,952	114,917
Travel and other	-	1,676
	<u>32,952</u>	<u>130,194</u>
Haib Copper project	-	-
Increase during the year	533,655	2,425,024
Balance, beginning of year	11,312,288	8,887,264
Balance, end of year	<u>11,845,943</u>	<u>11,312,288</u>

During Fiscal 2012, the Corporation advanced planning work related to the geophysical program on EPL 3403, then initiated and completed the geophysical survey on this concession.

During Fiscal 2011, the Corporation completed a 43-101 compliant technical report on the Block J sampling program and another one on EPL 3403. In addition, the Corporation initiated and completed a diamond-sampling program on the EPL 3403 concession.

Financing Activities

Private placement

In July and August 2012, the Corporation closed a brokered private placement financing of units ("Units") for gross proceeds of \$3,000,000 based upon the issue of 18,750,000 Units and a non-brokered private placement financing of Units for gross proceeds of \$783,456 based upon the issue of 4,896,600 Units at a price of \$0.16 per Unit. This financing enabled the Corporation to decrease the current liabilities during the fourth quarter to \$268,333 from \$1,050,758.

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Financing activities (Cont'd)

Short-term loan

Year-ended August 31, 2012

Under a loan agreement signed on November 1, 2011 and amended on January 31 and March 30, 2012, the Corporation arranged for an unsecured loan repayable at anytime without penalty by June 30, 2012, in the amount of \$150,000 at a monthly interest rate of 2.5%. As of August 31, 2012, the Corporation has repaid this amount.

Year-ended August 31, 2011

On February 2, 2011, the Corporation arranged an unsecured loan repayable at anytime without penalty by April 29, 2011, in the amount of \$200,000 at a monthly interest rate of 2.5% in February 2011 and 2% thereafter. On March 31, 2011, the Corporation reimbursed the loan with interest.

On June 27, 2011, the Corporation arranged an unsecured loan repayable at anytime without penalty by August 26, 2011, in the amount of \$200,000 at a monthly interest rate of 2.5%. On August 2, 2011, the Corporation reimbursed the loan with interest.

Selected Quarterly Financial Information

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

For the quarter ended:	FISCAL 2012				FISCAL 2011			
	August 31, 2012 (i)	May 31, 2012 (i)	February 29, 2012 (i)	November 30, 2011 (i)	August 31, 2011 (i)	May 31, 2011 (i)	February 28, 2011 (i)	November 30, 2010 (ii)
				\$	\$	\$	\$	\$
Expenses	355,803	318,781	223,980	319,578	299,415	413,994	255,659	277,063
Less: Share-based compensation cost	1,667	-	4,722	9,166	17,499	6,944	-	-
Expenses less share-based compensation cost	354,136	318,781	219,258	310,412	281,916	407,050	255,659	277,063
Net loss	358,278	327,608	234,944	323,270	305,070	416,915	260,388	276,669
Loss per share, basic and diluted	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
As at	August 31, 2012	May 31, 2012	February 29, 2012	November 30, 2011	August 31, 2011	May 31, 2011	February 28, 2011	November 30, 2010
Current assets	1,792,598	98,848	68,577	95,491	150,443	352,897	273,291	349,211
Total assets	14,617,161	12,840,409	12,421,753	12,422,287	12,441,351	12,583,435	10,370,800	10,325,742
Current liabilities	268,333	1,050,758	804,494	574,806	279,766	1,116,433	294,725	69,279
Non-current liabilities	431,866	356,866	356,866	356,866	356,866	356,866	356,866	356,866
Total liabilities	700,199	1,407,624	1,161,360	931,672	636,632	1,473,299	651,591	426,145
Equity	13,916,962	11,432,785	11,260,393	11,490,615	11,804,719	11,110,136	9,719,209	9,899,597

(i) Prepared in accordance to IFRS

(ii) Prepared in accordance to Canadian GAAP

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Discussion on the Selected Quarterly Financial Information

Average quarterly expenses excluding non-cash share-based compensation cost for Fiscal 2012 stood at \$300,646 versus the average for the prior year of \$305,422.

Expenses minus share-based compensation cost enable management to estimate that on average, a range between \$250,000 and \$300,000 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 \$51,000 represents compensation payable to another member of management and professional fees payable to a director of the Corporation. (Please refer to the section entitled Transactions with Related Parties for more details.

Liquidity

During Fiscal 2012, the Corporation's exploration related capital expenditure totalled \$533,655. The Corporation anticipates that the exploration related capital amounts required for Fiscal 2013 to maintain its ongoing marine exploration activities should approximate on average \$40,000 to \$60,000 per quarter excluding sampling and geophysics. 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.

