Afri-Can Marine Minerals Corporation

ANNUAL REPORT 2003

Corporate Profile

Afri-Can Marine Minerals Corp. ("Afri-Can") is a marine diamond exploration and development company operating mainly off the coast of Namibia, a region known to host large resources of the highest value gem diamonds. The Company is one of the largest concession holders in the area with interests in 28 exploration licenses, covering 26,500 km^2. The concessions cover depths that range from shallow water, north of Luderitz, to deep water off the mouth of the Orange River. The aim of the Corporation is to discover, develop and exploit a world-class diamond resource.

2003 Highlights

Successful Phase 2 sampling programme results on Block J:

- Recovery of 84 gem quality diamonds, of which the largest stone weighed 0.49 carats.
- Confirmation of three types of diamondiferous deposits - marine gravel lags, paleo-surf zone gravel waves and aeolian-fluvial valleys.
- Significant size of the mineralized (7.8 km^2) and potentially mineralized (34.3 km^2) areas enhance the potential added value of Block J.
- Interest in Block J increased to 70%.
- Successfully raised CDN$550,000 during the fiscal year.

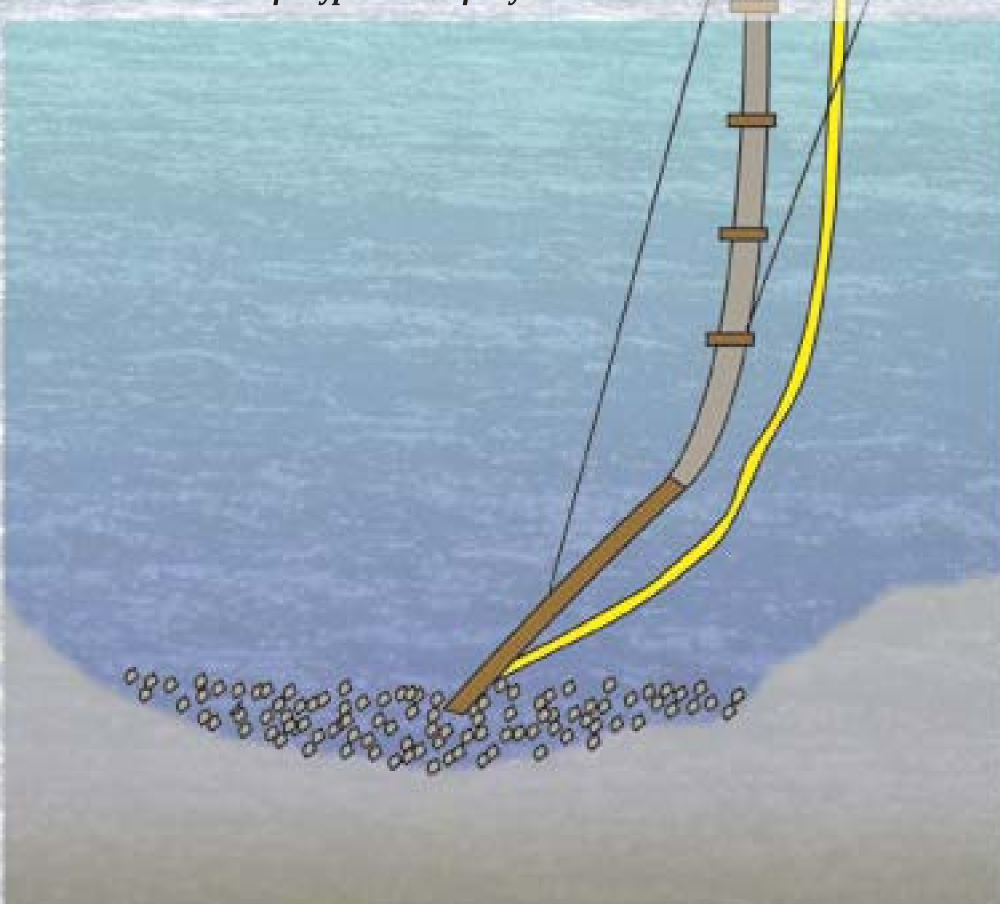
Subsequent events:

- September 2003: Financing agreements totaling CDN$1.1 million.
- October 2003: Listing on Frankfurt stock exchange trading symbol AJF.

84 Namibian diamonds collected during the second sampling of Block J

Table of Contents

Underwater view of a typical "airlift" system



Report to our shareholders

The past year has seen a significant improvement in equity markets in the mining and exploration sectors and this, together with the encouraging results obtained in the Phase 2 sampling programme on the Company's Block J concession, offshore the Namibian coast, enabled the Company to raise $550,000 during the course of the financial year, with a further $1.1 million raised immediately after the end of the financial year.

84 gem quality diamonds weighing 11.4 carats were recovered during the Phase 2 sampling programme, notwithstanding technical problems related to the vessel and equipment contracted, which resulted in reduced sampling time. The diamondiferous nature of Feature 8 has been confirmed and a grade of 7.2 carats per 100 m^3 of screened gravel (1.6 mm screen) is estimated in those areas where sufficient data is available. This suggests that the project is potentially viable and therefore justifies further sampling work.

Analysis of Phase 1 and Phase 2 samples has confirmed that the largest stones were found in the deeper samples, suggesting the presence of two separate populations of diamonds. Furthermore, new geological evidence gained during the past voyage has led to an improved understanding of the origin of the diamonds in Block J and their distribution. It is now evident that three types of diamondiferous deposits are present – the newly recognized marine gravel lags, paleo-surf zone gravel waves and aeolian-fluvial valleys. In summary, the potential of Block J to contain a significant quantity of diamonds has been enhanced by this latest sampling programme.

With the $1.1 million raised in the First Quarter 2004, Phase 3 sampling programme will be initiated on Block J in the Second Quarter 2004 over Feature 6. This programme is designed to determine the continuity of the mineralized zone and establish sufficient quantitative data to support an inferred resource.

Our exploration achievements clearly support the continued implementation of our business plan and today, Afri-Can is one of the most active participants in the Namibian marine diamond exploration sector. The ongoing cooperation of our Namibian partners and the Government authorities has enabled Afri-Can to invest and further entrench its position in Namibia, to the benefit of our shareholders and also Namibians. For this we are appreciative.

