



Afri-Can Marine Minerals Corporation



Annual Report

For the years ended August 31, 2009 and 2008



Afri-Can Marine Minerals Corporation



Management's Discussion and Analysis of Financial Condition and Results of Operations

Fiscal 2009

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INTRODUCTION

This Discussion and Analysis of the financial position and results of operations (“MD&A”) of Afri-Can Marine Minerals Corporation (“Afri-Can”, the “Company”, the “Corporation” or “AFA”) should be read in conjunction with the accompanying Management’s Responsibility for Financial Reporting statement, the **Auditors’** Report to Shareholders, the **Audited** Consolidated Financial Statements of the Corporation and the notes thereto for the fiscal years ended August 31, 2009 and August 31, 2008. Unless expressly stated otherwise, all references to dollar amounts are in Canadian dollars.

The effective date of this MD&A is December 17, 2009. Additional information about Afri-Can, including all technical reports prepared by the Corporation, are available on SEDAR at www.sedar.com.

FORWARD-LOOKING STATEMENTS

Certain statements contained herein are forward-looking, and are based on the opinions and estimates of management, or on opinions and estimates provided and accepted by management. These opinions and estimates include those that relate to geological and mining factors, commodity prices and marketing parameters used by management.

Forward-looking statements are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ, possibly significantly. When used in this document, words such as “could”, “plan”, “estimate”, “expect”, “intend”, “intent”, “may”, “potential”, “should” and similar expressions are forward-looking statements. Although Afri-Can believes that its expectations reflected in these forward-looking statements are reasonable, such statements involve risks and uncertainties and no assurance can be given that actual results will be consistent with these forward-looking statements.

The Company undertakes to inform shareholders and to update forward-looking statements if circumstances or management’s estimates or opinions should change.

RESULTS OF OPERATIONS AND HIGHLIGHTS

The fundamental nature of Afri-Can’s activities has not changed over recent years. As a Canadian development and exploration-stage company listed on the TSX Venture Exchange, the Corporation’s primary objective is the discovery and/or acquisition of marine diamonds and minerals exploration prospects in Namibia, capable of rapid advancement to feasibility stage and their ultimate development as producing properties.

- During fiscal 2009 the Corporation negotiated a new agreement with IMDH. Since the arrival of The MV DP The Explorer in Cape Town, Afri-Can’s technical team, in collaboration with IMDH, has been working to ensure that the sampling program performs to the highest industry standards.
- During fiscal 2009, the Corporation raised \$1,008,400 in cash, \$954,100 through private placements and \$54,300 through warrants exercised.

Exploration

Joint Venture and Properties in Namibia

BLOCK J / WODUNA CONCESSION

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

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

The agreement was conditional on shareholder approval since it included a stock capital payment option that contained a significant bonus payment (Cost +40%) if IMDH agreed to be paid in shares of the Corporation. Afri-Can’s shareholders approved the payment option on February 23, 2006 by a vote of 99.8% in favour of the agreement.

Under the terms of the 2006 agreement Afri-Can was required to pay a mobilization/demobilization fee, a daily vessel chartering fee and the fuel consumption of the vessel during the chartering period. The complete program was estimated to cost up to US \$2.5 million. Afri-Can was required to make an upfront payment of US \$300,000 upon mobilization of the MV Mare Oceano for the phase 1 of the program and to pay fuel consumption costs at the end of each month of vessel utilization.

The remaining balance, estimated to be about US \$1.8 million (before the addition of a 40% mark-up) was subject to various payment options available to IMDH and only became due 30 days following the completion of the sampling program.

The first phase was completed on November 22, 2006 and entailed a geophysical survey of 854 line/kilometres and the extraction of 38 vibracore samples. The analysis and interpretation of these results was done throughout 2007, and led to the final detailed planning of a bulk sampling phase during 2008 that will consist of the extraction of about 319 large samples of 10 square metres each.

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

In addition to the geophysical survey completed in November 2006, the Corporation’s technical team produced: on January 31, 2007, a National Instrument 43-101 report based on the work done by the Corporation before the start of the fiscal 2007 exploration program that estimated a preliminary diamond potential of Block J; on July 5, 2007, a progress report on Feature 6 showed an increase of the feature’s prospective area by 57%; and on September 27 and November 20, 2007, two progress reports on Feature 8 and Feature 17 respectively confirmed an increase in the size of the prospective area and validated the diamond potential model.

A final comprehensive report on the first phase of the resources delineation program, compliant with National Instrument 43-101 and encompassing all of the progress reports, was issued during the third quarter of fiscal 2008. This report allows the Corporation to finalize the preparation and scheduling for the second phase of the resources delineation program.

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

IMDH's plan to convert the "DP Trenchsetter" into a state-of-the-art dedicated marine sampling vessel, renamed the "MV DP The Explorer", took longer than originally planned. IMDH, the vessel owner and operator, initially expected the vessel to be ready to leave the JSML Shipyard in Singapore at the end of March 2008, but high demand for rig building and ship repair, combined with scarcities in the availability of the specialized equipment used in underwater mining operations, delayed the departure of the vessel from the JSML Shipyard in Singapore. The vessel finally departed Singapore on February 10, 2009 and arrived in Cape Town on March 16, 2009.

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

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

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

On December 10, 2009 the Corporation announced the execution of a new chartering agreement with IMDH. With the new agreement, the Corporation has been able to eliminate costly payment options while maintaining intact all of the advantages of our associations with IMDH. (For more details on the terms of the old and new agreements please refer to the Corporation's press release of December 10, 2009 for more details, or refer to the relevant section of the MD&A and Financial Statements, Notes 15 and 16, for more details on the terms of the old and new agreements.)

With the signing of this agreement, two important issues have been clarified: the cost to complete the full program will be approximately US \$1.8 million and the work will start no later than February 14, 2010.

HAIB COPPER CONCESSION

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

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

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

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

SELECTED ANNUAL DISCLOSURE

The following table sets forth selected financial information for the fiscal years 2009, 2008, 2007, 2006, 2005, and 2004:

Complete fiscal year

	FISCAL 2009	FISCAL 2008	FISCAL 2007	FISCAL 2006	FISCAL 2005	FISCAL 2004
For fiscal years ending:	31/08/09	31/08/08	31/08/07	31/08/06	31/08/05	31/08/04
	\$	\$	\$	\$	\$	\$
General and administrative expenses	1,119,925	1,342,972	1,550,848	1,231,729	954,713	1,011,394
Loss before write-downs	1,123,260	1,295,762	1,483,957	1,265,234	1,038,142	1,055,289
Loss and diluted loss per share (before write-downs)	0.010	0.010	0.010	0.010	0.012	0.014
Net loss	1,123,261	1,295,762	1,483,957	1,265,234	6,849,562	4,835,086
Net Loss and diluted net loss per share	0.010	0.010	0.010	0.010	0.080	0.060
Current assets	50,891	391,827	1,923,044	687,679	345,862	93,217
Total assets	7,116,290	7,084,557	8,232,960	5,238,097	4,738,641	10,053,595
Current liabilities	480,570	484,791	526,430	211,638	133,084	938,334
Due to directors	390,866	368,985	458,038	513,980	356,042	812,162
Shareholders' equity	6,244,854	6,230,781	7,248,492	4,512,479	4,249,515	8,303,099

General Discussion on Selected Financial Information

Since inception, Afri-Can's business model has been straightforward: develop a resource on the Block J concession first and, once that project has reached an advanced stage, acquire and develop other concessions.

Prior to the fiscal 2007 exploration program and the fiscal 2008 desktop studies and analyses, the last major marine exploration programs carried out by the Corporation were done during the fiscal years 2002 and 2003. Until the end of fiscal year 2004, the Corporation's exploration activities were centered on the preparation of an in-depth sampling program for the entire 41 square kilometres already identified as diamondiferous or potentially diamondiferous. The work also included the preparation of a complete Scope of Work combined with the development of an exclusive exploration sampling tool that could be mounted on existing airlift-equipped vessels.

Many, if not all, of the positive aspects of Afri-Can's marine exploration programs over the 2001 to 2003 period were overshadowed by problems encountered by Afri-Can's competitors. These problems not only had a negative impact on capital markets for those in the offshore marine diamond business, they also forced Afri-Can to delay the implementation of its exploration programs in 2004 and to place the Block J concession on a care and maintenance basis during fiscal 2005 and the first quarter of fiscal 2006. During this period, the Corporation concentrated its efforts on strengthening its balance sheet and completing the work required to sign a comprehensive partnership with an experienced technical partner in the industry.

With the signing of the agreement with IMDH and its subsequent ratification by shareholders during the second quarter of 2006, the Corporation lifted the care and maintenance status and recommenced activities on the Block J concession.

During the second half of fiscal 2006, management spent time re-activating and working with the technical team, under the stewardship of Mr. Dick Foster, in order to prepare for the planned exploration programs.

During fiscal 2007, the Corporation completed, in November 2006, the first phase of its exploration program, which comprised a geophysical survey totalling 854 line-kilometres and the extraction of 38 vibracore samples. On January 31, 2007 the Corporation's technical team produced, a National Instrument 43-101 report based on work done by the Corporation before the start of the fiscal 2007 exploration program, estimating a preliminary diamond potential on Block J and, on July 5, 2007, produced a progress report on Feature 6 showing an increase of 57% of the feature's prospective area.

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

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

With the December 10th, 2009 signature of the new agreement with IMDH and the confirmation of the start of the sampling program being no later than February 14, 2010, some shareholders have queried management's financial judgement in waiting so long for this particular vessel at considerable cost. It is, however, important to understand that all the direct costs for the conversion of MV DP The Explorer, estimated to be close to US \$50 million, have been entirely supported by IMDH while the Corporation has only had to incur approximately \$2,200,000 of general and administrative expenses during the nearly 24 month conversion period.

