



Consolidated Financial Statements

For the years ended August 31, 2013 and 2012

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TSX Venture Exchange: AFA

AFRI-CAN MARINE MINERALS CORPORATION

Table of Contents

Management's Responsibility for Financial Reporting	3
Independent Auditor's Report.....	4
Consolidated Statement of Financial Position	6
Consolidated Statement of Comprehensive Income.....	7
Consolidated Statement of Changes in Equity	8
Consolidated Statement of Cash Flows	9
Notes to Consolidated Financial Statements.....	10 - 35

AFRI-CAN MARINE MINERALS CORPORATION

Management's Responsibility of Financial Reporting

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

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

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

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

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

The Board of Directors has approved the Corporation's consolidated financial statements for the years ended August 31, 2013 and 2012 on the recommendation of the Audit Committee.

(s) Pierre Léveillé

Pierre Léveillé
President and Chief
Executive Officer

(s) Bernard J. Tourillon

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

Montreal, Canada
December 17, 2013

Independent Auditor's Report

To the Shareholders of
Afri-Can Marine Minerals Corporation

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Montréal, Quebec H3B 4L8

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We have audited the accompanying consolidated financial statements of Afri-Can Marine Minerals Corporation, which comprise the consolidated statements of financial position as at August 31, 2013 and 2012 and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Afri-Can Marine Minerals Corporation as at August 31, 2013 and 2012 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 1 to the consolidated financial statements, which indicates that the Corporation has an accumulated deficit of \$48,012,839 as at August 31, 2013. This condition, along with other matters as set forth in Note 1, indicates the existence of a material uncertainty that may cast significant doubt about the Corporation's ability to continue as a going concern.

Raymond Chabot Grant Thornton LLP¹

Montréal, Canada
December 17, 2013

¹ CPA auditor, CA public accountancy permit no. A115879

AFRI-CAN MARINE MINERALS CORPORATION

Consolidated Statement of Financial Position
(in Canadian dollars)

	As at August 31, 2013 \$	As at August 31, 2012 \$
Assets		
Current		
Cash	41,687	749,269
Restricted cash (Note 7)	-	1,000,000
Amounts receivable (Note 4)	14,258	36,924
Prepaid expenses	3,750	6,405
	59,695	1,792,598
Non-current		
Exploration and evaluation assets (Note 5)	4,695,871	12,824,563
Total assets	4,755,566	14,617,161
Liabilities		
Current		
Accounts payable and accrued liabilities	478,273	99,443
Short-term employee benefits payable (Note 6)	164,135	168,890
	642,408	268,333
Non-current		
Employee benefits payable (Note 6)	497,116	431,866
Total liabilities	1,139,524	700,199
Equity		
Share capital (Note 7)	47,314,476	46,969,314
Contributed surplus	4,314,405	4,235,359
Deficit	(48,012,839)	(37,287,711)
Total equity	3,616,042	13,916,962
Total liabilities and equity	4,755,566	14,617,161

The accompanying notes are an integral part of these consolidated financial statements.

On behalf of the Board:

(s) Pierre Léveillé _____ Pierre Léveillé, Director

(s) Michael J.H. Brown _____ Michael J.H. Brown, Director

AFRI-CAN MARINE MINERALS CORPORATION

Consolidated Statement of Comprehensive Income (in Canadian dollars)

	For the years ended August 31,	
	2013	2012
	\$	\$
Expenses		
Professional and consulting fees	274,186	367,366
Salaries and management fees	327,620	380,301
Investor relations and promotion expenses	180,836	203,955
Office expenses	63,528	87,404
Travel	38,580	81,743
Information to shareholders and registration fees	74,840	77,071
Share-based compensation cost (Note 7)	56,000	15,555
Impairment of exploration and evaluation assets (Note 5)	9,688,752	-
Foreign exchange losses	23,726	4,747
Operating loss	10,728,068	1,218,142
Other gains and losses		
Interest expense on short-term loan (Note 6)	-	26,779
Interest income	(2,940)	(821)
Net loss and comprehensive loss	(10,725,128)	(1,244,100)
Loss per share, basic and diluted	(0.13)	(0.02)
Weighted average number of common shares outstanding	85,621,453	61,406,873

The accompanying notes are an integral part of these consolidated financial statements.

AFRI-CAN MARINE MINERALS CORPORATION

Consolidated Statement of Changes in Equity

For the years ended August 31, 2013 and 2012

(in Canadian dollars)

	Number of common shares outstanding	Share capital \$	Contributed surplus \$	Deficit \$	Total equity \$
Balance - September 1, 2012	83,277,864	46,969,314	4,235,359	(37,287,711)	13,916,962
Units issued by private placement (Note 7)	5,000,000	200,000	-	-	200,000
Less: Valuation of warrants	-	(22,222)	22,222	-	-
Broker warrants	-	-	824	-	824
Units issue cost (Note 7)	-	(11,366)	-	-	(11,366)
Mineral properties payment (Note 5)	3,250,000	178,750	-	-	178,750
Share-based compensation	-	-	56,000	-	56,000
Transactions with owners	91,527,864	47,314,476	4,314,405	(37,287,711)	14,341,170
Net loss and comprehensive loss	-	-	-	(10,725,128)	(10,725,128)
Balance - August 31, 2013	91,527,864	47,314,476	4,314,405	(48,012,839)	3,616,042

	Number of common shares outstanding	Share capital \$	Contributed surplus \$	Deficit \$	Total equity \$
Balance - September 1, 2011	59,631,264	44,878,217	2,970,113	(36,043,611)	11,804,719
Units issued by private placements (Note 7)	23,646,600	3,783,456	-	-	3,783,456
Less: Valuation of warrants	-	(1,238,586)	1,238,586	-	-
Broker warrants	-	-	11,105	-	11,105
Units issue cost (Note 7)	-	(453,773)	-	-	(453,773)
Share-based compensation	-	-	15,555	-	15,555
Transactions with owners	83,277,864	46,969,314	4,235,359	(36,043,611)	15,161,062
Net loss and comprehensive loss	-	-	-	(1,244,100)	(1,244,100)
Balance - August 31, 2012	83,277,864	46,969,314	4,235,359	(37,287,711)	13,916,962

The accompanying notes are an integral part of these consolidated financial statements.

AFRI-CAN MARINE MINERALS CORPORATION

Consolidated Statement of Cash Flows

(in Canadian dollars)

	For the years ended August 31,	
	2013	2012
	\$	\$
Cash flows from operating activities		
Net loss	(10,725,128)	(1,244,100)
Adjustments for:		
Share-based compensation cost	56,000	15,555
Employee benefits payable	60,495	179,140
Impairment of exploration and evaluation assets	9,688,752	-
Unrealized foreign exchange loss (gain)	20,608	(42)
Changes in working capital items:		
Amounts receivable	22,666	(3,812)
Prepaid expenses	2,655	46,130
Accounts payable and accrued liabilities	(10,473)	(7,115)
	(884,425)	(1,014,244)
Cash flows from financing activities		
Issuance of units	200,000	3,783,456
Proceeds from short-term loan	-	150,000
Repayment of short-term loan	-	(150,000)
Units issuance cost	(59,635)	(409,999)
	140,365	3,373,457
Cash flows from investing activities		
Additions to exploration and evaluation assets	(963,522)	(674,740)
Restricted cash	1,000,000	(1,000,000)
	36,478	(1,674,740)
Net change in cash	(707,582)	684,473
Cash, beginning of year	749,269	64,796
Cash, end of year	41,687	749,269

Additional cash flow information (Note 9)

The accompanying notes are an integral part of these consolidated financial statements.