Management estimate that on average, a range between \$160,000 and \$210,000 represents a level that is indicative of the quarterly cost of operating the Corporation, exclusive of exploration related expenditures. Note that these amounts do not include \$88,500 per quarter of management's salaries and fees, or professional fees owed to other insiders of the Corporation, which, from time to time, were accrued and paid later or reduced if the financial position of the Corporation necessitated it. (Please refer to Transaction with Related Parties for more details).

Based on the above, the Corporation's minimum capital requirements to maintain our operations for fiscal 2013 are between \$200,000 and 270,000 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's minimum capital requirements for the coming four 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 successful in the future. As a result of the planned acquisition of EPL 3403, combined with 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.

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Fourth Quarter discussion

Financing activities

During the fourth quarter of Fiscal 2012, the Corporation closed a brokered private placement financing of units for gross proceeds of \$3 million.

Investing activities

During the fourth quarter of Fiscal 2012, the Corporation incurred \$83,002 in exploration expenses for its marine concessions versus \$60,370 for the same period last year.

Operating activities

For the fourth quarter of Fiscal 2012, the Corporation's net loss increased by \$53,208 versus the same period last year, (\$358,278 versus \$305,070), while expenses increased by \$56,388 (\$355,803 versus \$299,415) due mainly to an increase of \$32,294 in investors relations and promotion expenses following an increase in communication efforts with institutional investors and business development work during the financing period.

Outstanding Share, Warrant and Option Data

	Number post- consolidation
as of December 13, 2012	
Common shares	83,277,864
Warrants	30,329,968
Options	2,035,000
Fully-diluted	115,642,832

Capital Resources

As at August 31, 2012, the Corporation's working capital, consisting of current assets less current liabilities, stood at \$1,524,265 (versus negative \$129,323 as at August 31, 2011).

Off-Balance Sheet Arrangements

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

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Transactions with Related Parties

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

	2012	2011
	\$	\$
Management fees to an officer	130,000	130,000
Professional fees to directors	75,000	112,045
Share and unit issuance costs	-	46,125
Administrative expenses recovered from a company managed by an officer of the Corporation	-	(7,720)

For Fiscal 2012, a management service fee for an amount of \$130,000 (\$130,000 for Fiscal 2011) was accounted for to a Corporation owned by the Chief Financial Officer and director of the Corporation.

For Fiscal 2012, consulting fees for an amount of \$75,000 (\$75,000 for Fiscal 2011) were charged by a company managed by the Chairman of the Corporation.

For Fiscal 2011, an amount of \$37,045 in legal fees was accounted for as professional and consulting fees and \$46,125 in share and unit issuance expenses with regards to legal services rendered related to financing activities provided by a former Director of the Corporation.

For Fiscal 2011, \$7,720 in expenses 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.

As at August 31, 2012, an amount of \$168,890 (\$64,750 as at August 31, 2011) due to a director and corporations held by directors, is classified as current liabilities, does not bear interest and is repayable at any time on demand. This amount is composed of advances and unpaid salaries and other fees payable to two members of management who are also directors and another director of the Corporation.

As at August 31, 2012, amounts due to a director and corporations held by directors in the amount of \$431,866 (\$356,866 as at August 31, 2011), 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. This amount is composed of unpaid salaries and other fees payable to two members of management who are also directors and another director of the Corporation.

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Post-Reporting Data Event

EPL 3403 concession

On December 3, 2012, the parties involved in the Thyme Share Sale Agreement, amended the terms of this agreement as follows:

- a) The parties have agreed that the first part of the transaction with regard to the acquisition of 20% of Thyme's shares has been completed by Afri-Can. However, the parties have agreed that Afri-Can will proceed with the issuance of 3.25 million shares of the Corporation at the same time that Afri-Can and Thyme will close the acquisition of the remaining 80% of Thyme's shares by the issuance of an additional 13 million shares of Afri-Can. At the same time, IMDH and BVI will transfer 100% of the shares from any classes of Thyme to the Corporation;
- b) Afri-Can shall complete a first resource delineation sampling program on EPL 3403 before December 31, 2012.
- c) Prior to the completion of the sampling program, Thyme shall provide to the Corporation its audited financial statements for the years 2006-2011 and unaudited financial statements for the year 2012. In the event that the statements are not to the satisfaction of the Corporation or are not provided as aforesaid, the Corporation holds the option either to proceed with the acquisition of 100% of the shares in Thyme or the Corporation holds the option to acquire the underlying License EPL 3403 with the Namibian governmental approval.

Haib copper project

Under an agreement (the "Share option agreement") entered into on December 1, 2012, Deep-South granted an irrevocable option to the Corporation whereby the Corporation holds the right to acquire 50% of Deep-South's share capital. The option may be exercised by the Corporation at any time or at the latest the day before any dilution of Deep-South's share capital or the day before Deep-South's shares are listed on the TSX Venture Exchange or any other suitable exchange.