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

Furthermore, without the 2006 agreement with IMDH, the Corporation would not have been able to complete the geophysical survey of 2006, and this would have resulted in the Corporation putting its license at risk without any additional work being done. Finally, the partnership with IMDH will not only allow us to have access to the most advanced marine sampling vessel, but, under the terms of the new contract, we now have an option of chartering from them, at a later stage, a fully-fledged mining vessel.

Management did not take the decision to wait for the vessel lightly. Prior to signature of the original IMDH agreement in 2006, the Corporation reviewed the history of the marine diamond industry on the West Coast of Southern Africa and discovered that one of the key elements for success was cost control of exploration investment.

The key criterion for measuring success is cost per carat as it pertains to delineating an inferred resource. Using marine data from De Beers's discovery of the Atlantic One deposit, it is generally accepted in the industry that the exploration cost to develop an inferred resource should be around the US \$5 per carat. When Atlantic One was discovered, the average selling price of Namibian marine diamonds was around US \$125.00 per carat. The most recent published marine diamond selling price, dated August 2009, was US \$218.00 per carat.

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

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

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

Table 1: Funds invested in CDN \$ to delineate a resource on block J	
Block J investment cost as of August 31, 2009	\$6,721,197
Projected cost / 2 nd sampling phase	\$1,800,000
Total project cost to delineating resource on Block J	\$8,512,179

Table 2: Block J potential resource details to date					
Features	Area	Grade in ct per km ²		Carats	
		Result	Best 20% results	Result	Best 20% results
Miocene Basal Unit and Terrestrial Colluvial (BM TC)	12.3 km ²	0.057	0.146	700,000	1,800,000
Last Transgressive Sequence (LTS)	15.3 km ²	More diamonds were recovered from the LTS Gravel areas than from the BM TC areas, but their potential cannot yet be assessed because of inadequate sampling to date.			
Total	27.6 km²			700,000	1,800,000

Table 3: Investment cost per carat model to date in CDN \$		
	Result	Best 20% results
Cost as of August 31, 2009 of Block J investment	\$9.60	\$3.73
Projected cost of the next phase of the sampling program	\$2.57	\$1.00
Total project cost related to delineating a resource on Block J	\$12.17	\$4.73

The key conclusion from these tables is that the Corporation is well within its stated performance goal of investing US \$5.00 per carat to delineate inferred resources. Furthermore, these numbers validate management's view that were it not for having entered into the agreement with IMDH, and instead the Corporation had opted to invest the necessary funds required to find, equip and man a vessel with similar capabilities as those of the MV DP The Explorer, the objective would have been impossible to attain.

Qualified Person

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

Overall performance

General and administrative expenses and net loss for fiscal 2009 stood at \$1,119,925 and \$1,123,261 respectively versus the average for the last six equivalent periods of \$1,201,930 and \$2,808.810 respectively.

The following factors have had a strong influence on operating costs: 1) While waiting for the vessel to be made available, the Corporation implemented cost-cutting strategies regarding expenses over which management had some control; 2) Option-issuance related costs are a significant part of Afri-Can's operating costs (please refer to the relevant section of the MD&A and note 9 in the Financial Statements for details); and 3) Year-over-year, the costs associated with corporate governance, financial reporting and AGM fees are outside of management and board control and the trend is for these expenses to continue to increase.

Consolidated Statements of Deferred Exploration and Development Expenses

During fiscal 2009, the Corporation incurred \$383,915 in exploration expenses for its Block J marine concession and nil in base metal exploration expenses related to the Haib project, versus \$409,357 in exploration expenses for its Block J marine project, and \$149,575 in base metal exploration related to the Haib project for the same period last year.

Table #4
Details of deferred exploration for MD&A

	Quarter ending August 31,		Fiscal ending August 31,	
	2009	2008	2009	2008
	\$	\$	\$	\$
Exploration and development expenses:				
Marine projects:				
Project management	18,316	6,354	117,468	65,883
Geologist	94,949	130,885	255,434	319,565
Stock-based compensation	-	-	6,270	16,164
Traveling	1,650	305	4,743	7,745
Terrestrial base metal (Haib) project:				
Geologist	-	72,250	-	128,875
Laboratories	-	-	-	18,681
Others	-	423	-	2,019
Increase during the period	114,915	210,217	383,915	558,932
Balance, beginning of period	5,967,939	5,488,722	5,698,939	5,140,007
Balance, end of period	6,082,854	5,698,939	6,082,854	5,698,939

Consolidated Statement of Operations

During fiscal 2009, the Corporation's net loss decreased by \$172,501 (or 13%), (\$1,123,261 versus \$1,295,762), general and administrative expenses decreased by \$223,047 (or 17%), (\$1,119,925 versus \$1,342,972) while other costs increased by \$43,876, (\$(3,334) versus \$(47,210))

The general and administrative expense decrease of \$223,047 (or 17 %) over the same period last year came about because management implemented cost cutting strategies while waiting for the start of sampling program. The only account that saw an increase year over year was public relations with an increase of \$21,981 (14%) in 2009 (\$176,042 versus \$154,061) while the most significant decrease occurred in the following accounts: \$95,017 in expenses related to the provision of information to shareholders and registration fees (\$37,323 versus \$132,340); \$61,479 in traveling expenses (\$70,704 versus \$132,183); and \$29,968 in stock-based compensation (\$83,852 versus \$113,550) and \$28,037 in professional fees (\$278,114 versus \$306,151).

The \$43,876 variance in other costs is mostly comprised of a foreign exchange loss increase of \$14,425; a decrease in net investment income of \$31,322 and a decrease in administrative expenses recovered of \$15,516 that was partially offset by the \$10,718 reduction in size of our write-down on amounts receivable.

The Corporation's foreign exchange loss results mostly from the fact that the Corporation has a significant accrued liability denominated in United States dollars (US \$400,000). Other monetary assets and liabilities of the Corporation are also denominated in Namibian dollars and United States dollars, but their influence on the size of the foreign exchange loss is negligible. During the year, the Corporation incurred a \$17,519 foreign exchange loss, of which \$11,000 represents a non-cash loss incurred due to the Canadian dollar valuation of the accrued liabilities.

According to the agreement between the Corporation and IMDH, the first phase of the exploration program completed on November 22, 2006, which resulted in an accrued liability of US \$400,000, will not be invoiced until 30 days after the completion of the resources delineation program. This means that the Corporation's operational results and liabilities since 2006 will be affected by the exposure of the accrued liability of US \$400,000 to fluctuations in the Canadian/US dollar exchange rate.

Summary of Quarterly Results

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

For the quarter ending:	FISCAL 2009				FISCAL 2008			
	31/08/09	31/05/09	28/02/09	30/11/08	31/08/08	31/05/08	28/02/08	30/11/07
	\$	\$	\$	\$	\$		\$	\$
General and administrative expenses	262,953	363,345	229,474	264,153	307,794	393,586	308,988	332,604
Loss before write-downs and stock-based compensation	250,148	202,177	234,201	329,108	200,978	297,826	291,784	315,414
Loss and diluted loss per share (before write-downs)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net loss	265,547	294,405	234,201	329,108	340,972	387,428	291,784	275,578

For the quarter ending:	FISCAL 2009				FISCAL 2008			
	31/08/09	31/05/09	28/02/09	30/11/08	31/08/08	31/05/08	28/02/08	30/11/07
	\$	\$	\$	\$	\$		\$	\$
Net loss and diluted net loss per share	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Current assets	50,891	418,396	241,332	152,505	391,827	909,705	1,235,773	1,521,540
Total assets	7,116,290	7,375,446	7,109,728	6,901,077	7,084,557	7,396,087	7,569,768	7,906,372
Current liabilities	480,570	500,300	614,778	578,946	484,791	430,827	465,077	468,670
Due to directors	390,866	423,710	418,050	381,408	368,985	393,507	390,357	431,584
Shareholders' equity	6,244,854	6,451,436	6,076,900	5,940,723	6,230,781	6,571,753	6,714,334	7,006,118

Discussion on the Selected Quarterly Financial Information

General and administrative expenses and losses before write-down and stock-based compensation for the quarter stood at \$262,953 and \$250,148 respectively versus the average for the last eight quarters of \$262,862 and \$265,205 respectively.

The following factors have had a strong influence on our operating costs: 1) During fiscal 2008 and 2009, the Corporation maintained its current operational activities while seeking ways of reducing its operational costs; 2) Options issuance related costs are a significant part of our operating costs (please refer to the relevant section of MD&A and Financial Statements, note 9 for details); and 3) Year-over-year the costs associated with corporate governance, financial reporting and AGM fees continue to increase.

As a result of the above, average general and administrative expenses minus stock-based compensation of \$250,148 per quarter, combined with the lower trend seen in general and administrative expenses over the last quarters, management is of the opinion that a range between \$225,000 and \$285,000 represents a level that is indicative of the quarterly cost of operating the Corporation. Of this amount, \$100,000 represents compensation payable to members of management, and professional fees payable to two directors of the Corporation (please refer to the section entitled Transactions with Related Parties for more details).

Overall Quarterly Performance

During the fourth quarter of fiscal 2009, the Corporation incurred \$114,915 in exploration expenses for its Block J marine concession and \$Nil in base metal exploration expenses related to the Haib project versus \$137,544 in exploration expenses for its marine project and \$72,673 in base metal exploration expenses related to the Haib project for the same period last year (please refer to Table one for more details).

For the fourth quarter of fiscal 2009, the Corporation's net loss decreased by \$75,425 (or 22%) versus the same period last year, (\$265,547 versus \$340,972), while general and administrative expenses decreased by \$44,841 (or 15%) (\$262,953 versus \$307,794).

Capital Resources

As of August 31, 2009, the Corporation's working capital deficit stood at \$429,679 (versus a deficit of \$92,964 as of August 31, 2008).

The Corporation's current assets of \$50,891 as of August 31, 2009 (\$391,827 as of August 31, 2008) include the following items: cash \$30,065 (\$300,398 as of August 31, 2008); \$16,446 (\$51,313 as of August 31, 2008) in amounts receivable; and \$4,380 (\$40,116 as of August 31, 2008) in prepaid expenses.