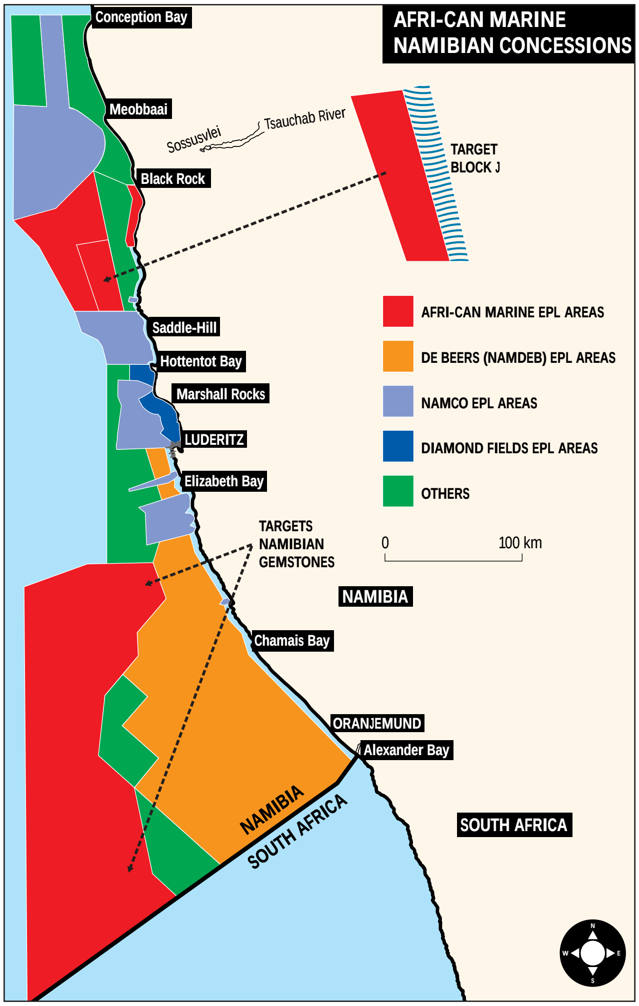
The Corporation's successes would not have been possible without the dedication and perseverance of our management, technical consultants and board of directors. Most importantly, we would like to extend our gratitude to our shareholders, both old and new, for their ongoing support. With them, we look forward to exciting and rewarding years ahead, as we strive to achieve our prime objective — *the discovery, development and exploitation of a world-class diamond resource.*

Pierre Léveillé
President & CEO

Chris I. von Christierson
Chairman

"Orange River exotic Suites"; important diamond indicators

AFRI-CAN'S MARINE DIAMOND CONCESSIONS



AFRI-CAN'S NORTHERN CONCESSIONS

Afri-Can's northern concessions (Blocks J, K, N and B) are adjacent to a region where the estimated inferred diamond resources exceed 4.25 million carats. The southern boundary of the northern concessions is situated 105 km. north of Luderitz.

MIDDLE-SHELF DISCOVERY – BLOCK J / WODUNA CONCESSION

Block J covers an area of 994 km^2 and occupies a part of the continental shelf in water depths ranging from 70 to roughly 170 m. It is located off the coast of Namibia, 105 km north of Luderitz. The Block J (EPL 2499) concession is subject to an option and joint-venture agreement signed in October 1999 between Afri-Can and Woduna Mining Holding (PTY) Ltd. Currently, Afri-Can holds a 70% undivided interest and is the operator of the joint-venture. Since October 1999, Afri-Can has invested in excess of CDN $3.7 million on Block J. The methodical approach used in exploring the concession has allowed the Corporation to complete two successful geophysical surveys and two successful sampling programmes.

Follow-up sampling: In mid-October 2002, Afri-Can conducted the first phase of the follow-up sampling programme designed to determine the continuity of mineralization along and across the features, establish sufficient quantitative data to support an inferred resource, and provide preliminary data on potential mining economics. A total of 25 samples averaging 13.24 m^2 each were collected over a sea-floor area of 0.365 km^2. The samples were taken from 2 anchor spreads of which 21 samples were excavated in the first spread and 4 samples on the second spread. 11 samples were taken within the mineralized area, producing 84 gem quality diamonds, of which the largest stone weighed 0.49 carats.

Reconnaissance sampling: In mid-November 2001, Afri-Can conducted a reconnaissance-sampling programme. The objective of this programme was to prove the existence of diamonds and to delineate areas containing diamondiferous sediments. 338 samples were collected from 29 anchor spreads covering an area of 728 m^2 of gravels. A total of 23 gem-quality diamonds weighing 4.65 carats were recovered, of which the largest stone weighed 0.64 carats. The samples were collected from 17 features of which 8 proved to contain diamonds. Two of the samples contained more than one diamond. This is very significant as it proves that concentrations of diamonds occur in some areas well in excess of the normal background concentrations present along and off the West Coast of Namibia

Analysis of the combined data from both programmes by Afri-Can's technical team concluded that the diamondiferous nature of Feature 8 has been confirmed, and the extent of the mineralization has been well defined within the area sampled. New geological evidence gained during the sampling programmes has led to an improved understanding of the origin of the diamonds in Block J and the reasons for their distribution. It is now evident that there are three types of diamondiferous deposits: **marine gravel lags**, **paleo-surf zone gravel waves** and **aeolian-fluvial valleys**.

- The **marine gravel lags** were formed by "Pleistocene beach" material (from 8,000 to 3 million years ago) that was in fact an outcrop of basal Tertiary sandstones and conglomerates, the erosion of which has formed deposition of marine gravel lags.

AFRI-CAN'S MARINE DIAMOND CONCESSIONS

BLOCK J / WODUNA CONCESSION (continued)

The significance of the discovery cannot be underestimated since, according to De Beers' own published information regarding the middle-shelf deposits:

"Cemented, diamond-bearing gravels on the dip slopes ridges were flooded during marine transgressive and erosive events. Their consequent reworking produced a lag gravel from the original fluvial and deltaic sediments, increasing the diamond grade by a factor of 4 to 20."

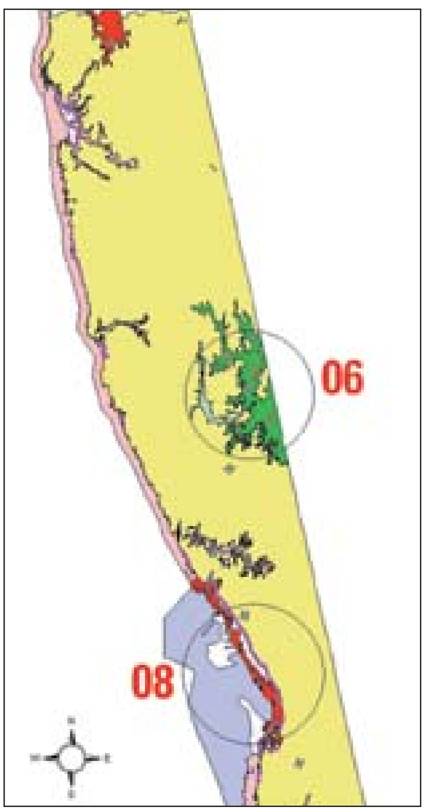
- The gravels found in the **paleo-surf zone gravel waves** (Features 8 & 17) contain abundant classic "Orange River Suite of exotic pebbles" such as jaspers, agates, episodites and iron banded stone, which in such anomalous quantities are important indicators of the presence of diamonds. The gravel waves stand at 125 m below present sea level and are characterized by the presence of large elongated accumulations of large slabs of local bedrock, for which the term "gravel waves" has been coined. Afri-Can is the first company after Namdeb (joint-venture between the Namibian Government and De Beers) to discover a gravel waves deposit.

- The geology of the **aeolian-fluvial valley** (Feature 6) is similar to the features mined by Diamond Fields (Marshall Forks) and Namco (Feature 19). Feature 6 stands at about 105 m depth and is an assemblage of valleys and depressions, which would have been exposed when sea level was at -125 m during the formation of Feature 8, but would have then been flooded as the sea level rose, thus creating shallow marine or lagoon environments.