AFRI-CAN MARINE MINERALS CORPORATION

Notes to Consolidated Financial Statements

For the years ended August 31, 2013 and 2012

(in Canadian dollars)

1. General Information, Nature of Operations and Going Concern Assumption

Afri-Can Marine Minerals Corporation is incorporated under the *Canada Business Corporations Act*. The address of its registered office is 1801 McGill College Avenue, Suite 1325, Montreal, Quebec, Canada, H3A 2N4. Its common shares are listed on the TSX Venture Exchange under the symbol AFA.

Afri-Can Marine Minerals Corporation and its wholly-owned subsidiary (together hereinafter "Afri-Can" or the "Corporation") are involved in the exploration and development of marine and terrestrial mineral properties in Namibia, mainly in the field of diamonds. Afri-Can Marine Minerals Corporation is the ultimate parent company of the group.

These consolidated financial statements were approved and authorized for issue by the Board of Director on December 17, 2013.

These statements have been prepared on the basis of the going concern assumption, meaning the Corporation will be able to realize its assets and discharge its liabilities in the normal course of operations.

Given that the Corporation has not yet determined whether its mineral properties contain mineral deposits that are economically recoverable, the Corporation has not yet generated income or cash flows from its operations. As at August 31, 2013, the Corporation has a deficit of \$48,012,839 (\$37,287,711 as at August 31, 2012) and a negative working capital of \$582,713 as at August 31, 2013. These material uncertainties cast significant doubt regarding the Corporation's ability to continue as a going concern.

The Corporation's ability to continue as a going concern is dependant upon the continued support of creditors and its ability to raise additional financing to further explore its mineral properties. Even if the Corporation has been successful in the past in doing so, there is no assurance that it will manage to obtain additional financing in the future.

The carrying amounts of assets, liabilities, revenues and expenses presented in the consolidated financial statements and the classification used in these consolidated statement of financial position have not been adjusted as would be required if the going concern assumption was not appropriate. These adjustments could be material.

2. Significant Accounting Policies

(a) Basis of preparation and presentation and compliance with IFRS

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

(b) Basis of measurement

These consolidated financial statements have been prepared on a historical cost basis using the accrual basis of accounting.

AFRI-CAN MARINE MINERALS CORPORATION

Notes to Consolidated Financial Statements

For the years ended August 31, 2013 and 2012

(in Canadian dollars)

2. Significant Accounting Policies (Cont'd)

(c) Basis of consolidation

The consolidated financial statements include the accounts of Afri-Can Marine Minerals Corporation and its wholly-owned subsidiary, Noragem (PTY) Ltd. ("Noragem"), a Namibian corporation. The subsidiary has a reporting date of August 31. Afri-Can controls Noragem since it is exposed, or has rights, to variable returns from its involvement with Noragem and has the ability to affect those returns through its power over Noragem. All transactions and balances, between the Corporation and its subsidiary are eliminated upon consolidation, including unrealized gains and losses on transactions between the two entities.

(d) Foreign currency translation

The consolidated financial statements are presented in Canadian dollars which is also the functional currency of the parent company and the subsidiary.

Foreign currency transactions are translated into the functional currency of the respective Corporation entity, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items denominated in foreign currency at year-end exchange rates are recognized in profit or loss.

Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

(e) Financial instruments

Financial assets and liabilities are recognized when the Corporation becomes a party to the contractual provisions of the instrument and are measured initially at fair value plus transactions costs, except for financial assets and financial liabilities carried at fair value through profit or loss, which are measured initially at fair value.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognized when it is extinguished, discharged, cancelled or when it expires.

At initial recognition, the Corporation classifies its financial instruments in the following categories depending on the purpose for which the instruments were acquired:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets that are either classified as held-for-trading or that meet certain conditions and are designated at fair value through profit or loss upon initial recognition. The Corporation has no financial assets in this category.

Assets in this category are measured at fair value with gains or losses recognized in profit or loss.

AFRI-CAN MARINE MINERALS CORPORATION

Notes to Consolidated Financial Statements

For the years ended August 31, 2013 and 2012

(in Canadian dollars)

2. Significant Accounting Policies (Cont'd)

(e) Financial instruments (Cont'd)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortized cost using the effective interest method, less a provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Corporation's cash, restricted cash and amounts receivable, excluding sales taxes receivable fall into this category of financial instrument.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives financial assets that are either designated to this category or not classified in any of the other categories. The Corporation has no financial assets in this group.

Available-for-sale financial assets are subsequently carried at fair value and reported within the accumulated other comprehensive loss reserve within equity. Net changes in fair value are recognized in other comprehensive loss. When an available-for-sale investment is sold or impaired, the accumulated gains or losses are moved from accumulated other comprehensive loss to the consolidated statement of comprehensive income and are included in other gains or losses as a reclassification adjustment. Reversals of impairment losses are recognized in other comprehensive loss. Interest on available-for-sale investments, calculated using the effective interest method, is recognized in the consolidated statement of comprehensive loss as part of interest income.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity other than loans and receivables. Investments are classified as held-to-maturity if the Corporation has the intention and ability to hold them until maturity. The Corporation has no financial assets in this group.

Held-to-maturity investments are measured subsequently at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in profit or loss.

Impairment of financial assets

All financial assets, except for those at fair value through profit or loss, are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired.

Objective evidence of impairment could include:

- ♦ significant financial difficulty of the issuer of counterparty;
- ♦ default or delinquency in interest or principal payments; or
- ♦ it becoming probable that the borrower will enter in bankruptcy or financial reorganization.

AFRI-CAN MARINE MINERALS CORPORATION

Notes to Consolidated Financial Statements

For the years ended August 31, 2013 and 2012

(in Canadian dollars)

2. Significant Accounting Policies (Cont'd)

(e) Financial instruments (Cont'd)

Financial liabilities at amortized cost

Financial liabilities are measured subsequently at amortized cost using the effective interest method.

Financial liabilities are classified as current liabilities if payment is due within twelve months. Otherwise, they are presented as non-current liabilities. All interest-related charges are reported in profit or loss within interest expense if applicable.

The Corporation financial liability include accounts payable and accrued liabilities.

(f) Exploration and evaluation assets

Exploration and evaluation assets are comprised of mineral properties, exploration and evaluation expenditures and an investment in an exploration company in regard of an option agreement. Mineral properties include rights to undertake exploration and evaluation activities on an area or options to acquire such rights ("Option Agreement").