Afri-Can's current liabilities of \$480,570 as of August 31, 2009 (\$484,791 as of August 31, 2008) include the following items: \$43,770 (\$58,991 as of August 31, 2008) in general accounts payable; and \$436,800 (\$425,800 as of August 31, 2008) in accrued liabilities.

The Corporation's Accrued Liabilities of \$436,800 as of August 31, 2009 (\$425,800 as of August 31, 2008) represent the Canadian dollar equivalent of exploration related charges incurred during the first phase of the exploration program completed on November 22, 2006. In conformity with Canadian Generally Accepted Accounting Principles, the US \$400,000 Accrued Liabilities amount represents management's best estimate, of the amount to be invoiced, based on the US dollars dominated daily chartering cost schedule included in the contract with IMDH. Since a large component of the Corporation's working capital fluctuation came about because of the quarterly revaluation of the accrued liabilities, shareholders are advised that a \$0.01 increase or decrease in the USD/CAD exchange rate would result in a change to net loss of \$4,000.

Under the old agreement, these charges were not yet invoiced at the end of Fiscal 2009 and the terms under which the accrued liability may be invoiced under the new agreement have not yet been defined since the subject of how the US \$300,000 up front payment the Corporation made in 2006 upon the vessel mobilization will be credited against that invoice is still up for discussions.

The Corporation intends to remedy its working capital deficit by fund raising will come either from private placement, warrant exercise or the exercise of options. (Please refer the relevant section of the Financial Statements, Note 1).

Since the end of the fiscal year 2009, the Corporation improved its working capital position through the closing of a private placement of \$650,000 on October 22, 2009 and another \$149,426 was raised through the exercise of 996,174 warrants.

Liquidity

During Fiscal 2009, Afri-Can's working capital expenditure was around \$150,000 per quarter. During fiscal 2008, Afri-Can's working capital requirement was \$200,000 per quarter. For Fiscal 2010 management anticipates that working capital expenditure should approximate between \$150,000 and \$200,000 per quarter. Note that these amounts do not include management's salaries and fees, or professional fees owed to other insiders of the Corporation, since, as in the past, these payments could be accrued or reduced if the financial position of the Corporation required it. (Please refer to Discussion on the Selected Quarterly Financial Information and Transaction with Related Parties for more details).

During Fiscal 2009, the Corporation's exploration related capital expenditure was around \$95,000 per quarter versus around \$140,000 per quarter for Fiscal 2008. The Corporation anticipates that the exploration related capital amounts required for fiscal 2010 to finance its ongoing marine exploration

activities (not including the IMDH contract) should approximate an additional \$90,000 per quarter. The Corporation does not anticipate any capital amounts will be required for its base metal exploration project following the signature of the Agreement on the Haib project with Teck Cominco.

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

As a development stage company, the Corporation does not generate any cash through its operations. The ability of the Corporation to meet its current obligations and future development plans is fully dependent on management's ability to secure sufficient injection of funds from private placements and other equity-related fund raising programs.

Since the execution of the original agreement with IMDH, the Corporation has been able to raise the funds required to advance the project, and pay ongoing working and exploration expenses. While the Corporation has been successful in the past, there can be no assurance it will be in the future. The signature of a new agreement with IMDH on December 10, 2009 that includes a firm starting date for the start of the sampling program removes the key variables that could have affected the ability of the Corporation to complete private placements in the past. Management is receiving interest from key investors regarding financing the Corporation and its projects. Based on this renewed interest, management is of the opinion that if no new negative market events occur, the Corporation should be capable of completing the necessary financing to meet the liquidity needs of the Corporation over the next twelve months.

Therefore, the financial statements do not give effect to adjustments that would be necessary should the Corporation be unable to secure sufficient funds to continue as a going concern. Investors are advised that if such adjustments were required, these adjustments could be material.

Capital Resource Requirements

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

Land based project:

Further to the signature of an Agreement for the Haib Copper project in Namibia between the Corporation, Deep South and Teck Cominco, on July 2, 2008 and its subsequent approval by the Ministry of Mines and Energy of Namibia on July 28, 2008, the Corporation has no financial obligation related to the Haib Copper project for at least the coming two years or until Teck Cominco has incurred exploration expenditures totalling US \$2 million.

Marine project:

The terms governing the chartering of a the sampling vessel by Afri-Can of IMDH were modified on December 10, 2009 with the signature of a new agreement between Afri-Can and IMDH. (Please refer to the Financial Statements, Note 15, Commitments, for details on the original agreement and to the December 10, 2009 press release and Note 16, Subsequent events, for more details.)

Therefore, Afri-Can's Capital resource requirements going forward for its marine project are now governed by the new agreement, and the salient points of the new agreement includes the fact that:

- The cost of the program will be paid by Afri-Can in cash:

- IMDH will no longer have the option to convert the cost of the program marked up by 40% into Afri-Can shares,
 - IMDH will no longer have the option to convert the cost of the program marked up by 40% into a new Namibian company, to be 51% owned by IMDH, that would own 70% of Block J,
 - IMDH will no longer have the option to convert the cost of the program marked up by 40% into a direct 51% holding of the Block J joint venture.
- In consideration for the cancellation of the payment options set out in the original agreement, Afri-Can will grant IMDH 12.5 million warrants to purchase common shares of Afri-Can at an exercise price of CDN \$0.20 per share until June 15th, 2010.
 - The cost of the sampling program, including the fuel expense estimated at US \$300,000 remains unchanged at an estimated US\$1.8 million. Half of the charter cost is to be paid on departure of the vessel and the balance within 30 days of completion of the program.
 - Under the terms of the new agreement, the sampling program will commence no later than February 14th, 2010.

As a result of the new agreement, the Corporation will have to pay the cost of the sampling program from its own Capital. The Corporation intends to finance its exploration programs and working capital requirement from capital to be raised either through private placements, warrants exercise or the exercise of options. While the Corporation has been successful to raise funds in the past, there can be no assurance it will be in the future.

This was one of the motivations behind the extension and re-pricing of 14,582,775 share purchase warrants in January 2009, since this gives the Corporation potential access to funding once the share price of the Corporation exceeds \$0.15 per share. As of the date of the signature of the MDA, the Corporation still has outstanding 12,902,435 of these warrants, and if exercised they would generate an entry of \$1.9 million in the Corporation coffers.

One last point is that, based on documented historical events, it is possible that during the bulk sampling phase of sampling program, a certain quantity of diamonds will be recovered. The sale of these diamonds, which will be the exclusive property of the Corporation, could generate funds that could partially offset the cost of the sampling program.

Changes in Accounting Policies including Initial Adoption

Recent accounting changes

On September 1, 2008, in accordance with their respective transitional provisions, the Corporation adopted the following new recommendations of the Canadian Institute of Chartered Accountants' Handbook (CICA Handbook).

Financial Instruments – Disclosures and Presentation

Section 3862, "Financial Instruments – Disclosures", describes the required disclosures related to the significance of financial instruments on the Corporation's financial position and performance and the nature and extent of risks arising for financial instruments to which the Corporation is exposed and how

the Corporation manages those risks. Section 3863, "Financial Instruments – Presentation", establishes standards for presentation of financial instruments and non-financial derivatives. These Sections complement the principles of recognition, measurement and presentation of financial instruments of Section 3855, "Financial Instruments – Recognition and Measurement", and replace the presentation standards of Section 3861, "Financial Instruments – Disclosure and Presentation".

Capital Disclosures

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

General Standards of Financial Statement Presentation

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

The adoption of Sections 3862, 3863, 1535, and 1400 only requires additional disclosures (Notes 11 and 12) and has no impact on the Corporation's financial results.

Mining Exploration Costs (EIC Abstract 174)

In March 2009, the Corporation adopted the CICA's EIC Abstract 174 ("EIC-174"). EIC-174 provides guidance on the capitalization of mining exploration costs, particularly when mining reserves have not been proven and when an impairment test of these costs is required. The adoption of this Abstract had no impact on the Corporation's financial results.

Credit Risk and the Fair Value of Financial Assets and Financial Liabilities (EIC Abstract 173)

In January 2009, the CICA approved EIC 173, Credit Risk and the Fair Value of Financial Assets and Financial Liabilities. This guidance clarified that an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities including the derivative instruments. This guidance is applicable to fiscal periods ending on or after January 12, 2009. The adoption of this standard had no impact on the Corporation's consolidated financial statements.

IFRS Convergence

In February 2008, the Canadian Accounting Standards Board confirmed January 1, 2011 as the changeover date to move financial reporting for Canadian publicly accountable enterprises to the International Financial Reporting Standards ("IFRS"). The changeover date for Afri-Can Marine Minerals Corporation will be September 1, 2011, to be in line with its August year-end.

Team:

The implementation team will consist of internal resources and if necessary of external consultants. The

implementation team will report to the CFO and to the Audit Committee on the progress towards IFRS convergence.

Training:

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

Accounting Policies impacted:

The detailed analysis of the accounting policies impacted by the IFRS convergence is expected to be completed throughout Fiscal 2010. Overall, a lot of effort will be put in the financial statements presentation, as IFRS requires more disclosure. Based on the analysis of expected accounting differences conducted so far, following is a non-exhaustive list of the IFRS accounting policies that could have a potential impact on the financial statements of the Company:

First Time adoption (IFRS 1)

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

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

Additionally, IFRS 1 contains disclosure requirements to highlight changes made to financial statement items due to the transition to IFRS.

Impairment (IAS 36, IAS6)

IFRS requires the use of a one-step impairment test (impairment testing is performed using discounted cash flows) rather than the two-step test under Canadian GAAP (using undiscounted cash flow as a trigger to identify potential impairment loss). IFRS requires reversal of impairment losses where previous adverse circumstances have changed; this is prohibited under Canadian GAAP.

Impairment testing should be performed at the asset level for long-lived assets and intangible assets. Where the recoverable amount cannot be estimated for individual assets, it should be estimated as part of a Cash Generating Unit ("CGU").