Furthermore, the significant size of the mineralized and potentially mineralized areas enhance the potential added value of Block J. Tabulated below are the areas in km^2 of indicated mineralization and potentially mineralized zones within Block J:

GEOTYPE	Indicated Mineralized Zone (km^2)	Potentially Mineralized Zone (km^2)	Total (km^2)
Fluvial-aeolian	3.7	0.5	4.2
Gravel lag	2.7	14.8	17.5
Gravel waves	1.4	19.0	20.4
Total	7.8	34.3	42.1

Sampling Targets 2003-2005 North



LEGEND

Sampling Targets

Gravel lag - indicated

Gravel lag - potential

Gravel wave - indicated

Gravel wave - potential

Aeolian / Fluvial - indicated

Aeolian / Fluvial - potential

Previous Samples

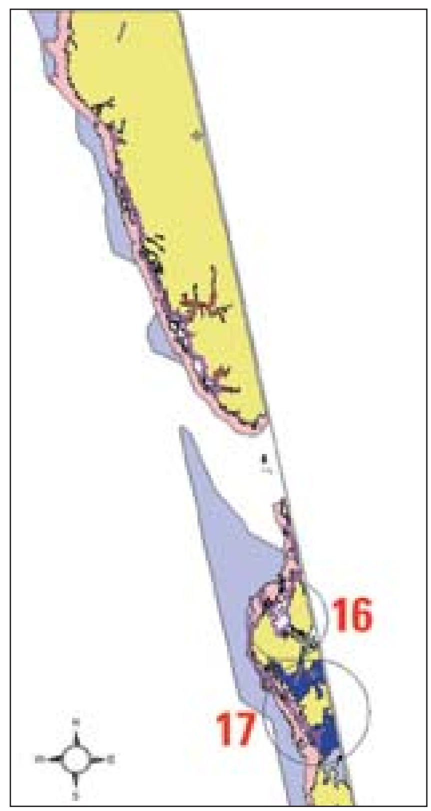
Positive

Negative

Base temporary outcrop

Basement outcrop

Sampling Targets 2003-2005 South



Afri-Can's marine diamond concessions

BLOCK J / WODUNA CONCESSION (continued)

GOING FORWARD

Since October 2003, Afri-Can has finalized the layout of its bulk-sampling and pre-feasibility programme, which will cover the entire 42.1 km² of indicated mineralized and potentially mineralized zones currently identified on the Block J concession. The objective of the programme is to establish mineral resources in accordance with CIMM regulations and definitions. The complete programme encompasses 20 target areas; the main 5 targets are areas with proven mineralization where resources will be delineated, whereas the 15 other targets are extensions to the mineralized zones where diamond presence has not yet been proven. The complete programme is designed to extract 1,117 large 10 m² samples.

"The methodical approach used in exploring the concession has allowed the Corporation to complete two successful geophysical surveys and two successful sampling programmes."

	FEATURE 6	FEATURE 8	FEATURES 16 & 17
LOCATION	105 m below sea level.	125 m below sea level.	120 m below sea level.
TYPE AND COVERAGE	Aeolian/fluvial feature covering 3.7 km², of which 3.1 km² contain diamondiferous gravels.	Paleo-surf zone feature extending over 11.7 km², of which 2 km² carry cemented diamondiferous conglomerates called "gravel waves".	Series of back beach valleys. Both features combine to cover an area of 0.7 km² and contain diamondiferous gravels.
NOTES	The geology of this feature appears similar to those currently mined by Diamond Fields and Namco.	Namdeb is currently mining a similar gravel waves deposit to the extent of 600,000 carats of gem diamonds per annum.	This area contains extensive gravel wave formations and forms part of the untested 25 km² and extensions of sediment.

OTHER NORTHERN CONCESSIONS

The Company has the option to earn a controlling position in three other concessions in the area:

Block B: option and joint-venture agreement with Together Quando Mining Consortium (PTY) Ltd. to earn up to an 80% undivided interest in a 269 km² concession. Currently, Afri-Can holds an interest of 30%.

Block K (EPL 2500): option and joint-venture agreement with Tsondab Gem Exploration (PTY) Ltd. to earn up to a 70% undivided interest in a 995 km² concession.

Block N: option agreement with Karas Mineral Holding (PTY) Ltd. to earn up to a 55% undivided interest in a 905 km² concession. Currently, Afri-Can holds an interest of 30%.

Afri-Can's marine diamond concessions

AFRI-CAN'S SOUTHERN CONCESSIONS

NAMIBIAN GEMSTONES

Afri-Can's large southern marine diamond concession block, referred to as the Namibian Gemstones concession, is located near the western tip of Namdeb's (joint-venture between the Namibian government and De Beers Marine (PTY) Limited) rich concession areas where a recent inferred marine diamond resource estimate attains 8 million carats. Afri-Can Marine Minerals Corp. has an undivided 60% interest in the Namibian Gemstones concession. Under an option and joint-venture agreement entered with Namibian Gemstones Mining Corporation (PTY) Limited, Afri-Can may increase its interest up to 80%. Afri-Can is the operator of the joint venture. The Namibian Gemstones concession covers 23,000 km^2 in water depths ranging from 168 m to over 500 m. Results from a previous geophysical survey identified an area of approximately 1,900 km^2 indicating the presence of exposed rocky areas or rocks covered by a veneer of unconsolidated sediments. Such areas where paleo channels, old marine terraces and incised gullies demonstrate the effects of erosional activity, are typical of features known to contain diamonds elsewhere off the coast of Namibia. Based on these results, the Company is planning a grab sampling programme on the targeted area. The sampling will allow the identification of terrigenous assemblages that could be associated with diamondiferous deposits.

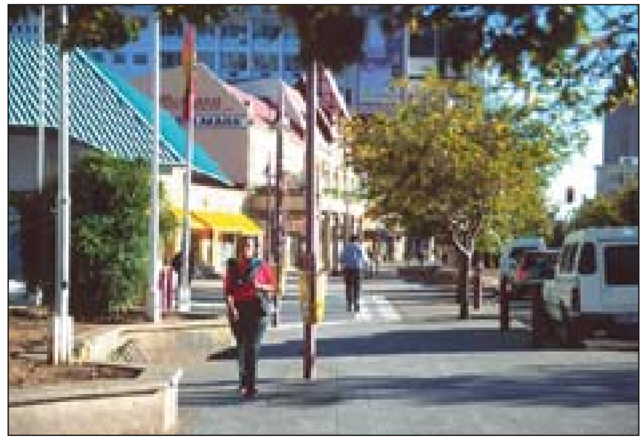
Okaukuejo waterhole, Etosha National Park

The Damara's represent one of thirteen Namibian cultural groups

Oryx; Okaukuejo waterhole, Etosha National Park

Republic of Namibia

The Republic of Namibia is one of the most politically stable, well-developed countries in Africa. Since it obtained its independence from South Africa in 1990, the country has established a constitution recognized as one of the most democratic in the world. Laws that ensure the security of tenure and offer protection from expropriation and the repatriation of profits regulate the mining industry. The diamond mining industry plays a vital role for the country, as it contributes US$400 million per year to the economy. Annual production of gem quality diamonds averages 1.6 million carats. The diamonds recovered from both onshore and offshore operations are of the world's highest quality. Their average price on the market is US$276 per carat. Production levels of marine diamonds have now surpassed those obtained by traditional land-based methods. They now represent 60% of total diamond output in the country. The marine diamond industry in Namibia offers an enormous potential with an estimated offshore resource exceeding 2 billion carats.