Exploration and evaluation expenditures are costs incurred in the course of initial search for mineral before the technical feasibility and commercial viability of extracting a mineral resource are demonstrable. Costs incurred prior to securing the legal rights to undertake exploration and evaluation activities on an area are expensed in the consolidated statement of comprehensive income when they are incurred. Once the legal right to undertake exploration and evaluation activities has been obtained, all costs of acquiring mineral rights and expenses related to the exploration and evaluation of mineral properties are charged to the cost of exploration and evaluation assets.

From time to time, the Corporation may acquire or dispose of a mineral property pursuant to the terms of an Option Agreement. Due to the fact that options are exercisable entirely at the discretion of the option holder, the amounts payable or receivable are not recorded. Option payments are recorded as property costs when the payments are made. On the disposal of interest in connection with the Option agreement, the Corporation does not recognize expenses related to the exploration and evaluation performed on the property by the acquirer. In addition, the cash consideration received directly from the acquirer is credited against the costs previously capitalized to the property, and the surplus is recognized as a gain on the disposal of exploration and evaluation assets in profit or loss.

Expenses related to exploration and evaluation include topographical, geological, geochemical and geophysical studies, drilling, trenching, sampling and other costs related to the evaluation of the technical feasibility and commercial viability of extracting a mineral resource. The various costs are capitalized on a property-by-property basis pending determination of the technical feasibility and commercial viability of extracting a mineral resource. These assets are recognized as intangible assets and are carried at cost less any accumulated impairment losses. No depreciation expenses are recognized for these assets during the exploration and evaluation phase.

Whenever a mineral property is considered no longer viable, or is abandoned, the capitalized amounts are written down to their recoverable amounts; the difference is then immediately recognized in profit or loss.

AFRI-CAN MARINE MINERALS CORPORATION

Notes to Consolidated Financial Statements

For the years ended August 31, 2013 and 2012

(in Canadian dollars)

2. Significant Accounting Policies (Cont'd)

(f) Exploration and evaluation assets (Cont'd)

When a mineral project moves into the development phase following the demonstration of the technical feasibility and commercial viability of extracting a mineral resource, exploration and evaluation assets related to the mineral property are transferred to property and equipment in mining assets under construction. Before the reclassification, exploration and evaluation assets are tested for impairment and any impairment loss is recognized in the statement of comprehensive income before reclassification. To date, neither the technical feasibility nor the commercial viability of a mineral resource has been demonstrated.

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

Proceeds on the sale of evaluation and exploration assets are first applied by property in reduction of the mineral properties and then in reduction of the exploration and evaluation expenses. Any residual is recorded in the consolidated statement of comprehensive income.

(g) Impairment of exploration and evaluation assets

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at a cash-generating unit level.

Whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, an asset or cash-generating unit is reviewed for impairment.

Impairment reviews for exploration and evaluation assets are carried out on a project by project basis, with each project representing a potential single cash generating unit. An impairment review is undertaken when indicators of impairment arise, but typically when one of the following circumstances applies:

- the right to explore the areas has expired or will expire in the near future with no expectation of renewal;
- no further exploration or evaluation expenditures in the area are planned or budgeted;
- no commercially viable deposits have been discovered, and the decision has been made to discontinue exploration in the area;
- sufficient work has been performed to indicate that the carrying amount of the expenditure carried as an asset will not be fully recovered.

An impairment loss is recognized in profit or loss for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less cost to sell and its value in use.

An impairment charge is reversed if the asset's or cash-generating unit's recoverable amount exceeds its carrying amount.

AFRI-CAN MARINE MINERALS CORPORATION

Notes to Consolidated Financial Statements

For the years ended August 31, 2013 and 2012

(in Canadian dollars)

2. Significant Accounting Policies (Cont'd)

(h) Provisions and contingent liabilities

Provisions are recognized when present obligations as a result of a past event will probably lead to an outflow of economic resources from the Corporation and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain. Provisions are measured at the estimated expenditure required to settle the present obligation, based on most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Provisions are discounted when the time value of money is significant.

The Corporation operations are governed by government environment protection legislation. Environmental consequences are difficult to identify in terms of amounts, timetable and impact. As of the reporting date, management believes that the Corporation's operations are in compliance with current laws and regulations. Site restoration costs currently incurred are negligible. When the technical feasibility and commercial viability of extracting a mineral resource have been demonstrated, a restoration provision will be recognized in the cost of the mining property when there is constructive commitment that has resulted from past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be measured with sufficient reliability.

In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognized unless it was assumed in the course of a business combination.

At August 31, 2013 and 2012 there is no provision recognized in the consolidated statement of financial position.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

(i) Income taxes

When applicable, tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the consolidated financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. However, since the Corporation is in exploration phase and has no taxable income, tax expense recognized in profit or loss is currently comprised only of deferred tax.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with shares in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the Corporation and it is probable that reversal will not occur in the foreseeable future.

AFRI-CAN MARINE MINERALS CORPORATION

Notes to Consolidated Financial Statements

For the years ended August 31, 2013 and 2012

(in Canadian dollars)

2. Significant Accounting Policies (Cont'd)

(i) Income taxes (Cont'd)

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognized to the extent that it is probable that the underlying tax loss or deductible temporary difference will be utilized against future taxable income. This is assessed based on the Corporation's forecast of future operating results, adjusted for significant non-taxable income and expenses and specific limits on the use of any unused tax loss or credit. Deferred tax liabilities are always provided for in full.

Deferred tax assets and liabilities are offset only when the Corporation has a right and intention to set off current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognized as deferred income tax expense in profit or loss, except where they relate to items that are recognized in other comprehensive income or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

(j) Basic and diluted loss per share

Basic loss per share is calculated by dividing the net loss by the weighted average number of outstanding common shares during the period. Diluted loss per share is calculated by adjusting net loss and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares which include share purchase stock options ("Options") and common share purchase warrants ("Warrants"). The diluted net loss per share is equal to the basic net loss per share due to the anti-dilutive effect of outstanding Options and Warrants.

(k) Equity and contributed surplus

Share capital represents the amount received on the issue of shares, less issuance costs, net of any underlying income tax benefit from these issuance costs. Proceed from the issuance of units is allocated between the common shares and Warrants according to their respective fair values. If shares are issued when Options and Warrants are exercised, the share capital account also comprises the compensation costs previously recorded as contributed surplus. In addition, if shares were issued as consideration for the acquisition of a mineral property or some other form of non-monetary assets, they were measured at their fair value according to the quoted price.

Contributed surplus includes charges related to share options and warrants. Deficit includes all current and prior retained profits or losses.

(l) Equity-settled share-based payments

The Corporation operates equity-settled share-based remuneration plans ("Options Plans") for its eligible directors, officers, employees and consultants. None of the Corporation's plans feature any options for a cash settlement.