Share-based payments (IFRS 2)

Per IFRS, the forfeiture rate, with respect to share options, needs to be estimated by the Company at the grant date instead of recognizing the entire compensation expense and only record actual forfeitures as they occur.

Mineral property interests, exploration and evaluation costs (IFRS 6)

Under IFRS, the Company would be required to develop an accounting policy to specifically and consistently identify which expenditures on exploration and evaluation activities will be recorded as assets. Unlike IFRS, Canadian GAAP indicates that exploration costs may initially be capitalized if the Company considers that such costs have the characteristics of property, plant and equipment.

Exploration and evaluation assets shall be classified as either tangible or intangible according to the nature of the assets acquired.

Information systems:

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

The Company has yet to establish if historical data will have to be regenerated to comply with some of the choices to be made under IFRS 1.

As the Company will perform its accounting under Canadian GAAP from September 2010 to August 2011, it has yet to determine how it will generate in parallel the accounting under IFRS so that in 2011-12 it has the comparative available. Once the extent of the adjustments needed to convert to IFRS will be established, processes will be put in place effective September 2010 to generate the dual accounting.

Internal Controls:

Since Afri-Can Marine Minerals Corporation is a TSX Venture issuer, management does not make representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in National 52-109.

Management is responsible for ensuring that processes are in place to provide them with sufficient knowledge to support their certification of the financial statements and MD&A, more specifically assessing that the SEDAR filings are presenting fairly the results of the Company. Management will make sure that once the convergence process is completed, it can still certify its filings.

Impact on the business:

The business processes of the Company are simple and no major challenges are expected at this point to operate under IFRS. The Company has no hedging activities, no debt and no capital obligations. The Company does not expect that IFRS will have an impact on the requirements or business processes when it enters in flow-through financing. The Company has no compensation arrangements that will be affected by the IFRS implementation. The Company's Stock Option Plan is not affected by ratios or financial targets.

Business process will be monitored through 2009 and 2010 to detect unsuspected impact.

Critical Accounting Estimates

The preparation of financial statements in conformity with Canadian Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of

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

A detailed summary of the entire Corporation's significant accounting policies and the estimates derived therefrom is included in Note 3 to the Annual Consolidated Financial Statements for the year ended August 31, 2009 and 2008.

The following policies are considered to be the critical accounting policies as they involve the use of significant estimates:

1) Translation of foreign currencies:

Monetary assets and liabilities in foreign currency of Canadian corporations and integrated foreign operations are translated at the exchange rate in effect at the balance sheet date, whereas other assets and liabilities are translated at exchange rates in effect at transaction dates. Revenue and expenses in foreign currency are translated at the average rate in effect during the year, with the exception of amortization, which is translated at the historical rate. Gains and losses are included in the earnings for the year.

2) Stock option plan:

The Corporation uses the fair value method calculated using the Black-Scholes pricing model to record the compensation cost related to the issuance of stock options to its directors, officers, employees and consultants. Stock-based compensation cost to directors, officers, employees is charged to the statement of operations over the vesting period while stock-based compensation cost to the consultants are recorded to the statement of operations or to the statement of deferred exploration and development expenses when services are rendered. Stock-based compensation costs are recorded with a corresponding credit to contributed surplus. Any consideration received when options are exercised is credited to share capital together with the related compensation cost previously recorded as contributed surplus.

3) Mining properties and deferred exploration and development expenses:

Costs related to the acquisition, exploration and development of mining properties are capitalized by property until the beginning of commercial production. If any, the accessory revenue carried over the period of exploration and development will be carried in decrease of the capitalized expenses. If commercially profitable ore reserves are developed, capitalized costs of the related mining property are reclassified as mining assets and amortized using the unit of production method.

If it is determined that capitalized acquisitions, exploration and development expenses are not recoverable over the estimated economic life of the mining property, or the project is abandoned or has been delayed in an important way, the mining property and the deferred exploration and development expenses are written down to their net known realizable value.

The recoverability of amounts recorded for mining properties and deferred exploration and development expenses is dependent upon the discovery of economically recoverable reserves, confirmation of the Corporation's interest in the underlying mining titles, the ability of the Corporation to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof. The amounts shown for mining properties and deferred exploration and development expenses do not necessarily represent actual or future values.

Write-down of Deferred Exploration Expenses

As a matter of policy, Afri-Can undertakes a review of the carrying values of its mining properties and deferred exploration and development expenses during the fourth quarter of each fiscal year or whenever events or changes in circumstances indicate that their carrying values may exceed their recoverable value. A write-down is recognized when the carrying value of those assets is not recoverable or exceeds their fair value. In undertaking this review, management is required to make significant estimates. These estimates are subject to various risks and uncertainties, which may ultimately have an effect on the expected recoverability of the carrying values of the mining properties and related expenditures.

Financial Instruments

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

As of August 31, 2009, 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, N\$27,535 (or CAD \$3,713) was held in an interest bearing account with The First National Bank of Namibia.

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

The Corporation operates internationally and as such is exposed to fluctuations in foreign exchange rates. The Corporation does not currently use financial instruments to limit its exposure to fluctuations in foreign exchange rates.

Financing Data

During fiscal 2009, the Corporation completed four private placements totalling \$954,100 that resulted in the issuance of 11,416,250 new shares, 5,708,125 warrants, and 11,250 broker warrants. Shareholders are advised that while the Corporation raised \$954,100 through the issuance of 11,416,250 new shares, Canadian Generally Accepted Accounting Principles require that we only acknowledge \$828,671 under Capital Stock and account for the remaining \$125,429, representing the fair value of the warrants under Contributed Surplus. Additionally, 300,000 shares were issued for payment of professional fees, 22,500 shares were issued for the payment of a commission to a broker, no options were exercised, and 145,000 warrants were exercised for \$21,750, while another 217,000 warrants for \$32,550 were in the process of being issued by the end of the Fiscal year 2009.

As of August 31, 2009, Afri-Can had 158,468,394 (146,367,644 as of August 31, 2008) shares issued and outstanding with a paid in value of \$37,754,832 (or \$0.238 of paid in value per shares issued), 19,940,150 warrants (14,884,808 as of August 31, 2008) and 8,035,000 options outstanding (7,735,746 as of August 31, 2008), for a fully-diluted share position of 186,443,544.

Outstanding Share Data

As of December 17, 2009, Afri-Can had 163,843,234 (158,468,394 as of August 31, 2009) shares issued and outstanding, 20,685,960 warrants (19,940,150 as of August 31, 2009) and 8,250,000 options outstanding (8,035,000 as of August 31, 2008), for a fully-diluted share position of 192,779,194.

The authorized share capital of the Corporation consists of an unlimited number of shares, of which 163,843,234 were outstanding as of the date hereof.

Transactions with Related Parties

A director of Afri-Can provides legal and secretarial services to the Corporation. For Fiscal 2009, an amount of \$47,207 (\$59,899 in 2008) in legal fees was accounted for as professional fees in the Consolidated Statement of Operations and \$10,130 (Nil in 2008) in share issuance expenses with regards to legal and secretarial services rendered.

For Fiscal 2009, management services fees for an amount of \$130,000 (\$130,000 in 2008), accounted for as salaries, fringe benefits and management fees was charged by a Corporation owned by a member of management who is also an officer and director of the Corporation.

For Fiscal 2009, \$19,336 in expenses (\$34,852 in 2008) was recovered from a company managed by an officer and directors of the Corporation.

For Fiscal 2009, professional fees for an amount of \$75,000 (\$75,000 in 2008) representing consulting fees was paid to a company managed by the Chairman in connection with consulting services rendered to Afri-Can.

For Fiscal 2009, professional fees for an amount of \$11,500 (nil in 2008) was paid to directors in connection with directors' services rendered to Afri-Can.

All the transactions are made in the normal course of operations of the Corporation and are measured at the exchange value which is the amount agreed upon by both parties involved in the transactions.

Amounts due to directors and a corporation held by a director of Afri-Can are non-interest bearing and with no specific repayment terms, but these amounts are not reimbursable before a period of 12 months after the date of the signature of the financial statements of the Corporation.

The \$390,866 total (\$368,985 as of August 31, 2008) due to directors and a corporation held by a director of Afri-Can payable at August 31, 2009 is composed of unpaid salaries and other fees payable to two members of management who are also directors and another director of the Corporation.

Management's Report on Internal Control over Financial Reporting

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

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

RISKS

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

All of the resource properties in which the Corporation has joint-venture agreements are at the exploration stage only and are without a known body of commercial ore or minerals. Substantial expenditures are required for our marine exploration programs and the development of reserves. In the absence of cash flow from operations, the Corporation relies on capital markets to fund its exploration and evaluation activities. Capital market conditions and other unforeseeable events may impact the Corporation’s ability to finance and develop its projects.

While discovery of diamonds may result in substantial rewards, few exploration properties ultimately evolve into producing mines. Major expenditures are required to identify, confirm reserves and to construct mining and processing facilities. It is impossible to know whether the Corporation’s current exploration programs will ultimately result in a profitable commercial mining operation.

A number of factors determine the economic viability of a diamond deposit. They include the size of the deposit; the quantity, quality and average unit carat size of the diamonds; the proximity of the deposit to existing infrastructure; the estimated development and operating costs; the financing costs and the projected cash flows; the prevailing prices and markets for diamonds; and the competitive nature of the industry. Also of key importance are governmental regulations, including those relating to taxes, royalties, land use, the environment, and interests and socio-economic impacts on affected communities.

In addition, although the Corporation has taken steps to verify that it holds good title to its mineral properties, there can be no guarantee that the Corporation’s title may not be subject to unregistered prior agreements, encumbrances or adverse regulatory requirements. The consequences of these risks cannot be accurately predicted, but any combination of them may impair the development of a deposit or render it uneconomic.

The Corporation intends to continue the evaluation and exploration of its properties subject to the availability of financing on acceptable terms. The Corporation intends to finance these activities either through existing financial resources or through additional equity or quasi-equity financing. However, there can be no assurance that the Corporation will be able to raise such additional equity.