Downtown Windhoek, Capital city of Namibia

"The marine diamond industry in Namibia offers an enormous potential with an estimated offshore resource exceeding 2 billion carats."

AFRI-CAN'S COMMITMENT TO LOCAL COMMUNITIES

The Corporation's long-term view in developing the potential of its marine diamond concessions includes a firm commitment to build a long lasting relationship with the Namibian people. In fact, Afri-Can entered into an agreement with Ototinana Regional Marine Mineral Exploration (PTY) Ltd. ("ORMME") whereby ORMME acquired a direct interest in the capital of Afri-Can. ORMME (a Namibian not-for-profit corporation) is directly owned by four regional councils representing the Oshikoto, Ohangwena, Oshana and Omusati regions. ORMME, created to promote social and economic development, will assist Afri-Can in implementing development initiatives in these regions that have important social and economic needs. These regional councils, which constitute the local governments of the cited regions, represent more than 60% of Namibia's population.

Management's "hands on" approach has without a doubt solidified the corporation's ties and stature within the corporate and financial communities. On site representation with locals and government officials is a clear demonstration of our willingness and determination to succeed, which in turn will enable the corporation to fulfill its long-term commitment with the Namibian people.

ENVIRONMENTAL STATEMENT

Afri-Can Marine Minerals is committed to conduct its business as responsible corporate citizens and in accordance with the laws and policies of Namibian Government agencies. Furthermore, we require from our contractors that they apply the best practical procedures for environmental and resource protection, and assurance that they will adhere to Namibian legislation relating to waste and waste disposal.

Khomas Hochland Mountains, near Windhoek

Corporate Information

DIRECTORS AND OFFICERS

Chris I. von Christierson †
Director, Chairman of the Board

Pierre Léveillé †
Director, President and CEO

Bernard J. Tourillon
Director, Executive Vice President and CFO

Marcel Drapeau
Director, Corporate Secretary

Kim Lord
Exploration and Project Manager

R.W. (Dick) Foster
Resource Development Manager

Anthony H. Bloom *
Director

Kim Hatfield †
Director

Michael Nicolai *
Director

Hugh R. Snyder *†
Director

SENIOR TECHNICAL CONSULTANTS

Donald G. Sutherland
Placer Analysis Limited

Charles Wyndham
WWW International Diamond Consultants Ltd.

* Member of the Audit and Remuneration Committee
† Member of the Technical Committee

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Auditors — Canada
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Auditors — Namibia
KPMG Namibia
Windhoek, Namibia

Bankers — Canada
HSBC (Canada)
Montreal, Quebec, Canada

Bankers — Namibia
First National Bank Namibia
Windhoek, Namibia

Exchanges and Trading symbols:
TSX Venture – AFA
Frankfurt (XETRA) – AJF
OTC (Pink Sheets) – AFCMF

Shares Outstanding: 73,249,725
Fully Diluted: 81,422,016
SEC 12g3-2(b) exemption: file number 82-3329

Management's discussion and analysis

The following Management's Discussion and Analysis of the Corporation's financial statements should be read in conjunction with the accompanying Management's Responsibility for Financial Reporting statement, Consolidated Financial Statements and related notes.

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

Description of operations

Afri-Can is a mineral exploration and development corporation primarily engaged in the acquisition and development of major marine diamond properties. Afri-Can's vision is to discover and develop world-class marine diamond resources.

Afri-Can's principal assets are a series of option and joint-venture agreements, signed with different Namibian empowerment groups, giving the Corporation control of 28 marine concessions covering 26,500 square kilometers thus making Afri-Can's combined interests the largest concession area off the coast of Namibia. The Company is also looking into the possibility of acquiring land-based diamond concessions.

Results of operations

For the fiscal year ended August 31, 2003, the Corporation invested $1,226,957 in exploration, maintenance and acquisition expenses for its marine concessions while reducing its operational loss to $891,676 ($0.01 per share) versus $980,317 ($0.01 per share) for the same period last year.

CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT

Management's focus during the fiscal year can be summarized as follows: control operational costs, maintain our Namibian presence and raise the funds required to finance the continuation of our ongoing exploration programmes and administrative expenses.

In harmony with the above-mentioned objectives, the Corporation managed to reduce by $87,696 (or 9.88%) its general and administrative expenses, and by $945 (or 1%) its other costs versus last year's results.

General and administrative expenses

The $87,696 (or 9.88%) reduction in general and administrative expenses is the result of a reduction in travel-related expenses as the Corporation reduced the scope of its international promotional activities.

With regards to the other general and administrative expenses, their impact remains relatively constant as increases in costs related to salaries and fringe benefits, and public relations were offset by savings in accounts, information to shareholders and registration fees, office expenses and interest and bank charges.

Others

With regards to other non-general and administrative-related accounts that make up the consolidated statements of operations and deficit for fiscal 2003, once again the foreign exchange loss account represents the largest single other expense impacting the Corporation's financial results.

The Corporation's foreign exchange loss resulted from the fact that some monetary assets and liabilities of the Corporation are denominated in Rand. These assets and liabilities are translated into Canadian dollars at the exchange rate in effect at the date of the transaction, and then re-evaluated at the end of each period to take into consideration the fluctuation of the Rand. This creates from time to time a foreign exchange accounting loss that does not result from a cash disbursement.

The $130,057 foreign exchange loss in the financial statements ($152,732 for fiscal 2002) is the result of a fiscal 2002 corporate decision to withhold payment of a 3 million Rand charge from a contractor until certain quality control issues pertaining to the work undertaken by the contractor has been resolved to the satisfaction of the Board of Directors. As a result, and until this issue is resolved, the Corporation's current liabilities of its balance sheet contains a 3 million Rand account payable. As of now, the resulting foreign exchange accounting loss has not resulted in any cash disbursement.

While the interest income and write-off of mining property accounts are self explanatory, the other gain of $40,000 ($40,000 in 2002) is the result of the Corporation's participation in a special tax credit offered by the Quebec provincial government to assist Quebec-based companies seeking international investors. Regrettably, fiscal 2003 will be the last year the program is available to the Corporation.

MANAGEMENT'S DISCUSSION AND ANALYSIS

CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT (continued)

Stock Option Plan

On September 1, 2002, Afri-Can adopted the standards of the Canadian Institute of Chartered Accountants (the "CICA") entitled "Stock-Based Compensation and Other Stock-Based Payments". It establishes standards for the recognition, measurement and disclosure of stock-based compensation and other stock-based payments made in exchange for goods and services.

As encouraged in the new standards, Afri-Can has chosen to adopt the fair value-based method to record stock option costs using the Black-Scholes model. The cost is recognized at the time of option issuance as an increase in the compensation or professional fees expense and the share capital. When the options are exercised, the proceeds from the exercise of the options are credited to the common share capital (please refer to note 2 h) of the accompanying financial statements for details).