AFRI-CAN MARINE MINERALS CORPORATION

Notes to Consolidated Financial Statements

For the years ended August 31, 2013 and 2012

(in Canadian dollars)

2. Significant Accounting Policies (Cont'd)

(l) Equity-settled share-based payments (Cont'd)

All goods and services received in exchange for the grant of any share-based payments are measured at their fair values, unless that fair value cannot be estimated reliably. If the Corporation cannot estimate reliably the fair value of the goods or service received, the Corporation shall measure their value indirectly by reference to the fair value of the equity instruments granted. For the transactions with employees and others providing similar services, the Corporation measured the fair value of the services received by reference to the fair value of the equity instruments granted.

All equity-settled share-based payments (except warrants to brokers) are ultimately recognized as an expense in the profit or loss or capitalized as an exploration and evaluation asset, depending on the nature of the payment with a corresponding credit to contributed surplus, in equity. Equity-settled share-based payments to brokers, in respect of an equity financing are recognized as issuance cost of the equity instrument with a corresponding credit to contributed surplus, in equity.

If vesting periods or other vesting conditions apply, the expense is allocated over the vesting year, based on the best available estimate of the number of share options expected to vest. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognized in the current period. No adjustment is made to any expense recognized in prior period if share options ultimately exercised are different to that estimated on vesting.

(m) Segmental reporting

The Corporation presents and discloses segmental information based on information that is regularly reviewed by the President and the Board of Directors. The Corporation has determined that there was only one operating segment being the sector of exploration and evaluation of mineral resources.

(n) *Accounting standards issued but not yet adopted*

At the date of authorization of these consolidated financial statements, the International Accounting Standards Board ("IASB") issued the following standards amendments and interpretations to existing standards which are relevant but have not yet been early adopted by the Corporation: IFRS 9, Financial Instruments; IFRS 10, Consolidated Financial Statement; IFRS 11, Joint Arrangements; IFRS 12, Disclosure of Interests in Other Entities and IFRS 13, Fair Value Measurement. Certain other new standards and interpretations have been issued but are not expected to have material impact on the Corporation's consolidated financial statements. IFRS 9 is effective for annual periods beginning on or after January 1, 2015, and each of the other new standards is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted.

Information on new standards and amendments that are expected to be relevant to the Corporation's consolidated financial statements is provided below:

AFRI-CAN MARINE MINERALS CORPORATION

Notes to Consolidated Financial Statements

For the years ended August 31, 2013 and 2012

(in Canadian dollars)

2. Significant Accounting Policies (Cont'd)

(n) Accounting standards issued but not yet adopted (Cont'd)

IFRS 9 -- Financial instruments

The IASB aims to replace IAS 39 Financial Instruments: Recognition and Measurement in its entirety. IFRS 9 is being issued in phases. To date, the chapters dealing with recognition, classification, measurement and derecognition of financial assets and liabilities as well as the chapter on the hedge accounting have been issued. In November 2013, the IASB has decided to postpone to an unspecified date the application of IFRS 9. Further chapter dealing with impairment methodology is still being developed. The corporation management does not expect to implement IFRS 9 until all of its chapters have been published and they can comprehensively assess the impact of all changes.

IFRS 10 – Consolidation

This new standard replaces IAS 27, Consolidated and Separate Financial Statements, and SIC-12, Consolidation – Special Purpose Entities. It introduces a new principle-based definition of control, applicable to all investees to determine the scope of consolidation. However, the requirements and mechanics of consolidation and the accounting for any non-controlling interests and changes in control remain the same.

Management has reviewed its control assessments in accordance with IFRS 10 and has concluded that there will have no effect on the classification (as subsidiaries or otherwise) of any of the Corporation's investees held during the period.

IFRS 11 – Joint Arrangements

IFRS 11 supersedes IAS 31 "Interest in Joint Venture"

IFRS 11 reduces the types of joint arrangements to two: joint ventures and joint operations. IFRS 11 requires the use of equity accounting for interest in joint ventures, eliminating the existing policy choice of proportionate consolidation for jointly controlled entities under IAS 31, Interest in Joint Ventures.

The Corporation reviewed the joint arrangement and assessed that the arrangements were joint operations under IFRS 11. This review will have no impact on the assets and liabilities recognized and on the Corporation's comprehensive income. The application of IFRS 11 will have no impact on the Corporation's accounting policies.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 integrates and makes consistent the disclosure requirements for various types of investments, including unconsolidated structured entities. It introduces new disclosure requirements about the risks to which an entity is exposed from its involvement with structured entities.

IFRS 13 - Fair Value Measurement

IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures. Management is in the process of reviewing its valuation methodologies for conformity with the new requirements.

AFRI-CAN MARINE MINERALS CORPORATION

Notes to Consolidated Financial Statements

For the years ended August 31, 2013 and 2012

(in Canadian dollars)

2. Significant Accounting Policies (Cont'd)

(n) *Accounting standards issued but not yet adopted (Cont'd)*

IAS 19 – *Employee benefits*

Prior to the June 2011 revision of IAS 19, short-term benefits are defined as employee benefits (other than termination benefits) that are “due to be settled” within 12 months after the end of the period in which the employees render the related services. After the amendment to IAS 19, short-term benefits are defined as employee benefits (other than termination benefits) that are “expected to be settled” wholly before 12 months after the end of the annual reporting period in which the employees render the related service. This amendment is effective for annual periods beginning on or after January 1, 2013 and will apply retrospectively. The Corporation is currently evaluating the impact of the adoption of this amendment on the consolidated financial statements of 2014.

3. Critical Accounting Estimates, Judgments and Assumptions

When preparing the consolidated financial statements, management makes a number of judgments, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses.

Significant Judgments:

The following are significant management judgments in applying the accounting policies of the Corporation that have the most significant effect on the financial statements.

a) *Impairment of exploration and evaluation assets*

Determining whether to test for impairment of exploration and evaluation (“E&E”) assets requires, among other things, management’s judgment regarding the following: the period for which the entity has the right to explore in the specific area has expired or will expire in the near future, and is not expected to be renewed; substantive expenditure on further E&E of mineral resources in a specific area is neither budgeted nor planned; E&E of mineral resources in a specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; or sufficient data exist to indicate that, although a development in a specific area is likely to proceed, the carrying amount of the E&E asset is unlikely to be recovered in full from successful development or by sale.

Additional external factors which could trigger an impairment review include, but are not limited to, significant negative industry or economic trend and significant drop in diamond or ore prices.

An impairment review was undertaken when indications of impairment arose after the signing of an option to acquire a 90% interest in diamond mining leases off the coast of Namibia in the region of Luderitz (see Notes 5b and 5c).

The Corporation decided that no further exploration or evaluation expenses will be allocated to the Block J concession in the near future considering that the Corporation’s 70% interest in this property is secured with no further work obligations. The Corporation will dedicate its funds to finalizing the acquisition of EPL 3403 in fiscal 2014 and to meet its key milestones on the work program on the newly optioned leases over the next two years.

