AFRI-CAN MARINE MINERALS CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THIRD QUARTERS ENDED MAY 31, 2011 AND 2010

AFRI-CAN MARINE MINERALS CORPORATION

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Management's Discussion and Analysis of Financial Condition and Results of Operations
For the third quarter ended May 31, 2011

Introduction

This Management's Discussion and Analysis of the financial condition and results of operations ("MD&A") of Afri-Can Marine Minerals Corporation ("Afri-Can" or the "Corporation") should be read in conjunction with the accompanying unaudited Consolidated Financial Statements of Afri-Can and the notes thereto for the third quarter ended May 31, 2011 and 2010 and with the MDA, the audited Annual Consolidated Financial Statements of the Corporation and the notes thereto for the fiscal years ended August 31, 2010 and 2009. Unless expressly stated otherwise, all references to dollar amounts are in Canadian dollars.

The effective date of this MD&A is July 28, 2011. Additional information about Afri-Can, including all technical reports, is available on SEDAR at www.sedar.com.

Forward-Looking Statements

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

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

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

Results of Operation and Highlights

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

Operations highlights disclosed in the quarterly financial statements are:

- On October 12, 2010 the Corporation announced its intention to acquire up to 100% of Thyme Investment (PTY) Ltd. ("Thyme") in exchange for 65 million common shares of the Corporation. Thyme, a Namibian company, holds Exclusive Prospecting License ("EPL") 3403, a marine diamond concession adjacent to Namdeb's Atlantic One Mining Lease in Namibia (Refer to Notes 4 and 12 to the quarterly consolidated financial statements for details);
- On October 25, 2010, the Corporation announced that it had completed a National Instrument 43-101 compliant technical report on the Block J sampling program;
- On November 29, 2010, the Corporation announced Teck Namibia's Haib drill results;
- On January 26, 2011, the Shareholders of the Corporation approved the acquisition of Thyme;
- On March 16, 2011, the Corporation filed a National Instrument 43-101 compliant qualification report on EPL 3403;

Results of Operations and Highlights (Cont'd)

- On March 28, 2011, the Corporation announced the start of the diamond-sampling program on the EPL 3403 concession (completed on April 19, 2011), and the closing of a non-brokered private placement for an amount of $2,085,825;
- On May 10, 2011, the Corporation announced the results of the sampling program on EPL 3403. This first stage program discovered three depositional features in the southern region and recovered 84 diamonds, confirming the potential of the planned acquisition of EPL3403;
- In July, 2011, the Corporation closed a non-brokered private placement financing of units ("Units") for gross proceeds of $1,106,700 based upon the issue of 15,810,000 Units at a price of $0.07 per Unit.

Marine Exploration projects

EPL 3403 - Thyme Investments Concession

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

EPL 3403 sits in the center of the largest and richest marine diamond field in the world. It covers about 800 km^2 and is adjacent to the north of the Atlantic One Mining Lease ("ML") 47 (owned by Namdeb and operated by De Beers Marine). Atlantic One is the largest marine diamond deposit in the world with a resource estimated at about 100 million carats. Atlantic One is currently producing in excess of 1,100,000 carats per year and, with diamonds selling on average for more than US$450 per carat, is considered to be the most profitable marine diamond mining project in the world.. EPL 3403 is contiguous with ML 128(C), and is close to ML 43 and ML 44. Namdeb recently announced that it will spend US$175 million on increasing the diamond resources in ML 43 by 68 million carats. EPL 3403 also faces the raised beaches on Diamond Area Number One concession where De Beers has mined over 250 million carats since 1932. EPL 3403 is situated about 75 km north from the mouth of the Orange River, which is considered to be the primary route bringing diamonds to the sea.