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

Montreal, December 17, 2009



Afri-Can Marine Minerals Corporation



Consolidated Financial Statements

For the years ended August 31, 2009 and 2008

Consolidated Financial Statements of

**AFRI-CAN MARINE MINERALS
CORPORATION**

For the years ended August 31, 2009 and 2008

MANAGEMENT'S RESPONSIBILITY FOR 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 Canadian generally accepted accounting principles 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 fulfills 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 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, 2009 and 2008 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

Montréal, Canada
October 16, 2009
(except as to Note 16 which is as of December 10, 2009)

AFRI-CAN MARINE MINERALS CORPORATION

Consolidated Financial Statements
For the years ended August 31, 2009 and 2008

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Auditors' Report

To the Shareholders of
Afri-Can Marine Minerals Corporation

We have audited the consolidated balance sheets of Afri-Can Marine Minerals Corporation as at August 31, 2009 and 2008 and the consolidated statements of deferred exploration and development expenses, operations and comprehensive loss, deficit and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at August 31, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

/s/Raymond Chabot Grant Thornton LLP¹

Montréal, Canada

October 16, 2009

(except as to Note 16 which is as of December 10, 2009)

¹ Chartered accountant auditor permit no. 18510

AFRI-CAN MARINE MINERALS CORPORATION

Consolidated Balance Sheets
As at August 31, 2009 and 2008

	2009	2008
	\$	\$
Assets		
Current assets:		
Cash	30,065	300,398
Amounts receivable (note 4)	16,446	51,313
Prepaid expenses	4,380	40,116
	<u>50,891</u>	<u>391,827</u>
Equipment (note 5)	3,925	15,170
Mining properties (note 6)	978,620	978,621
Deferred exploration and development expenses (note 7)	6,082,854	5,698,939
	<u>7,116,290</u>	<u>7,084,557</u>
Liabilities		
Current liabilities:		
Accounts payable	43,770	58,991
Accrued liabilities	436,800	425,800
	<u>480,570</u>	<u>484,791</u>
Due to directors and a corporation held by a director (note 8)	390,866	368,985
	<u>871,436</u>	<u>853,776</u>
Shareholders' equity		
Share capital (note 9)	37,754,832	36,944,206
Contributed surplus (note 9)	2,121,798	1,643,210
Deficit	(33,631,776)	(32,356,635)
	<u>6,244,854</u>	<u>6,230,781</u>
	<u>7,116,290</u>	<u>7,084,557</u>

Governing Statutes, Nature of Operations and Going Concern Assumption (note 1)
Commitments (note 15)
Subsequent events (note 16)

See accompanying notes to consolidated financial statements.

On behalf of the Board:

(s) Pierre Léveillé Pierre Léveillé, director
(s) Marcel Drapeau Marcel Drapeau, director

AFRI-CAN MARINE MINERALS CORPORATION

Consolidated Statement of Deferred Exploration and Development Expenses
Years ended August 31, 2009 and 2008

	2009	2008
	\$	\$
Exploration and development expenses:		
Marine projects:		
Project management, geologist and consulting fees, taxes and permits	379,172	400,898
Travelling	4,743	8,459
Terrestrial base metal (Haib) project:		
Project management, geologist and consulting fees, taxes and permits	-	149,575
Increase during the year	383,915	558,932
Balance, beginning of year	5,698,939	5,140,007
Balance, end of year	6,082,854	5,698,939

See accompanying notes to consolidated financial statements.

AFRI-CAN MARINE MINERALS CORPORATION

Consolidated Statement of Operations and Comprehensive Loss
Years ended August 31, 2009 and 2008

	2009	2008
	\$	\$
General and administrative expenses:		
Traveling	70,704	132,183
Professional fees	278,114	306,151
Salaries, benefits and management fees	346,876	351,965
Stock-based compensation expenses related to salaries, benefits and management fees	83,852	113,550
Office	105,336	134,031
Information to shareholders and registration fees	37,323	132,340
Public relations	176,042	154,061
Interest	1,358	3,634
Bank charges	9,075	8,478
Depreciation of equipment	11,245	6,579
	1,119,925	1,342,972
Others:		
Foreign exchange loss	17,519	3,094
Net investment income	(889)	(32,211)
Loss on write-down of an amount receivable	6,041	16,759
Write-off of mining properties	1	-
Administrative expenses recovered (note 14)	(19,336)	(34,852)
	(3,334)	(47,210)
Net loss and comprehensive loss	1,123,261	1,295,762
Net loss per share, basic and diluted	(0.01)	(0.01)
Weighted average number of common shares outstanding	151,333,545	145,923,218

See accompanying notes to consolidated financial statements.

AFRI-CAN MARINE MINERALS CORPORATION

Consolidated Statement of Deficit
Years ended August 31, 2009 and 2008

	2009	2008
	\$	\$
Balance, beginning of year	32,356,635	30,941,347
Net loss	1,123,261	1,295,762
Change of maturity date and exercise price of warrants (Note 9)	151,880	119,526
Balance, end of year	33,631,776	32,356,635

See accompanying notes to consolidated financial statements.

AFRI-CAN MARINE MINERALS CORPORATION

Consolidated Statement of Cash Flows
Years ended August 31, 2009 and 2008

	2009	2008
	\$	\$
Cash flows from operating activities:		
Net loss	(1,123,261)	(1,295,762)
Adjustments for:		
Depreciation of equipment	11,245	6,579
Stock-based compensation expenses	107,626	131,418
Unrealized exchange loss	11,000	1,440
Write-off of mining properties	1	-
Loss on write-down of an amount receivable	6,041	16,759
Changes in non-cash working capital:		
Amounts receivable	28,826	747,323
Prepaid expenses	35,736	92,756
Accounts payable	25,153	(22,011)
Accrued liabilities	-	(4,880)
	(897,633)	(326,378)
Cash flows from financing activities:		
Increase (decrease) in due to directors and a corporation held by a director	21,881	(141,350)
Issuance of common shares and units	1,008,400	88,110
Share and unit issuance costs	(24,359)	(3,800)
	1,005,922	(57,040)
Cash flows from investing activities:		
Deferred exploration and development expenses	(378,622)	(460,500)
Cash in trust related to Haib project	-	175,000
Acquisition of equipment	-	(5,461)
	(378,622)	(290,961)
Net decrease in cash	(270,333)	(674,379)
Cash, beginning of year	300,398	974,777
Cash, end of year	30,065	300,398

See accompanying notes to consolidated financial statements.

AFRI-CAN MARINE MINERALS CORPORATION

Notes to Consolidated Financial Statements
Years ended August 31, 2009 and 2008

1. Governing Statutes, Nature of Operations and Going Concern Assumption:

The Corporation, incorporated under the Canada Business Corporations Act, is involved in the exploration and development of marine and terrestrial mining properties, mainly in the field of diamonds. The Corporation holds mining properties at the exploration and/or development stage in Namibia. The recoverability of amounts shown for mining properties and related deferred exploration and development expenses is dependent upon the discovery of economically recoverable reserves, the ability of the Corporation to obtain the necessary financing to complete the exploration and the development and to place these properties into production, stable political situation, renewal of underlying titles to the mining properties and/or future proceeds from the disposition thereof. According to Management, the net book value of mining properties and deferred exploration and development expenses as at August 31, 2009 and 2008 represents Management's best estimate of their net recoverable value. However, this value could be reduced in the future.

The accompanying consolidated financial statements have been prepared by Management in accordance with Canadian generally accepted accounting principles on the going concern basis. This presumes funds will be available to finance on-going exploration and development operations and capital expenditures and the realization of assets and the payment of liabilities in the normal course of operations for the foreseeable future.

The Corporation has minimal capital resources presently available to meet obligations which normally can be expected to be incurred by similar corporations and has an accumulated deficit of \$33,631,776 (\$32,356,635 in 2008). These factors raise significant doubt about the Corporation's ability to continue as a going concern which is dependent upon its ability to obtain and maintain an appropriate level of financing on a timely basis and to achieve sufficient cash flows to cover obligations and expenses. The outcome of these matters cannot be predicted at this time. These consolidated financial statements do not give effect to any adjustments to the amounts and classification of assets and liabilities which might be necessary should the Corporation be unable to continue its operations as a going concern.

The Corporation will periodically have to raise additional funds to continue operations, and while it has been successful in the past, there can be no assurance it will be able to do so in the future (see note 16). In the case the Corporation will not be able to raise additional funds, the Corporation may consider the opportunity to adopt a plan to reduce its spending commitments in its exploration and development activities or to reduce discretionary expenses.

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

AFRI-CAN MARINE MINERALS CORPORATION

Notes to Consolidated Financial Statements
Years ended August 31, 2009 and 2008

2. Accounting Changes:

Recent accounting changes

On September 1, 2008, in accordance with their respective transitional provisions, the Corporation adopted the following new recommendations of the Canadian Institute of Chartered Accountants' Handbook (CICA Handbook).

Financial Instruments – Disclosures and Presentation

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

Capital Disclosures

Section 1535, "Capital Disclosures", establishes standards for disclosing information about the Corporation's capital and how it is managed to enable users of financial statements to evaluate the Corporation's objectives, policies and procedures for managing capital (see note 11).

General Standards of Financial Statement Presentation

Section 1400, "General Standards of Financial Statement Presentation", requires that management make an assessment of the Corporation's ability to continue as a going concern over a period which is at least, but not limited to, twelve months from the balance sheet date. The requirements have no impact on the Corporation's financial statements and the relevant disclosures are addressed in note 1.

The adoption of Sections 3862, 3863, 1535, and 1400 only requires additional disclosures and has no impact on the Corporation's financial results.

Mining Exploration Costs (EIC Abstract 174)

In March 2009, the Corporation adopted the CICA's EIC Abstract 174 ("EIC-174"). EIC-174 provides guidance on the capitalization of mining exploration costs, particularly when mining reserves have not been proven and when an impairment test of these costs is required. The adoption of this Abstract had no impact on the Corporation's financial results.