AFRI-CAN MARINE MINERALS CORPORATION

Notes to Consolidated Financial Statements

For the years ended August 31, 2013 and 2012

(in Canadian dollars)

3. Critical Accounting Estimates, Judgments and Assumptions (Cont'd)

b) 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.

c) Going concern

The assessment of the Corporation's ability to continue as a going concern and to raise sufficient funds to pay for its ongoing operating expenditures, meets its liabilities repayment obligations for the ensuing year, and to fund planned and contractual exploration programs, involves significant judgement based on historical experience and other factors including expectation of future events that are believed to be reasonable under the circumstances. See Note 1 for more information.

Significant estimates:

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

a) Impairment of exploration and evaluation assets

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. In assessing impairment, the Corporation must make some estimates and assumptions regarding future circumstances, in particular, whether an economically viable extraction operation can be established, the probability that the expenses will be recovered from either future exploitation or sale when the activities have not reached a stage that permits a reasonable assessment of the existence of reserves, the Corporation's capacity to obtain financial resources necessary to complete the evaluation and development and to renew permits. Estimates and assumptions may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in profit or loss in the period when the new information becomes available. The Corporation recorded impairment on the full amount capitalized to date since no further exploration or evaluation expenditures are planned or budgeted on Block J.

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.

4. Amounts Receivable

	As at August 31, 2013	As at August 31, 2012
	\$	\$
Sales taxes receivable	13,958	36,924
Other	300	-
	14,258	36,924

AFRI-CAN MARINE MINERALS CORPORATION

Notes to Consolidated Financial Statements

For the years ended August 31, 2013 and 2012

(in Canadian dollars)

5. Exploration and Evaluation Assets

	As at August 31, 2012	Addition	Impairment	As at August 31, 2013
	\$	\$		\$
Investment in marine exploration company holding EPL3403 – Namibia				
EPL 3403	-	178,750	-	178,750
Mineral properties – Namibia				
Haib copper project	82,414	-	-	82,414
Block J Woduna	896,206	-	(896,205)	1
	978,620	-	(896,205)	82,415
Exploration and evaluation expenses				
EPL 3403	2,795,533	1,304,216	-	4,099,749
Diamond mining leases 111,138, 139 & 32	-	77,094	-	77,094
Haib copper project	257,863	-	-	257,863
Block J Woduna	8,792,547	-	(8,792,547)	-
	11,845,943	1,381,310	(8,792,547)	4,434,706
Exploration and evaluation assets	12,824,563	1,560,060	(9,688,752)	4,695,871

	As at August 31, 2011	Addition	As at August 31, 2012
	\$	\$	\$
Mineral properties - Namibia			
Block J Woduna	896,206	-	896,206
Haib copper project	82,414	-	82,414
	978,620	-	978,620
Exploration and evaluation expenses			
Block J Woduna	8,759,595	32,952	8,792,547
EPL 3403	2,294,830	500,703	2,795,533
Haib copper project	257,863	-	257,863
	11,312,288	533,655	11,845,943
Exploration and evaluation assets	12,290,908	533,655	12,824,563

AFRI-CAN MARINE MINERALS CORPORATION

Notes to Consolidated Financial Statements

For the years ended August 31, 2013 and 2012

(in Canadian dollars)

5. Exploration and Evaluation Assets (Cont'd)

(a) Investment in a marine exploration company holding EPL 3403

Under an agreement (the "Thyme Share Sale Agreement") entered into in September 2010 and thereafter amended, the Corporation had the option to acquire up to 100% of Thyme Investments (Pty) Ltd. ("Thyme") from International Mining and Dredging Holding Ltd. ("IMDH") and BV Investments Four Hundred and Nine (Pty) Ltd. ("BVI") in exchange for 16.25 million common shares of the Corporation. Thyme is a Namibian company that holds the Exploration and Prospecting License ("EPL") 3403 covering about 800 square kilometres and situated about 120 kilometres south of Luderitz in Namibia, and has no other assets or liabilities. The closing of the sale of Thyme was subject to the following terms:

- i) to raise US\$2 million by March 15th, 2011 and the start the first sampling program on EPL 3403 (completed);
- ii) In consideration for 20% of Thyme's shares, the Corporation shall conduct a geophysical survey on EPL 3403 (completed) and shall issue 3.25 million common shares of the Corporation to IMDH and BVI (completed);
- iii) In consideration for the remaining 80% of Thyme's shares, the Corporation shall complete a first resource delineation sampling program on EPL 3403 covering 300 samples and/or a maximum of 30 days sampling before December 31, 2012 or thereafter subject to the availability of the vessel and issue 13 million common shares of the Corporation to IMDH and BVI;
- iv) Any diamonds found in the course of sampling operations shall be the property of Thyme. Thyme has the obligation to request the authorization of the Corporation before doing any transaction with the diamonds; and
- v) At Closing, IMDH shall have right to appoint two Directors to the Board of Directors of the Corporation.

The shareholders of the Corporation approved the terms of this agreement.

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 with the issuance of 3.25 million shares of the Corporation on February 27, 2013. The fair value of the 3.25 million shares issued was recorded at an amount of \$178,750 under exploration and evaluation assets and has been determined based on the publicly quoted price on the date the common shares were issued.

The first part of the resource delineation sampling program, indicated on iii) above, was completed on December 16, 2012. The program extracted 222 samples. The Corporation intends to complete the last part of the program covering a minimum of 78 samples in fiscal 2014.

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 Thyme or the Corporation will hold the option to acquire the underlying License EPL 3403 with the Namibian governmental approval.

AFRI-CAN MARINE MINERALS CORPORATION

Notes to Consolidated Financial Statements

For the years ended August 31, 2013 and 2012

(in Canadian dollars)

5. Exploration and Evaluation Assets (Cont'd)

(b) Diamond mining leases 111, 138, 139 & 32

Under an agreement entered into on March 15, 2013, the Corporation has the option to acquire a 90% interest in diamond mining leases 111, 138, 139 and 32 (the "Leases") off the coast of Namibia in the region of Luderitz.

In order to complete the acquisition, the Corporation is required to spend US\$800,000 of exploration expenditures on the Leases before March 15, 2014 and an additional US\$2.5 million of exploration expenditures before March 15, 2015.

The Corporation entered in the option with its Namibian partner Woduna Mining Holding (PTY) Ltd. ("Woduna"). Upon exercise of the option on mining leases 111, 138 and 139, the interests in the mining leases will be: The Corporation 80%, Woduna 10% and the seller 10%. Upon exercise of the option on mining lease 32, the interests in the mining lease will be: the Corporation 80%, Woduna 10%, and the sellers 10%. Woduna's interest is a non-contributory interest. Woduna shall have the right to profit from operation only after the Corporation shall have recuperated its development expenses.

(c) Block J Woduna

The Corporation's 70% interest in the Block J Woduna concession is held through an agreement between the Corporation and Woduna. This agreement shall remain in force unless renegotiated by the parties involved. The agreement stipulates that the Corporation is the operator and manager of the exploration and development programs on the concession. It also stipulates that, in the event that Block J Woduna concession becomes a commercial mining lease, the Corporation shall be reimbursed its full investment (exploration, development and acquisition costs) with interest before Woduna can receive its 30% share of the net profit of the project.