Originally, EPL 3403 was held by Namdeb (and or its predecessors). Between 1972 and 2004 operations were conducted in the vicinity of EPL 3403 by De Beers Marine. These operations comprised broad reconnaissance geophysics, vibracoring, and wide spaced reconnaissance sampling. One diamond weighing 1.04 carats was recovered by that sampling. Scattered follow-up sampling recovered another 9 diamonds on 9 positive samples weighing 4.13 carats in total in the southern part of EPL 3403.

However, in the mid 1990's, the Government of Namibia, concerned that the large control exercised by Namdeb over its natural resources caused a lack of exploration and development of many exploration licences, requested that Namdeb relinquish many of its concessions. From 1995 to 2005, Namdeb did relinquish many of its concessions, the last of which was EPL 3403. IMDH and its Namibian partner were granted the EPL 3403 concession in 2006. During the first half of 2010, IMDH carried out the most recent reconnaissance sampling on EPL 3403.

Reconnaissance sampling is designed to take samples in a sparse fashion with the goal of proving the presence of diamonds and finding areas where concentration has occurred. The sampling has reached these goals with a high level of integrity and a high level of confidence in the potential of the project. Some 199 samples of 5 m^2 were extracted, of which 14 samples recovered 23 stones ranging between 0.07 and 2.69 carats. The average diamond size was 0.39 carats, which matches the regional average.

Marine Exploration (Cont'd)

EPL 3403 - Thyme Investments Concession (Cont'd)

In conclusion, previous reconnaissance sampling programs conducted by IMDH and Namdeb on EPL 3403 recovered 33 diamonds weighing 14.07 carats from 24 positive samples in the Southern region of the EPL. 15% of the diamonds recovered were larger than 1 carat and the four largest weighed 1.15, 1.17, 1.73 and 2.69 carats respectively. Multiple stones were found in 5 IMDH samples, one of which contained 6 diamonds. This is a major indication of concentration and confirms the likelihood of a deposit lying in this specific area. All these results are comparable to results from Namdeb's ML47.

Terms of the agreement:

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

The value of the historic work programs on EPL 3403 is estimated at approximately US$9 million. The parties agree that the 65 million shares of Afri-Can to be issued represent a fair value for the US$9 million value of historical work done and implies a transaction value of CAD $0.14 per share. Closing of the sale of EPL 3403 is conditional upon Afri-Can raising a minimum of US$5.5 million before December 31, 2010.

The agreement was subject to approval by the TSX Venture Exchange.

On January 6, 2011, the Corporation announced that in order to obtain the approval of the TSX Venture Exchange for the completion of the transaction, Afri-Can would be obliged to receive shareholder approval for the acquisition of 100% of the issued and outstanding share capital of Thyme Investments (PTY) Ltd and for the issuance of the aggregate 65,000,000 new common shares of Afri-Can since this could result in the creation of a control shareholder.

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

i. The minimum funding for exploration to be raised by the Corporation by December 31st, 2010 as provided for in the Agreement has been modified so that the Corporation now undertakes (a) to raise US$2 million by March 15, 2011, and (b) to raise the balance of US$3.5 million within 90 days of the completion of the first sampling phase.

ii. In consideration of (a) above, the Corporation shall have the option to acquire 20% of the shares of Thyme within a period ending 30 days after the said US$2 million has been utilized in exploration on EPL 3403 pursuant to the Agreement (the " 20% Option").

iii. In the event the 20% Option is exercised by the Corporation, the commensurate number of New Shares of the Corporation will be issued to IMDH and BVI pro rata in accordance with the Agreement.

iv. The transfer of the balance of the shares of Thyme and the issue of the balance of the New Shares of the Corporation shall only become effective upon the raising of the US$3.5 million as referred to in (b) above.

Marine Exploration (Cont'd)

EPL 3403 - Thyme Investments Concession (Cont'd)

In March 2011, the Corporation fulfilled the first requirement of the agreement with the closing of a non-brokered private placement for an amount of $2,085,825 (approximately US $2,132,000) and the start of the first sampling program on EPL 3403.The Corporation is presently renegotiating the second requirement of the agreement regarding the financing of US$3.5 million in order to allow flexibility as to the timing of the financing and hence limit the dilution of the actual shareholders.