AFRI-CAN MARINE MINERALS CORPORATION

Notes to Consolidated Financial Statements
Years ended August 31, 2009 and 2008

2. Accounting Changes (Continued:)

Credit Risk and the Fair Value of Financial Assets and Financial Liabilities (EIC Abstract 173)

In January 2009, the CICA approved EIC 173, Credit Risk and the Fair Value of Financial Assets and Financial Liabilities. This guidance clarified that an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities including the derivative instruments. This guidance is applicable to fiscal periods ending on or after January 12, 2009. The adoption of this standard had no impact on the Corporation's consolidated financial statements.

3. Significant Accounting Policies:

(a) Basis of presentation:

The financial statements are prepared using the historical cost method, except for certain financial instruments that are recognized at fair value. No information on fair value is presented when the carrying amount corresponds to a reasonable approximation of the fair value.

(b) Use of estimates:

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the related amounts of revenues and expenses. These estimates include the recoverability of mining properties and of deferred exploration and development expenses, the valuation of accrued liabilities regarding the marine operation for mobilization fees and fuel costs described in note 15, the valuation of stock based compensation, the valuation of environmental liabilities and disclosure of the contingent liability. These estimates are based on management's best knowledge of current events and actions that the Corporation may undertake in the future. Actual results could differ from these estimates.

(c) Basis of consolidation:

The consolidated financial statements include the accounts of the Corporation and its wholly-owned subsidiary, Noragem (PTY) Ltd., a Namibian corporation.

(d) Financial assets and liabilities:

On initial recognition, all financial assets and liabilities are measured and recognized at their fair value, except for financial assets and liabilities resulting from certain related party transactions. Subsequently, financial assets and liabilities are measured and recognized as follows:

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

AFRI-CAN MARINE MINERALS CORPORATION

Notes to Consolidated Financial Statements
Years ended August 31, 2009 and 2008

3. Significant Accounting Policies (Continued):

Accounts payable and accrued liabilities are classified as other financial liabilities. They are measured at amortized cost. Transaction costs, if so, are applied against the carrying amount of any related financial liabilities.

(e) Equipment:

Equipment is accounted for at cost and depreciation is based on their useful live according to the straight-line method at the following periods:

	Periods
Furniture and office equipment	5 years
Computer equipment	3 and 5 years

(f) Mining properties and deferred exploration and development expenses:

Costs related to the acquisition, exploration and development of mining properties are capitalized by property until the beginning of commercial production. If any, the accessory revenues earned over the period of exploration and development are carried in decrease of the deferred expenses. If commercially profitable ore reserves are developed, capitalized acquisition costs, deferred exploration and development costs of the related mining property will then be reclassified as mining assets and amortized using the unit of production method.

If it is determined that capitalized acquisitions, deferred exploration and development expenses are not recoverable over the estimated economic life of the mining property, or the project is abandoned or has been delayed in an important way, the mining property and the deferred exploration and development expenses are written down to their net known realizable value.

The recoverability of amounts recorded for mining properties and deferred exploration and development expenses is dependent upon the discovery of economically recoverable reserves, confirmation of the Corporation's interest in the underlying mining titles, the ability of the Corporation to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof. The amounts shown for mining properties and deferred exploration and development expenses do not necessarily represent actual or future values.

(g) Income taxes:

The Corporation uses the liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are determined according to differences between the carrying amounts and tax basis of assets and liabilities. They are measured by applying enacted or substantively enacted tax rates and laws at the date of the financial statements for the years in which the temporary differences are expected to reverse.

AFRI-CAN MARINE MINERALS CORPORATION

Notes to Consolidated Financial Statements
Years ended August 31, 2009 and 2008

3. Significant Accounting Policies (Continued):

The Corporation records a valuation allowance with respect to the future income tax asset if, according to available information, it is more likely than not that part or all of the future income tax asset will not be realized.

(h) Net loss per share:

Net loss per share is calculated by dividing the net loss by the weighted average number of outstanding common shares each year. The treasury stock method is used to determine the dilutive effect of stock options and warrants. The diluted net loss per share is equal to the basic net loss per share due to the anti-dilutive effect of outstanding common share purchase options and common share purchase warrants described in Note 9.

(i) Stock-based compensation plan:

The Corporation uses the fair value method calculated using the Black-Scholes pricing model to record the compensation cost related to the issuance of stock options to its directors, officers, employees and consultants. Stock-based compensation cost to directors, officers, employees is charged to the statement of operations over the vesting period while stock-based compensation cost to the consultants are recorded to the statement of operations or to the statement of deferred exploration and development expenses when services are rendered. Stock-based compensation costs are recorded with a corresponding credit to contributed surplus. Any consideration received when options are exercised is credited to share capital together with the related compensation cost previously recorded as contributed surplus.

(j) Foreign currency translation:

Monetary assets and liabilities in foreign currency of the Canadian corporation and integrated foreign operations are translated at the exchange rate in effect at the balance sheet date, whereas other assets and liabilities are translated at the exchange rate in effect at the transaction date. Expenses and revenues in foreign currency are translated at the average rates in effect during the year, with the exception of depreciation of equipment, which is translated at the historical rate. Gains and losses are included in the operations for the year.

(k) Environment:

The Corporation's operations are subject to governmental laws and regulations regarding environmental protection. It is very difficult to identify the environmental consequences in terms of outcome, impact or time frame. At the date of the consolidated financial statements, and to the best knowledge of Management, the Corporation is in conformity with the laws and regulations. Restoration costs will be recorded and accounted for at their fair value in the financial statements only when the Corporation will be legally liable and they can be reasonably estimated. A corresponding amount will be capitalized to the mining asset and depreciated over its useful life.

AFRI-CAN MARINE MINERALS CORPORATION

Notes to Consolidated Financial Statements
 Years ended August 31, 2009 and 2008

3. Significant Accounting Policies (Continued):

(l) Share and unit issuance costs:

Share and unit issuance costs are recorded as a reduction of share capital.

(m) Common shares:

Proceed from the issuance of units is allocated between the common shares and warrants according to their respective fair values.

4. Amounts Receivable:

	2009	2008
	\$	\$
Sales taxes receivable	14,900	26,071
Other	1,546	25,242
	16,446	51,313

5. Equipment:

	2009		
	Cost	Accumulated depreciation	Net book value
	\$	\$	\$
Furniture and office equipment	52,362	50,982	1,380
Computer equipment	66,342	63,797	2,545
	118,704	114,779	3,925

	2008		
	Cost	Accumulated depreciation	Net book value
	\$	\$	\$
Furniture and office equipment	52,563	46,301	6,262
Computer equipment	66,311	57,403	8,908
	118,874	103,704	15,170

AFRI-CAN MARINE MINERALS CORPORATION

Notes to Consolidated Financial Statements
Years ended August 31, 2009 and 2008

6. Mining Properties:

		Balance as at August 31, 2008	Write-off	Balance as at August 31, 2009
		\$	\$	\$
Namibia - Namibian Gemstones	(1)	1	1	-
Namibia - Block J Woduna (interest)	(2)	896,206	-	896,206
Namibia - Base metal Haib project	(3)	82,414	-	82,414
		978,621	1	978,620

		Balance as at August 31, 2007	Write-off	Balance as at August 31, 2008
		\$	\$	\$
Namibia - Namibian Gemstones	(1)	1	-	1
Namibia - Block J Woduna (interest)	(2)	896,206	-	896,206
Namibia - Base metal Haib project	(3)	82,414	-	82,414
		978,621	-	978,621

- (1) As at August 31, 2008, the Corporation had an interest of 60% in the diamond concession Namibian Gemstones. The Corporation wrote-off the property during fiscal 2009.
- (2) The Corporation's 70% interest in the Block J Woduna concession is held through an agreement between the Corporation and Woduna Mining Holding (PTY) Ltd. (a Namibian Corporation). 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.
- (3) Between 2005 and July 2008, the Corporation and Deep South Mining (Pty) Ltd (a Namibian Corporation) signed different agreements regarding the development of the Haib Copper deposit in Namibia. 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 Cominco Namibia Ltd. ("Teck Cominco") whereby Teck Cominco will have an option to earn the 70% undivided interest in the Haib Copper Project in southern Namibia. The project is comprised

AFRI-CAN MARINE MINERALS CORPORATION

Notes to Consolidated Financial Statements
Years ended August 31, 2009 and 2008

6. Mining Properties (Continued):

of one prospecting license ("Property") held by Deep South. With this new transaction, Afri-Can has terminated its pre-existing option with Deep South in consideration of certain payments under this Agreement. Under the terms of the Agreement, Teck Cominco 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 Cominco 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 Cominco decides to bring the Property into commercial production, Teck Cominco will pay a US\$1 million production bonus, payable to Deep South and Afri-Can as to 50% each, within 60 days of the completion date of the mine.

7. Deferred Exploration and Development Expenses:

	Balance as at August 31, 2008	Addition	Balance as at August 31, 2009
	\$	\$	\$
Namibia - Block J Woduna	5,441,076	383,915	5,824,991
Namibia - Base metal Haib project	257,863	-	257,863
	5,698,939	383,915	6,082,854

	Balance as at August 31, 2007	Addition	Balance as at August 31, 2008
	\$	\$	\$
Namibia - Block J Woduna	5,031,719	409,357	5,441,076
Namibia - Base metal Haib project	108,288	149,575	257,863
	5,140,007	558,932	5,698,939

AFRI-CAN MARINE MINERALS CORPORATION

Notes to Consolidated Financial Statements
Years ended August 31, 2009 and 2008

8. Due to Directors and a Corporation Held by a Director:

The amounts due to directors and a corporation held by a director do not bear interest and are not repayable before 12 months from the date of the signature of these financial statements.