For the year ended August 31, 2013, the Corporation recorded impairment charges of \$9,688,752 for the Block J Woduna concession. The impairment decision was driven by the announcement of the new option agreement to acquire a 90% interest in diamond mining leases (Note 5b) and the Corporation's decision to finalize the acquisition of EPL 3403 in fiscal 2014. Accordingly, no further exploration or evaluation is planned or budgeted for on the Block J concession for the near future.

(d) Haib copper project

Between 2005 and July 2008, the Corporation and Deep South Mining (Pty) Ltd ("Deep South") (a Namibian Corporation) signed different agreements regarding the development of the Haib Copper deposit in Namibia and during this period the Corporation conducted exploration activities on the project. On July 2, 2008, the Corporation announced that Afri-Can and Deep South have signed an option and a joint venture agreement ("Agreement") with Teck Namibia Ltd. ("Teck Namibia") whereby Teck Namibia will have an option to earn the 70% undivided interest in the Haib Copper Project in southern Namibia. The project is comprised of one prospecting license ("Property") held by Deep South. With this transaction, Afri-Can has terminated its pre-existing option with Deep South in consideration of certain payments under this Agreement.

AFRI-CAN MARINE MINERALS CORPORATION

Notes to Consolidated Financial Statements

For the years ended August 31, 2013 and 2012

(in Canadian dollars)

5. Exploration and Evaluation Assets (Cont'd)

Under the terms of the Agreement, Teck Namibia will have the option to acquire the 70% indirect beneficial interest in the Property by incurring exploration expenditures on the Property totaling US\$2 million and incurring optional non-cumulative cash payments to Deep South totaling US\$700,000 over 4 years. Once Teck Namibia has acquired its 70% interest, Deep South will have the option to convert its 30% interest into a 2% Net Smelter Royalty (NSR), payable to Deep South and Afri-Can as to 50% each, or fund its 30% share of ongoing exploration and development costs. In the event that Deep South does not fund its share of ongoing costs and its share in the joint-venture is diluted to less than 20%, the remaining interest will be transferred into a 12% Net Profit Interest (NPI) payable to Deep South and Afri-Can as to 50% each.

In the event that Teck Namibia decides to bring the Property into commercial production, Teck Namibia will pay a US\$1 million production bonus, payable to Deep South and Afri-Can as to 50% each, within 60 days of the completion date of the mine.

In September 2011, Deep South confirmed that Teck Namibia has 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 May 2012, Teck started a two year follow-up drilling and geophysical program on the Property.

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 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 intends to transfer its shares of Deep South to Afri-Can's common shareholders. Deep South's listing and financing are subject, among other things to market conditions and to the Corporation's shareholders and regulatory approval.

6. Employee Benefits and Short-Term Loan

Employee benefits

Employee benefits payable are unpaid salaries to employees and directors. The amount is classified as non-current liabilities because the Corporation obtained confirmation that the employees or directors will not request the repayment before 12 months from the date of the publication of these consolidated financial statements.

Short-term loan

Under a loan agreement signed on November 1, 2011 and thereafter amended, 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.

AFRI-CAN MARINE MINERALS CORPORATION

Notes to Consolidated Financial Statements

For the years ended August 31, 2013 and 2012

(in Canadian dollars)

7. Share Capital and Contributed Surplus

a) Share capital

Authorized:

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

On July 4, 2012, the Corporation announced that the consolidation of its issued and outstanding common shares became effective on July 5, 2012, on the basis of one (1) post-consolidation common share for every four (4) pre-consolidation common shares. The Corporation's outstanding Options and Warrants were adjusted on the same basis with proportionate adjustments being made to the Option and Warrant exercise prices. All balances for the year ending August 31, 2012 have been adjusted to reflect this consolidation.

For the year ended August 31, 2013

In July 2013, the Corporation closed a non-brokered private placement financings of units ("Units") for gross proceeds of \$200,000 based upon the issue of 5,000,000 Units at a price of \$0.04 per Unit. Each Unit is comprised of one common share and one-half common share purchase warrant (a "Warrant"). Each full warrant entitles the holder thereof to purchase one common share at an exercise price of \$0.06 per common share during the first year from the date of closing of the placement and at an exercise price of \$0.10 per common share during the second year from the date of closing of the placement.

The fair value of the Warrants was estimated using the Black-Scholes option pricing model based on the following assumptions: market stock price of \$0.04, dividend yield of 0%, average projected volatility of 91%, risk-free interest rate of 1.15%, and expected life of 2 years. As a result, the fair value of the Warrants was estimated at \$22,222, after a pro-rata allocation of the fair value of the Units' components. This amount was allocated to Contributed Surplus. The underlying expected volatility was determined by reference to historical data of the Corporation's shares over the expected average life of the Warrants.

As finders fee, the Corporation paid in cash \$3,664 and granted 91,600, Warrants that entitle the holder to acquire the same number of common shares at a price of \$0.06 per common share during the first year from the date of closing of the placement and at an exercise price of \$0.10 per common share during the second year from the date of closing of the placement.. The fair value of these warrants have been valued at \$824 using the Black-Scholes option pricing model based on the assumptions indicated above. This amount was allocated to units issue costs and Contributed Surplus.

Total unit issue costs of the placement, including the cash finders fee of \$3,664 and the fair value of the Warrants of \$824 was \$11,366.

For the year ended August 31, 2012

In July and August 2012, the Corporation closed brokered private placement financings of units ("Units") for gross proceeds of \$3,000,000 based upon the issue of 18,750,000 Units at a price of \$0.16 per Unit 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. Each Unit is comprised of one common share and one share purchase warrant (a "Warrant"). Each whole Warrant entitles the holder thereof, during a period of three years from the date of closing of the placement, to purchase one common share of the Corporation at a price of \$0.20.

AFRI-CAN MARINE MINERALS CORPORATION

Notes to Consolidated Financial Statements

For the years ended August 31, 2013 and 2012

(in Canadian dollars)

7. Share Capital and Contributed Surplus (Cont'd)

a) Share capital (Cont'd)

This financing included a \$2,000,000 subscription provided by the same investor and was closed in two tranches of \$1 million each. Following the closing of the second tranche of \$1 million, the total holding of this investor exceeded 10% of the Corporation's issued and outstanding common shares. Such investor being deemed to be an insider of the Corporation, the second \$1 million subscription has been closed in Trust subject to Exchange acceptance and was included in restricted cash and share capital as at August 31, 2012. Following the acceptance of the Exchange, this amount was transferred to cash during the year ended August 31, 2013.

The fair value of the Warrants was estimated using the Black-Scholes option pricing model based on the following weighted average assumptions: market stock price of \$0.15 and \$0.22, dividend yield of 0%, average projected volatility of 80%, risk-free interest rate of 1.16%, and expected life of 3 years. As a result, the fair value of the Warrants was estimated at \$1,238,586, after a pro-rata allocation of the fair value of the Units' components. This amount was allocated to Contributed Surplus. The underlying expected volatility was determined by reference to historical data of the Corporation's shares over the expected average life of the Warrants.