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

On May 10th, 2011 the Corporation summarized the results of its successful sampling program completed on April 19th, 2011.. The first stage sampling program discovered three depositional features in the southern region and recovered 84 diamonds. The 4 largest diamonds weighed 1.60, 1.30, 1.15 and 1.15 carats and 15 diamonds, or 18% of the total, each weighed over 0.5 carats. Significantly, the largest diamond weighing 1.60 carat was recovered with 2 other diamonds weighing respectively 0.55 and 0.10 carats, indicating potential concentration of large diamonds. The average size of the diamonds is similar to those found on concessions nearby and the high quality is typical of those found off the coast of Namibia. The successful sampling program confirms the potential and validates the planned acquisition of EPL 3403.

The sampling program begins the evaluation of diamond potential of the Southern portion of EPL 3403 and the investigation of diamond presence and areas of possible diamond concentration in the Northern Region. During the program, 350 sample sites were occupied producing 341 acceptable samples of 5 square metres each. All the diamonds were recovered in the Southern Region where 3 depositional areas and at least one prospective area for future development have been clearly identified. 304 samples were extracted in the Southern Region of which 45 contained diamonds. 18 (40%) of the diamond-positive samples contained more than one diamond and one sample yielded 7 diamonds. 37 samples were collected in the Northern Region, where 11 samples showed the presence of terrigenous gravels that were transported to the ocean at the same time as the diamonds.

Results are summarized as follows:

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

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

Marine Exploration (Cont'd)

EPL 3403 - Thyme Investments Concession (Cont'd)

Total results are as follows:

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

The 5 diamonds extracted outside the designated depositional areas have an average weight of 0.29 carats per stone and one stone weighed 1.04 carats, indicating potential for the delineation of additional depositional areas.

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

Afri-Can is presently planning the next exploration phase, which will include an acoustic and seismic geophysical survey to start as soon as vessel availability is confirmed. The goals are to start delineating inferred resources in the Southern Region, to define the boundaries and extensions of the known mineralized areas and to investigate other potentially mineralized areas which appear similar to those already discovered. The Northern Region will also be the object of further exploration and the program will be designed once analysis of the data and geological logs is completed.

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

EPL 2499 - Block J / Woduna Concession

Exclusive Prospecting Licence (EPL) 2499, called "Block J", is located approximately 25 kilometres off the coast of the Republic of Namibia, in the south west region of Africa. The area covers about 1,000 km^2 and the Namibian company Woduna Mining Holdings (Pty) Ltd ("Woduna") has been granted the Exclusive Prospecting License (EPL) over the concession area.

The Corporation's 70% interest in the Block J Woduna concession is held through an agreement between the Corporation and Woduna. The agreement stipulates that the Corporation is the operator and manager of the exploration and development programs. It also stipulates that, in the event that EPL 2499 (Block J) becomes a commercial mining lease, the Corporation shall be reimbursed its full investment (exploration, development and acquisition costs) with interest before Woduna is paid its 30% share of the net profit of the project.

Between years 2000 and 2003, Afri-Can conducted 2 geophysical surveys and 2 sampling programs that resulted in the discovery and delineation of many prospective geological Features. The sampling programs also enabled the conversion of 4 of these Features into prospective marine diamond deposits.

In 2001, a contracted first phase exploration sampling program was undertaken using the De Beers vessel "Douglas Bay". A total of 337 samples, each of nominal area 2.16 m^2, were taken in 17 geological

Marine Exploration (Cont'd)

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

features covering the area of outcropping basement rocks. This program yielded 23 gem-quality diamonds, totalling 4.65 carats in weight, with the largest stone weighing 0.64 carats.

In phase 2, sampling work was carried-out in October and November 2002 in Feature 08, and 84 diamonds weighing 11.04 carats were recovered with the largest stone weighing 0.49 carats.