The impact of the adoption of the fair value-based method on the consolidated financial statements for the 2003 fiscal period resulted in an increase of $3,340 in the salaries and fringe benefits account, an increase of $19,892 in the project management and consulting fees in the consolidated statements of deferred expenses and an increase of $23,232 in the share capital of the Corporation.

As for options awarded before September 1, 2002, no changes in their accounting have been made.

CONSOLIDATED STATEMENTS OF DEFERRED EXPENSES

Afri-Can's goal is to discover and develop world-class marine diamond deposits while striving to attain one of the lowest exploration costs of the industry when measured in cost-per-carat of inferred resource discovered.

The successful execution of a marine diamond exploration programme requires considerable time and capital investments. As a result, marine diamond exploration costs can be considered high compared to an on-shore alluvial project, however, in full-scale production, economies of scale result in marine and land-based mining costs being similar.

To give an order of magnitude of the costs involved, the average industry investment required to discover, identify, and delineate one carat of inferred diamond resource is approximately $11.55 per carat, with De Beers having the lowest cost of approximately $7 per carat and Namco having had the highest cost in the industry of approximately $21 per carat.

Since Afri-Can controls large and geologically diverse concession holdings, not all of the Corporation's concessions can be developed at the same time, but it can be reasonable to estimate that Afri-Can will be required to invest between $7.0 and $11.5 million per million carats of inferred resources delineated.

The Corporation's fiscal 2003 deferred exploration and development investment of $1,177,154 ($1,553,771 in 2002) must be viewed in light of its overall stated goal, as this investment further advances the development of Afri-Can's projects while staying within the general cost outline of the industry.

Exploration expenses

This year was challenging as the Corporation had to find ways of controlling its exploration and maintenance costs while increasing the overall understanding of the geology of its marine concessions and advance the planning of the next sampling programme.

Exploration expenses, which represent Afri-Can's direct exploration, planning and maintenance investments, are sub-divided into five management accounts: project management and consulting fees, geological exploration fees, travel, mining property expenses, and administrative costs.

Exploration expenses decreased by $376,617 (24%) as a result of the renegotiation of several senior technical consultant retainer agreements combined with a shortened sampling programme caused by technical difficulties from the Company's contractor. Project administration expenses increased by $16,260. Mining property expenses amounted to $104,100 ($0 in 2002) representing the capitalization, as an exploration expense, of sixteen percent (16%) of last year's $625,000 ORMME transaction cost.

MANAGEMENT'S DISCUSSION AND ANALYSIS

CONSOLIDATED BALANCE SHEETS

Working capital

As of August 31, 2003, the Corporation had $56,679 in its treasury and a working capital deficit of $814,328, compared to $780,867 in its treasury and a working capital surplus of $365,680 as of August 31, 2002.

Current liabilities of the Corporation total $974,476 and include the following: $572,958 ($431,800 as of August 31, 2002) representing the previously-mentioned 3 million Rand account payable equivalent; $298,118 ($110,576 as of August 31, 2002) in general accounts payable; $53,400 ($26,901 as of August 31, 2002) in accrued expenses and $50,000 notes payable ($0 in 2002).

The Corporation's current treasury, supplemented by the injection of funds from private placements that are currently in progress, should be sufficient to support the ongoing exploration programme planned for the remainder of 2003 and the beginning of fiscal 2004. The Corporation will continue to monitor the state of the capital markets for its ongoing funding requirements.

Capitalized expenses

Costs related to the acquisition, exploration and development of mining properties are capitalized by property until the beginning of commercial production. If commercially profitable ore reserves are developed, capitalized costs of the related property are reclassified as mining assets and amortized on the unit of production method.

As a matter of policy, Afri-Can reviews the carrying value of its mining properties and deferred exploration and development expenses during the fourth quarter of each fiscal year. The Corporation has concluded that no adjustments to the carrying value of its Namibian assets are required, other than a write-off of $8,756 resulting from the abandonment of a small land claim in Namibia.

The recoverability of amounts recorded for mining properties and deferred exploration 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.

Mining properties

This management account represents the Corporation's total cash investment ($6,937,652 at the end of fiscal 2003; $6,887,849 at the end of fiscal 2002) made in order to acquire our portfolio of marine concessions in Namibia. During fiscal 2003, the Corporation invested $162,659 before the ORMME charge to increase its interest in different concessions.

Exploration and development programmes

This management account represents the Corporation's total cash investment ($6,320,191 at the end of fiscal 2003; $ 5,143,037 at the end of fiscal 2002) made to increase the Company's understanding of the geology of our marine concessions in Namibia. During fiscal 2003, Afri-Can invested $1,177,154 toward this objective. The major work accomplished during the period was the sampling programme on the Block J license area.

Due to Directors

During fiscal 2003, the Corporation saw it's obligations to Directors increase by $180,356 ($ 239,913 at the end of fiscal 2003 versus $ 59,557 at the end of fiscal 2002). This increase represents management's direct financial participation in the on-going development of the Corporation.

Capital position

Afri-Can's common share position increased during the period by 2,200,000 shares in March 2003 with the closing of a $550,000 private placement, and by another 1,033,750 shares to be issued as of August 31, 2003 as part of the new financing to be completed during the first quarter of the next fiscal year.

As of August 31, 2003, Afri-Can had 73,249,725 shares issued and outstanding (valued at $28,620,542), 4,407,291 warrants (10,121,686 in 2002) and 3,765,000 options (4,195,000 in 2002) outstanding, for a fully diluted share position of 81,422,016.

Management's discussion and analysis

CONSOLIDATED BALANCE SHEETS (continued)

Commitments

As per the terms of the ORMME agreement, Afri-Can is committed to invest no less than 5% of its exploration expenditures toward employment and training programs. To date, the Corporation has met this commitment through its employment and training of local employees in Namibia. The funds expended for training totaled $25,000, an amount greater than the minimum 5% of $476,517 of direct exploration expenses covered by the agreement. These amounts were not segregated in the financial statements but were incorporated into our normal business expenses.

Substantial expenditures are required for marine exploration programmes 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.

Risk factors

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. Marine mineral exploration and development involves a high degree of risk. The long-term profitability of the Corporation's operations will be in part directly related to the cost and success of its exploration and subsequent evaluation programmes, which may be affected by a number of factors. These include the particular attributes of marine mineral deposits, including the quantity and quality of the ore, the cost to develop infrastructure for extraction, the financing cost, the rough diamond prices, as well as the competitive nature of the industry. The effects of these factors cannot be accurately predicted, but any combination of them may result in the Corporation not receiving an adequate return on invested capital.

Outlook

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.

Executive Vice-President and CFO
Montreal, October 24, 2003

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of Afri-Can Marine Minerals Corp. and all information in this annual report are the responsibility of management. The consolidated financial statements have been prepared 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 fulfils its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements. The Board carries out this responsibility principally through its Audit Committee.

The Board of Directors appoints the Audit Committee, and all of its members are non-management directors. The Audit Committee meets periodically with management and the shareholders' auditors to review internal controls, audit results, accounting principles and related matters. The Board of Directors approves the consolidated financial statements on recommendation from the Audit Committee.