The Corporation shall transfer its holding in the NPI and production bonus in the Haib copper property to Deep-South upon the exercise of its option to acquire 50% of Deep-South's share capital.

Upon listing of Deep South's share capital on an exchange, the Corporation will transfer its shares of Deep South to Afri-Can's common shareholders. Deep South's listing and financing are subject, among other things, to the Corporation's shareholders and regulatory approval.

Management's responsibility for financial information and critical accounting estimates.

Afri-Can's consolidated financial statements are the responsibility of the Corporation's management. The consolidated financial statements were prepared by the Corporation's management in accordance with IFRS. A description of the Corporation's significant accounting policies can be found in Note 2 of the Corporation's consolidated financial statements.

When preparing the consolidated financial statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results are likely to differ from the judgments, estimates and assumptions made by management, and will seldom equal the estimated results. Information about the significant judgments, estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses are discussed below.

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Management responsibility for financial information and critical accounting estimates (Cont'd)

a) *Impairment of exploration and evaluation assets*

Determining if there are any facts and circumstances indicating impairment loss or reversal of impairment losses is a subjective process involving judgment and a number of estimates and interpretations in many cases.

When an indication of impairment loss or a reversal of an impairment loss exists, the recoverable amount of the individual asset or the cash-generating units must be estimated.

No impairment charge or reversal of impairment losses have been recognized for the reporting periods.

b) *Share-based payments*

The estimation of share-based payment costs requires the selection of an appropriate valuation model and consideration as to the inputs necessary for the valuation model chosen. The Corporation has made estimates as to the volatility of its own share, the probable life of share options and warrants granted and the time of exercise of those share options and warrants. The model used by the Corporation is the Black-Scholes valuation model.

c) *Recognition of deferred income tax assets and measurement of income tax expense*

Management continually evaluates the likelihood that its deferred tax assets could be realized. This requires management to assess whether it is probable that sufficient taxable income will exit in the future to utilize these losses within the carry-forward period. By its nature, this assessment requires significant judgment. To date, Management has not recognized any deferred tax assets in excess of existing taxable temporary differences expected to reverse within the carry-forward period.

Financial Instruments

Objectives and politics concerning financial risks management

The Corporation considers managing risk as being an integral part of its development and diversification strategies. The Corporation uses a proactive and rigorous approach for the management of the financial risks to which it is exposed. The Corporation's management manages financial risks. The main types of risks the Corporation is exposed are market risk, credit risk and liquidity risk. No changes were made in the objectives, policies and progress related to financial risk management during the periods.

The Corporation does not enter into financial instrument agreements including derivative financial instruments for speculative purposes.

Financial risks

The Corporation's most significant financial risk exposure and its financial risk management policies are as follows:

Credit risk

Credit risk relates to the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

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Financial Instruments (Cont'd)

The Corporation may be exposed to credit risk from its cash, which is managed by dealing with reputable financial institutions with high quality external credit ratings.

As of August 31, 2012 and 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.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Liquidity risk management serves to maintain a sufficient amount of cash and to ensure that the Corporation has sufficient funding sources in the form of private and public investments. The Corporation also established budget and liquidity forecasts to ensure that it has to its disposal sufficient funds to meet its financial obligations.

As of August 31, 2012 and 2011, current liabilities represent accounts payable due for payment 30 days following receipt of an invoice.

The due to a director and corporations held by directors' risk is minimal. The Corporation has entered into repayment arrangements with the directors and the advances are not repayable before 12 months from the date of the publication of these consolidated financial statements except for an amount of \$168,890 (\$64,750 in 2011) that is due on demand.

Foreign exchange risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchanges rate. The Corporation is exposed to exchange risk as a result of cash, amounts receivable, and accounts payable and accrued liabilities denominated in foreign currency. The Corporation does not enter into arrangements to hedge its foreign exchange risk.

The cash and amounts receivable in foreign currency translated into Canadian dollars are detailed as follows:

	2012		2011	
	Cash and amounts receivable	CDA	Cash and amounts receivable	CDA
		\$		\$
Namibian dollars	50,266	6,579	49,757	6,966
British pounds	307	482	307	488
US dollars	200	200	458	448

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Financial Instruments (Cont'd)

The accounts payables and accrued liabilities in foreign currency translated into Canadian dollars are detailed as follows:

	2012		2011	
	Accounts payable and accrued liabilities	CDA	Accounts payable and accrued liabilities	CDA
		\$		\$
Namibian dollars	28,196	3,666	1,629	244
US dollars	7	7	160,671	157,079

Foreign currency rate sensitivity analysis

The Corporation's functional currency is the Canadian dollar and expenditures are mainly completed in Canadian dollars. The Corporation funds its foreign currency transactions by buying the foreign currency at the spot rate when required.