The development activities of the Corporation were slowed down during 2004 and 2005 due to reduced capital investments in the marine diamond industry which resulted in a scarcity of technically dedicated and suitable vessels for marine diamond exploration.

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 Block J.

Subsequent to the signing of the agreement, all the previous exploration results were re-assessed and compiled into a National Instrument 43-101 compliant report dated 1st May 2006. This report recommended that an intensive marine geophysical survey and vibracoring program on certain geological features within the lease area be carried out and followed up with a quantitative sampling program.

The first part of the program was carried out in October and November 2006 and entailed a geophysical survey of 854 line/kilometres and the extraction of 38 vibracore samples at a cost of $1,017,659 (US$963,343). The results were published in a series of reports and culminated in a National Instrument 43-101 report dated March 30, 2008, which included a revision of the geological models and selection of targets for quantitative sampling. The report also served as a guideline for the preparation and scheduling of the second phase of the resources delineation program (see press release dated April 21, 2008).

On December 10, 2009, the Corporation announced the signing of a new charter agreement with IMDH enabling the Corporation to eliminate costly payment options while maintaining the advantages of the original agreement with IMDH.

On January 21, 2010, the Corporation announced that the December 10, 2009 agreement (as amended) had been approved by the TSX Venture Exchange. (Please refer to Note 5 of the Financial Statements for more details).

On April 24, 2010, the resource delineation sampling program began.

The Corporation's technical reports on Block J estimated a potential diamond content ranging between 700,000 carats at a grade of 0.054 carats/ m^2 and 1.8 million carats at a grade of 0.14 carats/ m^2 on a mineralized area covering 41.7 km^2. Since estimates of potential quantity are conceptual in nature and since there had been insufficient exploration to define a mineral resource before the start of the sampling, the goals of the sampling program were to transform parts of the area of declared potential and parts of the undeclared areas into an inferred resource, and to declare a new potential for the remaining mineralized areas that were not covered by the sampling program.

The program was completed on May 26, 2010 with the extraction of 314 samples, each measuring 5 m^2, yielding a total of 398 diamonds weighing 48.27 carats. All the diamonds were individually weighed on land and in the presence of an official of the Ministry of Mines and Energy of Namibia in June 2010. The diamonds ranged in weight from 0.01 carats to 0.64 carats.

Marine Exploration (Cont'd)

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

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

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

The current estimated Inferred Diamond Resource in Feature 8 is 154,000 carats in 1,720,000 m^2 at an average grade of 0.09 carats/m^2. Within the blocked-out area, there is a 78,000 carats higher grade zone, measuring about 400,000 m^2 with an average block grade of 0.20 carats/m^2. The sampling results and the revised geological models outside the area of Inferred Resource enabled the estimation for a potential for further mineralization ranging between 1.2 million carats at an average grade of 0.03 carats/ m^2 and 1.5 million carats at an average grade of 0.04 carats/ m^2 in Block J. The report is available at www.afri-can.com and on SEDAR.

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

On November 11, 2010, the Corporation announced the final design of the work program, which comprises geophysical survey, vibracore sampling and 257 samples of 5 m^2 each. The sampling program will be focused on the northerly extension of the high grade strip in Feature 8 and the definition of the diamondiferous potential of the extension, and the expansion of Inferred Resources.

Furthermore, the program includes a trial mining of 100,000 m^2 within the high grade strip in Feature 8.

Details and schedule of the program will be disclosed upon completion of the program design expected by the end of Fiscal 2011.

Qualified Person

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

Base Metal Exploration Project

EPL 3140 - Haib Copper Project

The Haib Copper deposit is an EPL which covers 74,563 hectares and is located in the Karas region, 8 km from the Orange River in the south of Namibia. The deposit is a classic porphyry copper-molybdenum dating from the Archean age. The principal mineralised hosts at Haib are a quartz feldspar porphyry ("QFP") and a feldspar porphyry ("FP") rock.