KPMG, l.l.p., an independent firm of Chartered Accountants, was appointed by the shareholders at the last annual meeting to examine the consolidated financial statements and provide an independent professional opinion.

Pierre Léveillé
President & CEO

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

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the consolidated balance sheets of Afri-Can Marine Minerals Corporation as at August 31, 2003 and 2002 and the consolidated statements of deferred expenses, operations and 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 audit 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, 2003 and 2002 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

KPMG LLP
Chartered Accountants

Montreal, Canada
October 24, 2003

CONSOLIDATED BALANCE SHEETS

August 31, 2003 and 2002	**2003**	**2002**
	$	**$**
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	56,679	780,867
Short-term investments	-	46,859
Accounts receivable	85,740	73,107
Prepaid expenses	17,729	34,124
	160,148	934,957
FIXED ASSETS (note 3)	33,977	40,976
MINING PROPERTIES (note 4)	6,937,652	6,887,849
DEFERRED EXPLORATION AND DEVELOPMENT EXPENSES (note 5)	6,320,191	5,143,037
	13,451,968	**13,006,819**
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	924,476	569,277
Note payable (note 6)	50,000	-
	974,476	569,277
DUE TO DIRECTORS (note 7)	239,913	59,557
SHAREHOLDERS' EQUITY		
Share capital (note 8)	28,620,542	27,869,272
Contributed surplus (note 8)	124,545	124,545
Deficit	(16,507,508)	(15,615,832)
	12,237,579	12,377,985
Basis of presentation (note 1)		
Commitments (note 14)		
Contingency (note 15)		
Subsequent event (note 16)		
	13,451,968	**13,006,819**

See accompanying notes to consolidated financial statements

On behalf of the Board,

Bernard J. Tourillon, Director

Marcel Drapeau, Director

CONSOLIDATED STATEMENTS OF DEFERRED EXPENSES

Years ended August 31, 2003 and 2002	2003	2002
	$	$
EXPLORATION EXPENSES:		
Project management and consulting fees	382,573	503,585
Geological exploration fees	476,517	851,417
Travelling	73,304	74,369
Mining properties expenses (note 4)	104,100	-
Administrative	140,660	124,400
INCREASE IN DEFERRED EXPENSES	1,177,154	1,553,771
BALANCE, BEGINNING OF YEAR	5,143,037	3,589,266
BALANCE, END OF YEAR	**6,320,191**	**5,143,037**

See accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT

Years ended August 31, 2003 and 2002	2003	2002
	$	$
GENERAL AND ADMINISTRATIVE EXPENSES:		
Travelling	77,640	176,461
Professional fees	189,202	201,078
Salaries and fringe benefits	117,185	91,313
Office	120,525	112,261
Information to shareholders and registration fees	117,984	121,353
Public relations	151,675	154,808
Interest and bank charges	15,231	16,931
Depreciation of fixed assets	10,367	13,300
	799,809	887,505
OTHERS:		
Write-off of mining properties	8,756	-
Foreign exchange loss	130,057	152,732
Interest income	(6,946)	(19,920)
Other revenues	(40,000)	(40,000)
	91,867	92,812
NET LOSS	891,676	980,317
DEFICIT, BEGINNING OF YEAR	15,615,832	14,635,515
DEFICIT, END OF YEAR	16,507,508	15,615,832
NET LOSS PER SHARE	(0.01)	(0.02)
NET LOSS PER SHARE DILUTED	(0.01)	(0.02)

See accompanying notes to consolidated financial statements

Consolidated statements of cash flows

Years ended August 31, 2003 and 2002	2003	2002
	$	$
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	(891,676)	(980,317)
Adjustments for:		
Depreciation of fixed assets	10,367	13,300
Write-off of mining properties	8,756	-
Unrealized interest revenue	-	(8,562)
Unrealized exchange loss	129,843	43,987
	(742,710)	(931,592)
Changes in non-cash working capital:		
Accounts receivable	(12,633)	(16,677)
Prepaid expenses	16,395	(20,962)
Accounts payable and accrued liabilities	154,502	(26,918)
	158,264	(64,557)
	(584,446)	(996,149)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Increase in due to directors	38,356	(41,540)
Repayment of a convertible promissory note	-	(282,000)
Note payable	50,000	-
Share capital issuance	731,378	2,789,296
	819,734	2,465,756
CASH FLOWS FROM INVESTING ACTIVITIES:		
Decrease in short-term investments	46,859	136,654
Acquisition of fixed assets	(3,368)	(2,563)
Acquisition of mining properties	(162,659)	(251,163)
Deferred exploration and development expenses	(840,308)	(1,051,945)
	(959,476)	(1,169,017)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(724,188)	300,590
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	780,867	480,277
CASH AND CASH EQUIVALENTS, END OF YEAR	56,679	780,867

See accompanying notes to consolidated financial statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED AUGUST 31, 2003 AND 2002

The Corporation, incorporated under the Canada Business Corporations Act, is involved in the mining industry.

1- BASIS OF PRESENTATION:

The Corporation holds mining properties at the exploration stage in Namibia. The recoverability of amounts shown for mineral properties and related deferred expenditures is dependent upon the discovery of economically recoverable reserves, the ability of the Corporation to obtain the necessary financing to complete the development (note 16), and future profitable production or proceeds from the disposition thereof.

2- SIGNIFICANT ACCOUNTING POLICIES:

a) Basis of consolidation:

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

b) Cash and cash equivalents:

Cash and cash equivalents are restricted to investments that are readily convertible into a known amount of cash, that are subject to minimal risk of changes in value and which have an original maturity of three months or less.

c) Short-term investments:

Short-term investments are recorded at the lower of cost and market value.

d) Fixed assets:

Fixed assets are accounted for at cost and depreciation is based on their useful life according to the declining balance method and following annual rates:

ASSET	RATE
Furniture and office equipment	20 %
Computer equipment	30 %

e) 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 commercially profitable ore reserves are developed, capitalized costs of the related property are reclassified as mining assets and amortized on the unit of production method. If it is determined that capitalized acquisitions, exploration and development costs are not recoverable over the estimated economic life of the property, or the project is abandoned, the project is written down to its net realizable value.

The recoverability of amounts recorded for mining properties and deferred exploration 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 expenses do not necessarily represent present or future values.

f) Translation of foreign currencies:

Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rate in effect at the date of the balance sheet. Revenue and expense items are translated monthly at the average exchange rate of the period. Translation gains and losses are included in earnings.

Monetary assets and liabilities of the Corporation's subsidiary, considered as an integrated entity, are translated at rates in effect at the balance sheet date, whereas non-monetary assets and liabilities are translated at rates prevailing at their respective transaction dates. Revenues and expenses are translated at average rates prevailing during the year, except for depreciation and amortization which are translated at rates prevailing at the dates the related assets were acquired. Translation gains and losses are included in earnings.

g) Net loss per share:

Net loss per share is calculated using the weighted average number of outstanding shares during the year.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2003 AND 2002

2- SIGNIFICANT ACCOUNTING POLICIES (continued):

h) Stock-based compensation plan:

The Corporation has a stock-based compensation plan, which is described in note 8. Prior to September 1, 2002, no compensation expense was recognized for this plan when stock options were granted to employees and non-employees and any consideration paid on exercise of these stock options was credited to share capital.