As finders fee, the Corporation paid in cash \$184,838 and granted 217,740 Warrants that entitle the holder to acquire the same number of common shares at a price of \$0.20 until July 2015. The fair value of these warrants have been valued at \$11,105 using the Black-Scholes option pricing model based on the assumptions indicated above. This amount was allocated to units issue costs and Contributed Surplus.

Total unit issue costs of the private placement, including the cash finders fee of \$184,838 and the fair value of the Warrants of \$11,105 was \$453,773.

b) Warrants:

During the year ended August 31, 2013 and 2012, no Warrants were exercised.

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

	2013		2012	
	Number of warrants	Average exercise price \$	Number of warrants	Average exercise price \$
Balance, beginning of year	30,329,968	0.25	10,202,222	0.50
Issued	2,591,600	0.08	23,864,340	0.20
Expired	(6,465,628)	0.44	(3,736,594)	0.59
Balance, end of year	26,455,940	0.19	30,329,968	0.25

AFRI-CAN MARINE MINERALS CORPORATION

Notes to Consolidated Financial Statements

For the years ended August 31, 2013 and 2012

(in Canadian dollars)

7. Share Capital and Contributed Surplus (Cont'd)

b) Warrants (Cont'd)

Outstanding Warrants entitling their holders to subscribe to an equivalent number of common shares as at August 31, 2013 are as follows:

Number of Warrants	Exercise price	Expiry date
	\$	
17,614,340	0.20	July 2015
6,250,000	0.20	August 2015
2,591,600	0.06 (0.10)	July 2014 (July 2015)
26,455,940		

Outstanding Warrants entitling their holders to subscribe to an equivalent number of common shares as at August 31, 2012 were as follows:

Number of Warrants	Exercise price	Expiry date
	\$	
4,202,178	0.44	March 2013
2,263,450	0.44	July 2013
17,614,340	0.20	July 2015
6,250,000	0.20	August 2015
30,329,968		

c) Share-based compensation plan

The Corporation maintains a share-based compensation plan ("Plan") whereby the Board of Directors may, from time to time, grant to employees, officers, directors or consultants (an "Optionee") of the Corporation options to acquire common shares in such numbers, at such exercise prices as may be determined by the Board and for a maximum term of ten years. The exercise price is fixed at the time of the granting and the Options can be exercisable when granted except where otherwise decided by the Board of Directors. The minimum exercise price of an option granted must not be less than the Discounted Market Price as defined by the TSX Venture Exchange policy and subject to a minimum price of \$0.05.

The Plan provides that the maximum number of common shares in the capital of the Corporation that may be reserved for issuance under the stock option plan shall be equal to 3,500,000 common shares (3,500,000 common shares in 2012) and that the maximum number of common shares which may be granted to any one Optionee in any twelve month period may not exceed 5% of the common shares outstanding at the time of grant, and 2% in cases of consultants and of persons conducting investor relations activities. The options are exercisable over a twelve months period.

In 2013, the total share-based compensation cost for the 250,000 options granted to a Director and 550,000 options granted to consultants (Nil in 2012) amounted to \$56,000. The Corporation expensed \$56,000 (\$15,555 in 2012) related to stock options vested during this period and credited to contributed surplus.

AFRI-CAN MARINE MINERALS CORPORATION

Notes to Consolidated Financial Statements

For the years ended August 31, 2013 and 2012

(in Canadian dollars)

7. Share Capital and Contributed Surplus (Cont'd)

c) Share-based compensation plan (Cont'd)

The fair value of an Option, on the grant date of the Options, is \$0.07 and was estimated using the Black-Scholes model based on the following weighted average assumptions:

	2013	2012
Market price at grant date	\$0.15	-
Exercise price	\$0.20	-
Dividend yield	-	-
Projected volatility	79%	-
Risk-free interest rate	1.16%	-
Predicted life of Options	3 years	-

The underlying expected volatility was determined by reference to historical data on the Corporation's share over a period of time since its flotation on the TSX Venture Exchange.

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

	2013		2012	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Balance, beginning of year	1,338,750	0.65	2,847,500	0.68
Granted	800,000	0.20	-	-
Expired	(1,388,750)	0.54	(1,508,750)	0.72
Balance, end of year, outstanding and exercisable	750,000	0.36	1,338,750	0.65

Options outstanding and exercisable as at August 31, 2013 are as follows:

Options		
Exercise prices \$	Number of options	Average remaining life
0.20	550,000	2.18 years
0.80	200,000	1.30 years
	750,000	1.95 years

AFRI-CAN MARINE MINERALS CORPORATION

Notes to Consolidated Financial Statements

For the years ended August 31, 2013 and 2012

(in Canadian dollars)

7. Share Capital and Contributed Surplus (Cont'd)

c) Share-based compensation plan (Cont'd)

Options outstanding and exercisable as at August 31, 2012 were as follows:

Options			
Range of exercise prices	Number of options	Average remaining life	Average exercise price
\$			\$
0.40	668,750	0.63 years	0.40
0.70 – 0.80	303,750	1.52 years	0.77
0.92 – 1.00	366,250	0.70 years	0.99
	1,338,750	0.85 years	0.65

8. Capital Management Policies and Procedures

The Corporation's capital management objectives are to ensure the Corporation's ability to continue as a going concern, to increase the value of the assets of the business, and to provide an adequate return to owners of Afri-Can.

These objectives will be achieved by identifying the right exploration projects, adding value to these projects and ultimately taking them through to production or sale and cash flow, either with partners or by the Corporation's own means.

The Corporation monitors capital on the basis of the carrying amount of equity.

The Corporation is not exposed to any externally imposed capital requirements.

The Corporation finances its exploration and evaluation activities principally by raising additional capital either through private placements or public offerings.

When financing conditions are not optimal, the Corporation may enter into option agreements or other solutions to continue its activities or may slow its activities until conditions improve.

9. Statement of Cash Flows

Supplemental disclosures of cash flows information:

	2013	2012
	\$	\$
Cash paid during the period for:		
Interest (from operating activities)	620	31,722
Non-cash activities:		
Units issue cost related to finder's fee	824	11,105
Units issue cost included in accounts payable	-	49,093
Addition of exploration and evaluation assets included in accounts payable and accrued liabilities	417,788	-

AFRI-CAN MARINE MINERALS CORPORATION

Notes to Consolidated Financial Statements

For the years ended August 31, 2013 and 2012

(in Canadian dollars)

10. Financial Instruments Risks

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 main types of risks the Corporation is exposed are market risk, credit risk and liquidity risk. No changes were made in the objective 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.

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, 2013 and 2012, 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, 2013 and 2012, current liabilities represent accounts payable due for payment 30 days following receipt of an invoice.

Foreign exchange risk

Currency risk is the risk that the fair value or future cash flow of a financial instrument will fluctuate because of changes in foreign exchanges rates.