Base Metal Exploration (Cont'd)

EPL 3140 - Haib Copper Project (Cont'd)

Sulfide minerals (dominantly chalcopyrite) are disseminated within the rock mass and are found concentrated in blebs and along veinlets and fractures. Near-surface oxidation has led to the formation of malachite, azurite, chrysocolla, minor cuprite and chalcocite, generally along fracture zones but rarely to depths in excess of 30 metres.

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.

Previous development of the Haib deposit was mainly carried out by Falconbridge of Africa (Pty) Ltd, Rio Tinto Zinc Corporation and the Namibian Copper Joint Venture Pty Ltd ("NCJV"). NCJV completed the last detailed evaluation of the Haib deposit between 1995 and 1999.

Behre Dolbear (1996), on behalf of NCJV, produced an Indicated Resource Estimate for the Haib deposit. Using the Nearest Neighbour method, Behre Dolbear estimated a resource of 630 million Tonnes @ 0.34% Cu at a cut off grade of 0.2% Cu equivalent to 4 billion lbs of Cu in situ., With a cut off grade 0.3% Cu the Haib deposit hosts a resource of 292 million Tonnes @ 0.46% Cu, equivalent to 2.7 billion lbs of Cu in situ.

The resource estimation was prepared prior to the introduction of National Instrument 43-101 (2001) and is, therefore, considered an historical resource. The resource estimation prepared by Behre Dolbear (1996) for the Haib deposit has been reviewed by Mr. Vivian Stuart-Williams, a Qualified Person under National Instrument 43-101. The resource estimation is compliant with CIM Standards and with National Instrument 43- 101 and is endorsed by the Qualified Person.

On July 2, 2008, Afri-Can announced that Afri-Can and Deep South signed an option and joint venture agreement ("Agreement") with Teck Cominco Namibia Ltd. ("Teck").

Under the terms of the Agreement, Teck 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 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 decides to bring the property into commercial production, Teck 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.

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

Base Metal Exploration (Cont'd)

EPL 3140 - Haib Copper Project (Cont'd)

During fiscal 2009, Teck conducted a broad program including a detailed interpretation of the Aster data, high resolution airborne magnetic and radiometric purchased from the Geological Survey of Namibia. It was followed by alteration mapping, re-logging of the available RTZ boreholes, as well as reconnaissance level rock and stream sediment sampling. In conjunction with the mapping and re-logging of the diamond boreholes, a field contractor was hired to carry out a regional scale stream sediment geochemical sampling program. During this time, 278 samples were collected for geochemical analysis.

During fiscal 2010, Teck conducted an IP program that identified 3 new alteration zones in the vicinity of the main deposit and completed a nine-hole drilling program totalling 5,000 metres.

Five of the nine drill holes from the current program (holes 5 to 9) were designed to test the extent of porphyry mineralization at depth. The other four holes (holes 1 to 4) tested newly identified targets that had not previously been drill tested. One goal of the drilling program was to identify higher grade zones that could increase the overall average grade and tonnage of the deposit. The holes drilled within the known deposit intersected mineralization through all the length of the cores.

Drilling highlights:
- 0.543% Cu over 64 metres in hole TCDH-06;
- 0.370% Cu over 234 metres in hole TCDH-06;
- 0.364% Cu over 84 metres in hole TCDH-07;
- 0.370% Cu over 60.9 metres in hole TCDH-07;
- Mineralization extends to 842.78 metres in Hole TCDH-06;
- Mineralization extends to 822.86 metres in Hole TCDH-07.

Hole TCDH-06 was drilled at -50 degrees into the deposit and intersected 842.78 metres of disseminated porphyry-style Cu-Mo mineralization grading 0.285% copper, 0.012% molybdenum, including a 64 metre interval that intersected an intrusive breccia grading 0.543% copper and 0.031% molybdenum.