In November 2001, the Accounting Standards Board of Canadian Institute of Chartered Accountants ("CICA") issued new standards for stock-based payments (Section 3870, Stock-Based Compensation and Other Stock-Based Payments), which are effective for fiscal years beginning on or after January 1, 2002. This section defines recognition, measurement and disclosure standards for stock-based compensation to non-employees and employees. Under these new standards, all stock-based payments made to employees and non-employees must be systematically accounted for in the company's financial statements. These standards define a fair value-based method of accounting and encourage companies to adopt this method of accounting for their stock-based employee compensation plans. The cost is recognized as an increase to the compensation expense, deferred expenses, or professional fees and to share capital. Any consideration paid by employees on exercise of these stock options was credited to share capital.

As encouraged in the new section, the Corporation has chosen to adopt the fair value-based method to record all stock options awarded to employees and non-employees subsequent to September 1, 2002. For the options granted before September 1, 2002, the Corporation used the accounting standards described above.

i) Use of 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 environmental liabilities and disclosure of the contingent liability. Actual results could differ from those estimates.

3- FIXED ASSETS:

	2003			2002		
	Cost	Accumulated depreciation	Net book value	Cost	Accumulated depreciation	Net book value
	$	$	$	$	$	$
Furniture and office equipment	50,074	32,960	17,114	50,074	28,682	21,392
Computer equipment	55,944	39,081	16,863	52,577	32,993	19,584
	106,018	72,041	33,977	102,651	61,675	40,976

4- MINING PROPERTIES:

	Balance as at August 31, 2002 ($)	Addition (adjustments) ($)	Write-off ($)	Balance as at August 31, 2003 ($)
Namibia — Namibian Gemstones 1)	5,235,181	-	-	5,235,181
Namibia — Block B Quando (option) 2)	163,245	-	-	163,245
Namibia — Block J Woduna (option) 3)	776,632	119,574	-	896,206
Namibia — Block K Tsondab	1,637	-	-	1,637
Namibia — Block M Kuvelai (option) 4)	20,044	-	-	20,044
Namibia — Block N Karas (option) 5)	57,080	-	-	57,080
Ghana — Kade	1	-	(1)	-
Canada — East Leitch	1	-	-	1
Namibia — Other	9,028	43,085	(8,755)	43,358
Mining properties expenses 6)	625,000	(104,100)	-	520,900
	6,887,849	58,559	(8,756)	6,937,652

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED AUGUST 31, 2003 AND 2002

4- MINING PROPERTIES (continued):

1) As at August 31, 2003, the Corporation has an interest of 60% (60% in 2002) in the diamond concessions - Namibian Gemstones. Under an option and joint-venture agreement entered into with Namibian Gemstones Mining Corporation (PTY) Limited, the Corporation has an option to acquire an additional interest of up to 20% for a cash consideration of US$1,440,000.

2) As at August 31, 2003, the Corporation has an interest of 30% (30% in 2002) in the diamond concession known as Quando (Block B). Under an option and joint-venture agreement with Together Quando Mining Consortium (PTY) Ltd., the Corporation has the right to increase its interest to 80% against payments and exploration expenditures. According to this agreement, the Corporation can earn an additional 30% interest by carrying out resources-delineation and bulk-sampling programmes and by paying NA$270,000 (CDN$50,000) combined with the issuance of 200,000 shares to Together Quando. Finally, Afri-Can shall earn an additional 20% undivided interest by paying, no later than 90 days following the completion of a bulk-sampling programme, NA$170,000 (CDN$31,500) combined with the issuance of 100,000 shares to Together Quando.

3) As at August 31, 2003, the Corporation has an interest of 70% (60% in 2002) in the diamond concession known as Woduna (Block J).

4) As per an option and joint-venture agreement with Kuvelai Delta Mining Company (PTY) Ltd., the Corporation has the right to acquire a 55% interest in the diamond concession known as Kuvelai (Block M) against payment and exploration expenditures. The Corporation will earn a 30% undivided interest by paying NA$250,000 (CDN$46,300) and by carrying out a geophysical survey for a maximum amount of NA$800,000 (CDN$148,200). The Corporation shall also earn an additional 25% undivided interest by paying NA$625,000 (CDN$115,800) to Kuvelai no later than one year following the approval of the agreement by the authorities.

5) As at August 31, 2003, the Corporation has an interest of 30% (30% in 2002) in the diamond concession known as Karas (Block N). As per an option agreement with Karas Minerals Holding (PTY) Ltd., the Corporation has the right to acquire up to a 55% interest. Furthermore, Afri-Can could earn an additional 25% undivided interest by paying NA$600,000 (CDN$111,100) to Karas no later than one year following the approval of the agreement by the authorities.

6) On November 21, 2001, the Corporation entered into an agreement with Ototinana Regional Marine Mineral Exploration (PTY) Ltd. ("ORMME"), a not-for-profit Namibian corporation held directly by the regional council of the Oshikoto, Ohangwena, Oshana and Omusati regions. According to this agreement, the Corporation issued 2,500,000 common shares to ORMME and, in consideration, the Ministry of Mines and Energy in Namibia granted the Corporation a clause of non-reduction of the area of all Namibia concessions for the next three periods of two years. The amount of $625,000 allocated to the 2,500,000 common shares will be amortized over the remaining duration of the agreement and will be included in the deferred exploration and development expenses.

5- DEFERRED EXPLORATION AND DEVELOPMENT EXPENSES:

	Balance as at August 31, 2002 ($)	Addition ($)	Write-off ($)	Balance as at August 31, 2003 ($)
Namibia — Namibian Gemstones	2,619,794	114,799	-	2,734,593
Namibia — Block B Quando	488,386	18,789	-	507,175
Namibia — Block J Woduna	1,858,534	1,005,472	-	2,864,006
Namibia — Block K Tsondab (option) 1)	48,185	15,105	-	63,290
Namibia — Block M Kuvelai (option)	26,821	12,242	-	39,063
Namibia — Block N Karas (option)	101,317	10,747	-	112,064
	5,143,037	1,177,154	-	6,320,191

1) As per a joint-venture agreement with Tsondab Gem Exploration (PTY) Ltd., the Corporation has the right to acquire a 70% interest in the diamond concession known as Tsondab (Block K). The Corporation will earn a 20% undivided interest by paying NA$1,000,000 (CDN$185,500). Furthermore, the Corporation will earn an additional 10% undivided interest by paying NA$1,000,000 (CDN$185,500) to Tsondab no later than six months following the approval of the agreement by the authorities. Finally, the Corporation will earn four additional 10% undivided interests by paying NA$500,000 (CDN$92,800) for each 10% interest no later than 18 to 36 months following the approval of the agreement by the authorities.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2003 AND 2002

6- NOTE PAYABLE:

The note payable bears no interest and is repayable in one instalment when the private placement described in note 16 will be completed.

7- DUE TO DIRECTORS:

The due to directors bears no interest and has no term of repayment.