9. Share Capital and Contributed Surplus:

Authorized:

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

Issuance:

During the year, the Corporation issued common shares as follows:

	2009		2008	
	Number	Amount	Number	Amount
		\$		\$
Balance, beginning of year	146,367,644	36,944,206	145,558,390	36,812,755
Paid in cash	11,416,250	828,671	-	-
Exercise of warrants paid (to be issued)	217,000	32,550	-	-
Issued for payment of commission to a broker	22,500	1,800	-	-
Issued to payment of professional fees	300,000	40,000	-	-
Share and unit issuance costs	-	(26,320)	-	(3,800)
Issued for cash on exercise of options	-	-	809,254	88,110
Issued for cash on exercise of warrants	145,000	21,750	-	-
Fair value of previously issued warrants transferred to contributed surplus	-	(108,700)	-	-
Transferred from contributed surplus upon exercise of options	-	-	-	47,141
Transferred from contributed surplus upon exercise of warrants	-	20,875	-	-
Balance, end of year	158,468,394	37,754,832	146,367,644	36,944,206

Stock-based compensation plan:

The Corporation maintains a stock-based compensation plan ("Plan") whereby the Board of Directors may, from time to time, grant to employees, officers, directors or consultants 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. The exercise price is the market value of the share on the date the option is granted.

AFRI-CAN MARINE MINERALS CORPORATION

Notes to Consolidated Financial Statements
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9. Share Capital and Contributed Surplus (Continued):

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 14,000,000 common shares (14,000,000 common shares in 2008) and that the maximum number of common shares, which may be reserved for issuance to any one optionee pursuant to the share option, 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.

During the year ended August 31, 2009, the Corporation granted 2,575,000 stock options to employees and non-employees (2,885,000 in 2008). The weighted average fair value on the grant date of the options awarded of \$0.05 in 2009 (\$0.07 in 2008) was estimated using the Black-Scholes model and the following weighted average assumptions:

	2009	2008
Dividend yield	– %	– %
Projected volatility	76%	75%
Risk-free interest rate	1.34%	3.17%
Predicted average life of options	3.24 years	2.85 years

A summary of changes in the common share purchase options is presented below:

	2009		2008	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		\$		\$
Balance, beginning of year	7,735,746	0.18	6,195,000	0.18
Granted	2,575,000	0.11	2,885,000	0.16
Expired	(2,275,746)	0.13	(535,000)	0.17
Exercised	-	-	(809,254)	0.11
Balance, end of year	8,035,000	0.17	7,735,746	0.18
Options exercisable	8,035,000	0.17	7,735,746	0.18

AFRI-CAN MARINE MINERALS CORPORATION

Notes to Consolidated Financial Statements
Years ended August 31, 2009 and 2008

9. Share Capital and Contributed Surplus (Continued):

Options exercisable as at August 31, 2009:

Range of exercise prices	Exercisable options		Average exercise price \$
	Number options	Average remaining life	
\$0.10 - \$0.15	3,935,000	2.74 years	0.12
\$0.16 - \$0.20	1,350,000	0.60 years	0.16
0,25	2,750,000	2.54 years	0.25
	8,035,000	2.31 years	0.17

Warrants:

During the year ended August 31, 2009, the Corporation issued 5 708 125 warrants (nil in 2008) as part of private placement offerings and granted 11 250 brokers' warrants (nil in 2008). The weighted average fair value of the warrants issued of \$0.02 in 2009 (\$Nil in 2008) was estimated using the Black-Scholes model and the following weighted average assumptions.

	2009	2008
Dividend yield	– %	– %
Projected volatility	78 %	– %
Risk-free interest rate	1.03 %	– %
Predicted average life of warrants	2 years	-

A summary of changes in the common share purchase warrants is presented below:

	2009		2008	
	Number of warrants	Average exercise price \$	Number of warrants	Average exercise price \$
Balance, beginning of year	14,884,808	0.19	14,976,808	0.19
Issued	5,719,375	0.15	-	-
Exercised	(362,000)	0.15	-	-
Expired	(302,033)	0.20	(92,000)	0.18
Balance, end of year	19,940,150	0.15	14,884,808	0.19
Warrants exercisable	19,040,150	0.15	14,884,808	0.19

9. Share Capital and Contributed Surplus (Continued):

AFRI-CAN MARINE MINERALS CORPORATION

Notes to Consolidated Financial Statements
Years ended August 31, 2009 and 2008

Warrants exercisable as at August 31, 2009:

Number	Exercise price	Expiry date
	\$	
14,220,775	0.15	February 2010
1,601,875	0.15	February 2011
1,250,000	0.15	March 2011
2,867,500	0.15	May 2011
19,940,150	0.15	

On January 14, 2009, the TSX Venture approved the extension, until February 25, 2010, of the 4,447,423 share purchase warrants expiring on February 1, 2009, and of the 1,317,019 share purchase warrants expiring on June 12, 2009, as well as of the 8,818,333 share purchase warrants set to expire on August 24, 2009. It also approved the re-pricing of the exercise price of 14,582,775 extended share purchase warrants to \$0.15 per common share.

Following approvals, the Corporation extended the maturity date and modified the exercise price of 14,582,775 warrants (5,764,442 in 2008). The increase in the weighted average fair value on the extension date of the warrants awarded was \$0.01 in 2009 (\$0.02 in 2008) estimated using the Black-Scholes model and the following weighted average assumptions:

	2009	2008
Dividend yield	– %	– %
Projected volatility	74 %	74%
Risk-free interest rate	1.11%	3.20%
Predicted average life of warrants	1.0 years	0.68 years
Average exercise price of warrants	\$0.15	\$0.18

AFRI-CAN MARINE MINERALS CORPORATION

Notes to Consolidated Financial Statements
Years ended August 31, 2009 and 2008

9. Share Capital and Contributed Surplus (Continued):

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

	2009	2008
	\$	\$
Balance, beginning of year	1,643,210	1,377,084
Add: Stock-based compensation expenses related to:		
Salaries, benefits and management fees to employees	83,852	113,550
Public relations expenses	23,774	17,868
Deferred exploration and development expenses	5,667	62,323
Change of maturity date and exercise price of warrants	151,880	119,526
Brokers' warrants	161	-
Warrants issued through capital stock offering	125,429	-
Warrants issued through prior stock offering	108,700	-
Less: Transfer to share capital upon exercise of options	-	(47,141)
Transfer to share capital upon exercise of warrants	(20,875)	-
Balance, end of year	2,121,798	1,643,210

10. Statement of Cash Flows:

Supplemental disclosures of cash flows information:

	2009	2008
	\$	\$
Cash paid during the year for:		
Interest paid	1,358	3,634
Non-cash activities:		
Deferred exploration and development expenses included in accounts payable	12,894	53,268
Deferred exploration and development expenses financed through issuance of stock options to non-employees	5,667	62,323
Share issuance expense related to brokers' warrants	161	-
Shares issued for payment of commission to a broker	1,800	-
Shares issued for payment of professional fees	40,000	-
Stock based compensation expenses in public relations expenses	23,774	17,868

AFRI-CAN MARINE MINERALS CORPORATION

Notes to Consolidated Financial Statements
Years ended August 31, 2009 and 2008

11. Capital Disclosures:

A mining exploration corporation does not generate any cash through its operations, therefore the ability of the Corporation to maintain the required capital level is fully dependent on management's ability to secure sufficient injection of funds from private placements and other equity-related fund raising programs.

The Corporation's objectives in managing capital is to safeguard its ability to continue its operations as well as its acquisition and exploration programs. The Corporation manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Corporation may issue new shares and acquire or sell mining properties to improve its financial performance and flexibility

The Corporation's capital is composed of shareholders' equity. To effectively manage the Corporation's capital requirements, the Corporation has in place a planning and budgeting process to help determine the funds required to ensure the Corporation has appropriate liquidity to meet its operating and growth objectives. The Corporation is not subjected to any externally imposed capital requirements.

As at August 31, 2009, the Shareholders' Equity totals \$6,244,854 (\$6,230,781 in 2008).

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

The revenues, expenses, gains and losses resulting from financial assets and liabilities recorded in operations are as follows:

	2009	2008
	\$	\$
Exchange loss	17,519	3,094
Net investments income	(889)	(32,211)

AFRI-CAN MARINE MINERALS CORPORATION

Notes to Consolidated Financial Statements
Years ended August 31, 2009 and 2008

12. Financial Instruments (Continued):

Financial risks

The Corporation's main 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 not fulfill some or all of its obligations, thereby causing the Corporation to sustain a financial loss. The Corporation may be exposed to credit risk from its cash, which is managed by dealing with reputable financial institutions. As of August 31, 2009, 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 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 (see note 1).

As of August 31, 2009, the \$480,570 in current liabilities comprises: accounts payable in an amount of \$43,770; these are due for payment over the next year, and \$436,800 (US \$ 400,000) representing accrued liabilities that could be due for payment over the next year.

The due to directors' and a corporation held by a director's 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 signature of these financial statements.

Cash and amounts receivable as at August 31, 2009 are not sufficient to fund the Corporation's ongoing operational needs for the next 12 months (see note 1).

Interest rate risk

Currently the Corporation does not have any loans, while other financial assets and liabilities of the Corporation do not represent an interest rate risk because they are concluded without interest.

Foreign exchange risk

The Corporation is exposed to exchange risk as a result of amounts receivable, accounts payable and accrued liabilities denominated in foreign currency. As at August 31, 2009, an increase or decrease in the foreign currency exchange rate compared to the Canadian dollar would not have a significant impact on the Corporation's net loss.

The Corporation does not enter into arrangements to hedge its foreign exchange risk.

AFRI-CAN MARINE MINERALS CORPORATION

Notes to Consolidated Financial Statements
Years ended August 31, 2009 and 2008

12. Financial Instruments (Continued):

The cash and amounts receivable in foreign currency are detailed as follows:

	2009		2008	
	Cash and Amounts receivable	CDA \$	Cash and Amounts receivable	CDA \$
Namibian dollars	27,535	3,713	436,101	59,452
British pounds	332	590	-	-
US dollars	399	435	4,488	4,777

The accounts payable and accrued liabilities in foreign currency are detailed as follows:

	2009		2008	
	Accounts payable and accrued liabilities	CDA \$	Accounts payable and accrued liabilities	CDA \$
Namibian dollars	1,577	213	4,899	668
US dollars	411,808	449,694	407,233	436,554

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, 2009, the Corporation had US\$411,808 in accounts payable and accrued liabilities that were translated to Canadian dollars at the exchange rate on August 31, 2009. A \$0.01 increase or decrease in the USD/CAD exchange rate would result in a change to net loss of \$4,118.