Hole TCDH-07 was drilled at -65 degrees into the deposit and intersected 822.86 metres of similar porphyry-style mineralization grading 0.25% copper, 0.007% molybdenum.

Hole TCDH-05 was drilled at -80 into the central portion of the deposit and intersected 806.52 metres of disseminated porphyry mineralization grading 0.167% copper, and 0.005% molybdenum.

Four additional holes were drilled to test new targets outboard of the historic deposit. All four of these holes intersected thick zones of pervasive sericitic alteration with disseminated pyrite and minor trace chalcopyrite. Grades in these holes ranged from 0.005% Cu to 0.15% Cu. A number of additional regional targets remain to be tested.

While Teck has until December 2012 to fulfill its US $2 Million exploration expenditures obligation to acquire a 70% interest in the property, Teck has recently advised both Deep South and Afri-Can that they expect to reach this investment threshold by the end of August 2011. The Corporation, in consultation with Deep South, has already started the planning process for the next stage of the Haib development and will disclose it once a formal notification is received from Teck.

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

General Discussion on Afri-Can's Business Model

The Corporation's decision to invest in the exploration for Namibian marine diamonds deposits is based on many criteria. Geologists estimate that the total Southern African west coast potential is in excess of 2 billion carats and less than 400 million carats have been delineated to date. Namibian marine diamond deposits host the highest gem quality content in the world at 95% and the highest average selling price in the world at US$321 per carat (source: Bloomberg article of September 2010). More than 50% of the Namibian diamond production is derived from the sea and, according to De Beers information, their marine production unit is their second most profitable diamond project.

The Corporation's exploration investments must meet specific development thresholds. At every stage, management undertakes a review of progress within these thresholds. Projects must continually meet the thresholds before recommendations are made for further exploration and development.

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

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

The key questions are: a) is the potential economic value of the project strong enough to warrant further development, and b) can the project generate the required return on investment?

Afri-Can established its key exploration thresholds by reviewing the history of the marine diamond industry on the west coast of Southern Africa. From these observations, the Corporation concluded that the two key elements for success are: a) avoid going into production without a well-controlled resource that has sufficient size to provide a satisfactory return on investment; and b) controlling the cost of exploration expenditures in order to safeguard the future project economics.

Afri-Can Business Model Key Thresholds

Threshold #1 - Minimum resource target:
The Corporation has established that the delineation of a resource of about 1 million carats at a grade of about 0.10 carats/ m^2 is preferable before full scale commercial mining is undertaken. The rationale behind establishing a resource threshold of this size and grade is that; a) such a resource is generally mined in about 5 years. During the Life of Mine ("LOM"), the operations should generate sufficient capital to recuperate the exploration and development costs, generate a robust return on investment and provide the internally generated free cash flow required to finance the additional exploration programs needed to extend the LOM; and b) the Corporation could reduce the capital requirement needed to start production by chartering a dedicated marine diamond mining vessel. Industry standard charter agreements are for 5 years as ship owners require a minimum 5 year-term in order to cover their substantial capital investments for equipping and maintaining their marine diamond mining vessels.

General Discussion on Afri-Can's Business Model (Cont'd)

Threshold #2 – Cost control - delineating the minimum resource target:
Controlling the amount of exploration expenditures in order to safeguard the future project economics while, at the same time, looking to fulfill the minimum resource size threshold, requires a delicate balance. Marine diamond exploration projects usually cover large areas of the sea floor. First phase reconnaissance exploration uses geophysical tools in order to identify areas where diamonds could be present, while phase one reconnaissance sampling and follow-up sampling programs use small footprint tools (5 m^2) taking a high number of samples over very large sea floor areas in order to confirm the presence of diamonds, their potential concentration and delineate the resource potential.

Marine exploration costs, versus on-land diamond projects, are very high in the first phases and decrease over the course of the development cycle of a project. When a marine project reaches a stage where a potential or a resource has started to be delineated, the marginal cost, going forward, decreases substantially.