8- SHARE CAPITAL:

Authorized:

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

Issuance:

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

	2003		2002	
	Quantity	**Amount $**	**Quantity**	**Amount $**
Balance, beginning of year	70,015,975	27,869,272	55,422,992	23,941,861
Paid in cash	2,200,000	550,000	9,799,083	2,732,435
Exercise of warrants	–	–	775,545	308,118
Exercise of share purchase options	–	–	50,000	10,500
Acquisition of mining properties	–	–	3,162,640	780,660
Conversion of a promissory note (note 6)	–	–	805,715	282,000
Share issuance expenses	–	(28,712)	–	(186,302)
Shares to be issued for cash	1,033,750	206,750	–	–
Common share purchase options	–	23,232	–	–
Balance, end of year	73,249,725	28,620,542	70,015,975	27,869,272

Common share purchase options:

The Corporation maintains a stock option plan ("Plan") whereby the Board of Directors may, from time to time, grant to employees, officers, directors of, or consultants to the Corporation options to acquire common shares in such numbers, for such terms and at such exercise prices as may be determined by the Board.

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 4,228,746 (2002 - 4,228,746) common shares 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. The option's maximum term is 5 years from grant.

The option exercise price is established by the Board of Directors.

During the fiscal year ended August 31, 2003, the Corporation granted 145,000 stock options to employees and non-employees. The fair value on the grant date of the options awarded in 2003 was estimated using the Black-Scholes model:

Rate of return of dividends	– %
Projected volatility	98 %
Risk-free interest rate	3.25 %
Predicted average duration of options	5 years
Average estimated fair value of each option	0.16 $

The impact of the adoption of the fair value-based method on the consolidated financial statements for the year ended August 31, 2003 was an increase of $23,232 in compensation expense, exploration expenses and in the share capital.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED AUGUST 31, 2003 AND 2002

8- SHARE CAPITAL (continued):

Common share purchase options: (continued)

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

	2003		2002	
	Number of options	Weighted average exercise price $	Number of options	Weighted average exercise price $
Balance, beginning of year	4,195,000	0.36	4,268,746	0.40
Granted	145,000	0.25	545,000	0.35
Expired	(575,000)	0.56	(418,746)	0.78
Cancelled	–	–	(150,000)	0.21
Exercised	–	–	(50,000)	0.21
Balance, end of year	3,765,000	0.33	4,195,000	0.36

Options exercisable as at August 31, 2003:

	Number	Exercise price $	Expiry date (years)	
	70,000	0.23	0.3	
	1,205,000	0.33 to 0.36	0.5	
	500,000	0.25	1.3	
	1,180,000	0.36	1.5	
	120,000	0.25 to 0.35	2.5	
	20,000	0.25	2.7	
	545,000	0.35	3.4	
	125,000	0.25	4.5	
	3,765,000			

Warrants:

Outstanding common share purchase warrants, entitling their holders to subscribe to an equivalent number of common shares, were as follows:

	2003		2002	
	Number of warrants	Average exercise price $	Number of warrants	Average exercise price $
Balance, beginning of year	10,121,686	0.34	13,683,145	0.32
Issued	1,100,000	0.30	4,899,541	0.38
Exercised	–	–	(775,545)	0.30
Expired	(6,814,395)	0.31	(7,685,455)	0.33
Balance, end of year	4,407,291	0.38	10,121,686	0.34

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED AUGUST 31, 2003 AND 2002

8- SHARE CAPITAL (continued):

Warrants exercisable as at August 31, 2003:

	Number	Exercise price $	Expiry date	
	390,625	0.42	September 2003	
	2,916,666	0.40	January 2004	
	1,100,000	0.30	April 2006	
	4,407,291			

During the 2000 fiscal year, the Corporation sold 2,000,000 stock warrants for $200,000. From those, 754,545 were exercised in 2002 and an amount of $75,455 related to the exercised warrants has been transferred to the share capital. The stock warrants that were not exercised fell due in February 2002. An amount of $124,545 resulting from the expiry of the stock warrants was transferred into a contributed surplus account.

9- STATEMENT OF CASH FLOWS:

Supplemental disclosures of cash flow information:	**2003 $**	**2002 $**
Cash paid during the year for:		
Interest	6,756	11,516
Non-cash financing and investing activities:		
Deferred expenses financed through issuance of due to directors	142,000	50,467
Increase in deferred expenses through depreciation of mining properties	104,100	-
Acquisition of mining properties through issuance of shares	-	780,660
Deferred expenses financed through net increase in accounts payable	70,854	494,247
Issuance of shares following conversion of promissory note	-	282,000
Deferred expenses financed through issuance of stock options to non-employees	19,892	-

10-FINANCIAL INSTRUMENTS:

a) Fair value of financial instruments:
The carrying amount of cash and cash equivalents, short-term investments, accounts receivable, accounts payable and accrued liabilities, and note payable approximates their fair value because of the short-term maturity of those instruments. It is impossible to determine the fair value of the due to directors as it has no term of reimbursement.

b) Currency risk:
The Corporation has accounts payable in foreign currencies. Based on the spot rate as at August 31, 2003, there was an unrecognized loss of $129,843 (2002 - $43,987) with respect to these accounts payable.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED AUGUST 31, 2003 AND 2002

11-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 accrued in the financial statements only when they can be reasonably estimated and then, will be charged to operations.

12-INCOME TAXES:

The tax effects of significant components of temporary differences that give rise to future income tax assets are as follows:

	2003 $	2002 $
Future income tax assets:		
Mining properties and deferred exploration and development expenses	522,151	586,566
Capital losses carried forward	1,018,713	1,018,713
Non-capital losses carried forward	1,801,686	1,514,392
Share capital issuance costs	127,555	118,031
	3,470,105	3,237,702
Less: valuation allowance	(3,470,105)	(3,237,702)
Future income taxes	–	–

As at August 31, 2003, the Corporation has accumulated non-capital losses which may be carried forward to reduce taxable income in future years. These losses expire as follows:

YEAR	Federal $	Provincial $
2004	701,276	701,276
2005	827,190	827,190
2006	757,050	757,050
2007	525,073	525,073
2008	658,546	658,546
2009	981,728	981,728
2010	980,809	980,809

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2003 AND 2002

13-RELATED PARTY TRANSACTIONS:

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

	2003	2002
Professional Fees	$95,185	$139,452

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 are non-interest bearing, with no specific terms of repayment.

14-COMMITMENTS:

Following the agreement with Ototinana Regional Marine Mineral Exploitation (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 EPLs.

15-CONTINGENCY:

A claim amounting to NA$1,200,750 (CDN$225,500) has been launched against the Corporation regarding a disagreement on an exploration work contract. In the opinion of management, this claim will not have a significant negative impact on the success or on the financial situation of the Corporation.

16-SUBSEQUENT EVENT:

The Corporation is currently completing a private placement agreement totalling $3,000,000 for the issuance of 15,000,000 units. Each unit consists of one common share at $0.20 and one-half warrant. Each warrant can be exercised at $0.30 per share for a three-year period from the issue date. As of October 24, 2003, the Corporation had received $688,500.

17-COMPARATIVE FIGURES:

Certain of the 2002 comparative figures have been reclassified in order to conform with the current year's presentation.