As at August 31, 2012 and 2011, the Corporation had US and Namibian dollars in accounts payable and accrued liabilities that were translated to Canadian dollars at the year-end exchange rate. A 1% increase or decrease in the exchange rates would not have a material impact on the Corporation's net loss.

Fair value of financial instruments

	2012		2011	
	Carrying amount	Fair value	Carrying amount	Fair value
	\$	\$	\$	\$
Financial assets				
Loans and receivables				
Cash	749,269	749,269	64,796	64,796
Restricted cash	1,000,000	1,000,000	-	-
Other amounts receivable	-	-	2,674	2,674
Financial liabilities				
Current				
Accounts payable and accrued liabilities	99,443	99,443	215,016	215,016
Due to a director and corporations held by directors	168,890	168,890	64,750	64,750
Non-current				
Due to a director and corporations held by directors	431,866	431,866	356,866	356,866

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Financial Instruments (Cont'd)

The following methods and assumptions were used to determine the estimated value of each class of financial instruments:

The carrying value of cash, restricted cash, other amounts receivable, accounts payable and accrued liabilities, and the due to a director and corporations held by directors are considered to be reasonable approximation of fair value because of the short-term maturity of these instruments.

The fair value of the non-current due to a director and corporations held by directors is comparable to its carrying amount given the fact that the repayment is due before 12 months from the date of the publication of these consolidated financial statements.

IFRS Convergence

Effective January 1, 2011, Canadian publicly listed entities are required to prepare their financial statements in accordance with IFRS for interim and annual periods. Due to the requirement to present comparative financial information, the effective transition date is September 1, 2010. The three months ended November 30, 2011 was the Corporation's first reporting period under IFRS.

The IFRS project team has completed the conversion implementation. Post-implementation will continue in future periods. A detailed discussion of accounting policies under IFRS is included in Note 2 and the quantitative impact of adopting IFRS is further discussed in Note 13 of the annual consolidated financial statements.

No changes were registered as a result of the accounting policy differences on conversion from Canadian GAAP to IFRS in the statements of comprehensive loss for year ended August 30, 2011 discussed in Note 13 of the annual consolidated financial statements for August 31, 2012.

Financial Statements presentation changes

The transition to IFRS has resulted in changes in the financial statements presentation, most significantly on the creation of a Statement of Change in Equity. There were no significant changes to the Statement of Financial Position, the Statement of Comprehensive Income and no significant impact to the Corporation's Cash Flow Statement as a result of the implementation of IFRS as discussed in Note 13 of the annual consolidated financial statements for August 31, 2012.

The following is a summary of the significant changes to the Corporation's financial statement presentation:

- Expenses by nature: the Corporation's statement of comprehensive income presents expenses by nature. These changes are reclassifications within the statement of comprehensive income so there is no net impact to the Corporation's reported comprehensive loss as a result of these changes.

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IFRS Convergence (Cont'd)

Control and procedures

The conversion to IFRS does not have a significant impact on the Corporation's internal controls (including information technology systems), and accounting processes. However, the extent of change in accounting framework has required the Corporation to update its internal controls, disclosure controls and procedures to ensure they are appropriately designed and operated effectively for reporting under IFRS. These include: training communication to ensure IFRS knowledge is transferred from subject matter experts to the entire organization; documentation to ensure corporate accounting policies are updated for IFRS, and transitional analysis and decisions are adequately supported; and review to ensure segregation of duties in the review and approval of IFRS information from preparer to management, and ultimately by the Audit Committee.

As a result of these incremental internal control enhancements, the impact of the conversion from Canadian GAAP to IFRS on the Corporation's risk management or other business activities is reduced.

Business activities and key performance measures

The Corporation is not subject to any financial covenants or key ratios, therefore the transition had no impact in this regard.

Information technology and systems

The IFRS transition project did not have a significant impact on the Corporation's information systems for the convergence periods. Significant changes are also not expected in the post-convergence periods.

Ongoing activities

The commencement of Post-Implementation phases will involve continuous monitoring of the additional new or revised IFRSs or IFRICs in relation to joint ventures and financial instruments. The Corporation also notes that the International Accounting Standards Board is currently working on an extractive industries project, which could significantly impact the Corporation's financial statements primarily in the areas of capitalization of exploration and evaluation expenditures and disclosures. There are processes in place to ensure that potential changes are monitored and evaluated. The impact of any new IFRSs and IFRIC Interpretations will be evaluated as they are drafted and published.

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 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.

AFRI-CAN MARINE MINERALS CORPORATION

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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 13, 2012