It quickly reaches a point where exploration investment required to increase a marine diamond resource becomes cheaper than the investment required to make the same progression on a land-based diamond exploration program.

Based upon marine diamond historical data from De Beers' discovery of the Atlantic One deposit, and from other companies that were active on the West Coast of Southern Africa, successful projects have been able to keep their exploration investment per carat in a range between 4% to 11% of the average selling price of Namibian marine diamonds as they develop the resource needed to start production.

Afri-Can's business model has established that the median point of 7.5% of the average selling price of Namibian marine diamonds represents a realistic budgeting number that the Corporation can use as its investment benchmark.

While the latest average selling price for Namibian Marine diamonds is US$321 per carat, the average selling price for diamonds mined in the vicinity of EPL 3403 is greater than US$450 per carat and the average selling price for diamonds mined in the vicinity of EPL 2499 (Block J) is closer to US$260 per carat.

The Corporation has chosen to use the conservative figure of US$260 per carat as its guideline and, as a result of this choice, investing up to US$19.50 per carat (7.5% of US$260) represents a realistic investment target for the Corporation.

Afri-Can Business Model Implementation Guideline and Thresholds

Afri-Can's implementation guideline represents an analysis of the ongoing investment required to meet the exploration objective of delineating a resource versus the guideline cost of US$19.50 per carat. This implies that the Corporation's total exploration investment should not surpass the US$19.5 million mark in order to delineate a resource of one (1) million carats at a grade of about 0.10 carats/ $m^{2,}$ in order to provide a robust return on investment for shareholders.

As of May 31, 2011, the Corporation has invested $ 9,652,887 in the development of EPL 2499 (Block J) and has made significant advances.

Afri-Can Business Model Implementation Guideline and Thresholds (Cont'd)

Delineation of an Inferred Diamond Resource in Feature 8 of 154,000 carats in 1,720,000 m^2, at an average grade of 0.09 carats/m^2, with some sections in the blocked out area with an average block grade of 0.20 carats/ m^2, enables the Corporation to advance on its stated goal of delineating a resource of about 1 million carats at a grade of about 0.10 carats/ m^2.

Application of the sampling results to the revised geological models outside the area of Inferred Resource indicates a potential for a further 1.2 million carats at a grade of 0.03 carats/ m^2 to 1.5 million carats at a grade of 0.04 carats/ m^2 in EPL 2499 (Block J).

As of May 31, 2011, the Corporation has only invested 49% of the total potential Business Model Budget. Therefore the Corporation has planned further exploration work on Block J in order to transform the estimated potential into an additional resource of 846,000 carats resource at a grade of about 0.10 carats/ m^2.

Future Business development

EPL 2499 (Block J)

The program comprises geophysics, vibracoring, a stage 4 sampling program and trial mining in order to develop additional resources. The sampling program will comprise 257 samples of 5 m^2 each and will be focused on the extension of the high grade strip in Feature 8 in order to define the diamondiferous potential of the extension and to extend the Inferred Resources. In addition, the program will include 100,000 m^2 of trial mining within the high grade strip in Feature 8.

The strengthened strategic alliance with IMDH enables the Corporation to combine its exploration expertise with IMDH's technical and engineering capability. Details and schedule of the program will be disclosed upon completion of the program design expected by the end of Fiscal 2011.

EPL 3403

EPL 3403 is an asset that has significant potential and should enable the Corporation to reach its stated goal of delineating a resource of about one (1) million carat at a grade of about 0.10 carats/ m^2 under the cost threshold of US $19.5 million.

Using the cost of the previous exploration work done on EPL 3403 and the acquisition cost agreed to by the Parties (65,000,000 shares) as a benchmark, the implied value of US$9 million represents just 47% of the total Business Model Budget. The Corporation's planned exploration work on EPL 3403 plus the acquisition cost are within the budgetary envelope of the cost threshold.