As at August 31, 2009, the Corporation had Namibian \$1,577 in accounts payable and accrued liabilities that were translated to Canadian dollars at the exchange rate on August 31, 2009. A \$0.01 increase or decrease in the NAD/CAD exchange rate would not have a material impact.

AFRI-CAN MARINE MINERALS CORPORATION

Notes to Consolidated Financial Statements
Years ended August 31, 2009 and 2008

12. Financial Instruments (Continued):

Fair value of financial instruments

The carrying amounts and fair values of financial instruments were as follows:

	2009		2008	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	\$	\$	\$	\$
Held-for-trading financial assets				
Cash	30,065	30,065	300,398	300,398
Loans and receivables				
Other amounts receivable	1,546	1,546	25,242	25,242
Financial liabilities				
Accounts payable	43,770	43,770	58,991	58,991
Accrued liabilities	436,800	436,800	425,800	425,800

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

Other amounts receivable, accounts payable and accrued liabilities

- The fair value of other amounts receivable, accounts payable and accrued liabilities is comparable to their carrying amount given that they will mature shortly.

13. Income Taxes:

As at August 31, 2009 and 2008, future tax assets and liabilities are detailed as follows:

	2009	2008
	\$	\$
ASSETS		
Mining properties and deferred exploration and development expenses	6,228,738	6,226,000
Net operating loss carry-forwards	4,613,915	4,426,155
Share capital issuance costs	48,788	80,832
Loss on write down impairment of loan	7,552	5,964
Capital loss carry-forwards	678,424	967,700
Unrealized loss on advances	320,918	313,844
Valuation allowance	(11,731,369)	(11,878,204)
Future income tax assets	166,966	142,291
LIABILITIES		
Mining properties and deferred exploration and development expenses	(166,966)	(142,291)
	-	-

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13. Income Taxes (Continued):

The provision for income taxes is different from the amount that would have resulted from applying the combined Canadian statutory income tax rate (federal and provincial: 30.9% in 2009 and 31.27% in 2008) as a result of the following:

	2009	2008
	\$	\$
Income tax benefit at combined Canadian statutory rate (federal and Québec)	(347,088)	(405,185)
Increase (decrease) resulting from:		
Income tax rate differential of foreign operations	(237,835)	(297,966)
Reassessment of net operating loss carry-forwards	-	578,768
Expired losses	417,832	286,084
Permanent difference	36,499	109,393
Others	(11,849)	(12,933)
Changes in enacted taxes	289,276	-
Unrecognized deductible temporary difference for the year	(146,835)	(258,161)
	-	-

As at August 31, 2009, the Corporation has accumulated non-capital losses which may be carried forward to reduce taxable income in future years. These losses expire as follows:

	Federal	Provincial
	\$	\$
2010	779,998	981,220
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	1,055,086	1,050,430
	7,208,983	7,873,128

As at August 31, 2009, the Corporation's wholly-owned subsidiary, Noragem (PTY) Ltd., also has loss carry-forwards of approximately \$1,854,000. The foreign loss carry-forwards can be carried forward indefinitely, subject to continuity of business tests.

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14. Related Party Transactions:

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

	2009	2008
	\$	\$
Management fees from an officer	130,000	130,000
Professional fees from directors	133,707	134,899
Share and unit issuance costs	10,130	-
Administrative expenses recovered from a company managed by an officer of the Corporation	(19,336)	(34,852)

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.

15. Commitments:

Following the agreement with Ototinana Regional Marina Minerals Exploration (Pty) Ltd. ("ORMME"), the Corporation is committed to invest not less than 5% of its exploration expenditures toward employment and training programs in various sectors of the economy related to its mining ventures. In addition, upon starting commercial production, the Corporation is committed to finance a special goodwill grant of 1% of its gross sales generated from the production of its Namibian Marine diamond exploration prospecting licences (EPLs).

Marine Operations:

Following the February 23, 2006 ratification by its shareholders, the Corporation and International Mining and Dredging Holding Ltd. ("IMDH") are bound by an agreement whereby the Corporation will charter a vessel from IMDH in order to conduct a survey and sampling program ("Program") on the Concession Block J Woduna.

The complete survey and Program is estimated to cost approximately US\$2.5 million. The Corporation will pay for fuel consumption at the end of each month of vessel utilization. At the end of the Program, the remaining balance, after payment of mobilization fees and fuel costs, is estimated to be about US\$1.8 million.

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15. Commitments (Continued):

Upon completion of the Program, IMDH will have the choice of requesting a cash payment, estimated at US\$1.8 million, or choosing one of the following options:

Option 1

IMDH will have the option of converting the remaining balance, increased by a value of 40% of the said balance, into shares of the Corporation at a price equal to the market value of the Corporation's shares on the same day as the notification of the remuneration election by IMDH. IMDH shall also have the right to appoint one director to the Board of Directors of the Corporation. The amount to be paid in shares under Option 1 is estimated to be about US\$2.5 million.

Option 2

IMDH shall have the option to convert the remaining balance, increased by a value of 40% of the said balance, into a new Namibian company (Newco) to be established, that will then own the 70% interest of Block J Woduna which is presently owned by the Corporation. IMDH shall own 51% and the Corporation 49% of Newco.

Under Option 2, ownership of Block J Woduna would be IMDH: 35.7%, the Corporation: 34.3% and Woduna Mining Holding (PTY) Ltd.: 30%. Under Option 2, ownership of the Corporation's other concessions in Namibia would not be affected and would remain unchanged.

Option 3

IMDH shall have the option to convert the remaining balance, increased by a value of 40% of the said balance, into a direct 51% holding interest of the Block J Woduna. In the event that IMDH elects Option 3, the Corporation shall have the option to pay IMDH the remaining balance in cash, excluding the 40% value added described in Options 1 and 2 above. The Corporation shall have the obligation to complete the payment within 30 days after IMDH's election notification date but not earlier than 30 days after completion of the prospecting work.

In the event that the Corporation exercises its option to pay the remaining balance in cash, the resulting ownership of Block J would remain unchanged, with the Corporation at 70% and Woduna Mining Holding (PTY) Ltd. at 30%. In the event that the Corporation does not exercise its option to pay the remaining balance in cash, the resulting ownership of Block J Woduna would be IMDH: 51%, Woduna Mining Holding (PTY) Ltd.: 30% and the Corporation: 19%. Ownership of the Corporation's other concessions in Namibia would not be affected by Option 3, and would remain unchanged.

The agreement with IMDH contains a cancellation clause which stipulates that the Corporation can cancel the agreement at any time before mobilization, in consideration of a cancellation fee of US\$250,000, and at any time after mobilization in consideration of US\$250,000 plus the daily utilization fee of the vessel for the number of days that the vessel was working on the sampling program.

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15. Commitments (Continued):

The existing agreement between the Corporation and Woduna Mining Holding (PTY) Ltd. 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 Block J Woduna. It also stipulates that, in the event that Block J Woduna becomes a commercial mining lease, the Corporation and, if applicable, IMDH shall be reimbursed their full investment with interest before Woduna Mining Holding (PTY) Ltd. can receive its 30% share of the net profit. As at August 31, 2009, the Corporation's exploration and development investment in the Block J Woduna amounts to \$5.8 million.

Investor Relations

The Corporation has retained PaRadox Public Relations ("PaRadox") to increase the Corporation's visibility in the financial community in Canada. During 2009, the Corporation renewed the agreement for a twelve month period ending March 31, 2010. PaRadox receives a monthly fee of \$5,000, and was granted in May 2009 450,000 options at an exercise price of \$0.14 per share to be exercised at any time prior to March 20, 2010.

Lease Commitments:

The Corporation leases premises under long-term operating leases. Required minimum lease payments for the balance for the next years are as follows:

	\$
2010	18,479
2011	6,209
	<hr/> 24,688 <hr/>

16. Subsequent Events

Private Placement:

On October 22, 2009, the Corporation completed a private placement agreement totaling \$650,000 with the issuance of 4,062,500 units. Each unit was valued at \$0.16 and consists of one common share and one-half share purchase warrant. Each whole share purchase warrant allows the holder to purchase one common share for \$0.21 for a two year period from the issue date.

IMDH Agreement:

On December 10, 2009, the Corporation and IMDH signed a new agreement regarding sampling of its 70% owned Block J marine diamond concession in Namibia with IMDH (see note 15). The new agreement replaces the original agreement signed and announced on January 19, 2006.

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16. Subsequent Events (Continued)

Important changes in the new agreement are:

- The cost of the program will only be paid in cash by the Corporation:
 - IMDH will no longer have the option to convert the cost of the program marked up by 40% into the shares of the Corporation,
 - IMDH will no longer have the option to convert the cost of the program marked up by 40% into a new Namibian company, to be 51% owned by IMDH, that would own 70% of Block J,
 - IMDH will no longer have the option to convert the cost of the program marked up by 40% into a direct 51% holding of the Block J joint venture.
- In consideration for cancellation of the payment options set out in the original agreement, the Corporation will grant IMDH 12.5 million share purchase warrants. Each whole share purchase allows the holder to purchase one common share of the Corporation at an exercise price of \$0.20 until June 15, 2010;
- The cost of the sampling program remains unchanged at an estimated US\$1.8 million. Half of charter cost is to be paid on departure of the vessel and the balance within 30 days of completion of the program.
- Under the terms of the new agreement, the sampling program will commence no later than February 14th, 2010.
- The new agreement with IMDH is subject to approval by the regulatory authorities.

17. Comparative figures

Certain comparative figures have been reclassified to conform with the presentation adopted in the current year.