The Corporation is exposed to exchange risk as a result of cash, amounts receivable, and accounts payable and accrued liabilities denominated in foreign currency.

AFRI-CAN MARINE MINERALS CORPORATION

Notes to Consolidated Financial Statements

For the years ended August 31, 2013 and 2012

(in Canadian dollars)

10. Financial Instruments Risks (Cont'd)

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:

	2013		2012	
	Cash and amounts receivable	CDA	Cash and amounts receivable	CDA
Namibian dollars	62,507	\$ 6,250	50,266	\$ 6,579
British pounds	307	500	307	482
US dollars	50	53	200	200

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

	2013		2012	
	Accounts payable and accrued liabilities	CDA	Accounts payable and accrued liabilities	CDA
Namibian dollars	19,057	\$ 1,906	28,196	\$ 3,666
US dollars	384,056	404,487	7	7

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.

A 10% increase or decrease in the exchange rates would result in a change on the Corporation's net loss of \$40,639 as at August 31, 2013 and would not have a material impact on the Corporation's net loss as at August 31, 2012.

AFRI-CAN MARINE MINERALS CORPORATION

Notes to Consolidated Financial Statements

For the years ended August 31, 2013 and 2012

(in Canadian dollars)

10. Financial Instruments Risks (Cont'd)

Fair value of financial instruments

	2013		2012	
	Carrying amount	Fair value	Carrying amount	Fair value
	\$	\$	\$	\$
Financial assets				
Loans and receivables				
Cash	41,687	41,687	749,269	749,269
Restricted cash	-	-	1,000,000	1,000,000
Other amounts receivable (except taxes)	300	300	-	-
Financial liabilities				
Current				
Accounts payable and accrued liabilities	478,273	478,273	99,443	99,443

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 are considered to be reasonable approximation of fair value because of the short-term maturity of these instruments.

11. Income Taxes

Relationship between recovery of deferred income taxes and accounting loss

The relationship between the expected tax income based on the combined federal and provincial income tax rate in Canada and the recovery of deferred income taxes in the consolidated statement of comprehensive income can be reconciled as follows:

	2013	2012
	\$	\$
Expected tax recovery at the Canadian composite statutory rate of 26.90% (27.40% in 2012)	(2,885,059)	(340,883)
Adjustments for the following items:		
Income tax rate differential of foreign operations	(2,837,241)	(335,200)
Permanent difference	15,837	4,723
Deferred tax liabilities on write-off exploration expenses	277,828	-
Difference due to exchange on advance	(83,364)	(151,721)
Difference due to exchange on tax	145,926	125,181
Others	5,359	(889)
Unrecognized deductible temporary difference for the year	5,360,714	698,789
	-	-

The expected tax rate in 2013 was lower than the expected tax rate in 2012 because of a change in the federal tax rate that came into effect on January 1, 2013.

AFRI-CAN MARINE MINERALS CORPORATION

Notes to Consolidated Financial Statements

For the years ended August 31, 2013 and 2012

(in Canadian dollars)

11. Income Taxes (Cont'd)

Deferred tax assets and liabilities and variation of recognized amounts during the period

The following differences between the carrying amounts and tax bases from timing differences, unused tax losses and unused tax credits give rise to the following recognized deferred taxes:

	September 1, 2012	Deferred income taxes recognized in profit and loss	August 31, 2013
	\$	\$	\$
Recognized deferred income tax assets and liabilities			
Exploration and evaluation assets	(229,480)	168,174	(61,306)
Unused loss carry-forwards	229,480	(168,174)	61,306
Recognized deferred income tax assets and liabilities	-	-	-

	September 1, 2011	Deferred income taxes recognized in profit and loss	August 31, 2012
	\$	\$	\$
Recognized deferred income tax assets and liabilities			
Exploration and evaluation assets	(238,308)	8,828	(229,480)
Unused loss carry-forwards	238,308	(8,828)	229,480
Recognized deferred income tax assets and liabilities	-	-	-

As at August 31, 2013 and 2012, the Corporation had deductible temporary differences which it did not recorded in deferred tax assets:

	August 31, 2013	August 31, 2012
	\$	\$
Deductible temporary differences:		
Exploration and evaluation assets	19,387,237	10,951,648
Net operating loss carry-forwards	12,927,178	11,494,782
Share capital issuance costs	424,051	592,503
Capital loss carry-forwards	5,044,045	5,044,045
Unrealized loss on advances	1,435,732	1,157,365
	39,218,243	29,240,344

AFRI-CAN MARINE MINERALS CORPORATION

Notes to Consolidated Financial Statements

For the years ended August 31, 2013 and 2012

(in Canadian dollars)

11. Income Taxes (Cont'd)

The Corporation has non-capital losses which are available to reduce income taxes in future periods, for which no deferred tax asset has been recorded in the consolidated statement of financial position that can be carried over the following years:

	Federal	Provincial
	\$	\$
2014	990,288	1,186,784
2015	965,895	1,134,083
2026	1,041,542	1,154,801
2027	1,185,997	1,179,962
2028	1,190,177	1,185,848
2029	1,055,085	1,059,912
2030	973,316	970,417
2031	1,329,919	1,326,645
2032	1,496,047	1,492,214
2033	1,132,977	1,130,103
	11,361,243	11,820,769

As at August 31, 2013, the Corporation's wholly-owned subsidiary, Noragem (PTY) Ltd., also has loss carry-forwards of approximately \$1,746,000. The foreign loss carry-forwards can be carried forward indefinitely, subject to continuity of business tests.

Accumulated capital losses of \$5,044,045 are available to be applied against future taxable capital gains. These losses may be carried forward indefinitely.

12. Related Party Transactions

Key management personnel of the Corporation includes the President and Chief Executive Officer ("CEO"), the Chief Financial Officer ("CFO") and any Director of the Corporation. Key management remuneration is as follows:

	2013	2012
	\$	\$
Short-term benefits:		
Salaries including benefits and management fees	327,620	380,301
Total short-term compensation	327,620	380,301
Share-based payments	17,500	-
Total remuneration	345,120	380,301

Short-term employee benefits payable and non-current employee benefits payable presented in the consolidated statement of financial position are due to President and CEO, CFO and the Chairman of the Corporation.

AFRI-CAN MARINE MINERALS CORPORATION

Notes to Consolidated Financial Statements

For the years ended August 31, 2013 and 2012

(in Canadian dollars)

12. Related Party Transactions (Cont'd)

Total remuneration includes related party transactions with directors or with corporations whose directors, officers and shareholders are also directors and officers of the Corporation:

- During the year ended August 31, 2013, consulting fees for an amount of \$105,833 (\$130,000 for 2012) was accounted for to a Corporation owned by the Chief Financial Officer and director of the Corporation.
- During the year ended August 31, 2013, consulting fees for an amount of \$47,500 (\$75,000 for 2012) was accounted for by a company managed by the Chairman of the Corporation.

Unless otherwise stated, none of the transactions incorporated special terms and conditions and no guarantee were given or received. Outstanding balances are usually settled in cash.