Qualified Person

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

Selected Quarterly Financial Information

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

	FISCAL 2011			FISCAL 2010				FISCAL 2009
For the quarter ended:	**May 31, 2011**	**February 28, 2011**	**November 30, 2010**	**August 31, 2010**	**May 31, 2010**	**February 28, 2010**	**November 30, 2009**	**August 31, 2009**
	$	$	$	$	$	$	$	$
General and administrative ("G&E") expenses	390,123	256,863	282,541	317,307	285,437	375,972	244,229	262,953
Less: Stock-based compensation expenses	6,944	-	-	69,000	33,500	105,600	9,000	15,398
G&E less Stock-based compensation expenses	383,179	256,863	282,541	248,307	251,937	270,372	235,229	247,555
Loss before stock-based compensation	409,971	260,388	276,669	218,886	226,224	12,381	212,456	250,148
Net loss	416,915	260,388	276,669	293,886	259,724	111,981	221,456	265,547
Net loss and diluted net loss per share	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
As at	**May 31, 2011**	**February 28, 2011**	**November 30, 2010**	**August 31, 2010**	**May 31, 2010**	**February 28, 2010**	**November 30, 2009**	**August 31, 2009**
Current assets	352,897	273,291	349,211	714,392	850,177	2,145,368	575,358	50,891
Total assets	12,583,435	10,370,800	10,325,742	10,580,276	10,636,115	9,594,708	7,735,023	7,116,290
Current liabilities	1,116,433	294,725	69,279	38,144	1,011,934	29,426	491,348	480,570
Total liabilities	1,473,299	651,591	426,145	399,010	1,402,800	420,292	882,214	871,436
Shareholders' equity	11,110,136	9,719,209	9,899,597	10,181,266	9,233,315	9,174,416	6,852,809	6,244,854

Discussion on the Selected Quarterly Financial Information

General and Administrative expenses excluding non-cash stock-based compensation expenses and loss before stock-based compensation for the second quarter of fiscal 2011 stood at $383,179 and $409,971 respectively versus the average for the last seven quarters of $256,115 and $208,165 respectively. The loss before stock-based compensation for the second quarter of fiscal 2010 was affected by the $253,000 gain on settlement of accrued liabilities; without this the equivalent number for the second quarter would be $265,381.

General and administrative expenses minus stock-based compensation enable management to be of the opinion that a range between $225,000 and $285,000 represents a level that is indicative of the quarterly cost of operating the Corporation. Of this amount, $37,500 represents the President's salary and approximately $62,500 represents compensation payable to other members of management, and professional fees payable to two directors of the Corporation. (Please refer to the section entitled Transactions with Related Parties for more details).

Discussion on Results of Operations of First Nine Months

For the first nine months of fiscal 2011, the Corporation's net loss increased by $360,811 versus the same period last year, ($953,972 versus $593,161), while general and administrative expenses increased by $23,889 ($929,527 versus $905,638).

The increase in general and administrative expenses during the first nine-month period of this year as compared to the same period last year is mainly due to:

a) an increase of $92,839 in professional and consulting fees mainly due to non-recurring legal fees related to the EPL 3403 projected acquisition, the planning of the next stage of the Haib project and the dual listing of the Corporation on the Namibian Stock Exchange undertaken this period;
b) a total of $148,100 in stock-based compensation expenses was recorded during the nine-month period of last year compared to $6,944 during the same period of fiscal 2011;
c) an increase of $62,552 in public relations expenses following an increase in communication efforts with institutional investors and business development work relating to possible listing on the Johannesburg Stock Exchange undertaken during this period versus the same period last year;
d) An increase of $21,926 in information to shareholders and registration fees mainly due to web site upgrade and maintenance expenses, and related activities

The $336,922 variance in other costs this period over last year's period is mostly a result of a gain on settlement of accrued liabilities of $253,000 in 2010 and foreign exchange gain of $24,909 this period (a loss of $39,681 in the nine-month period ended May 31, 2010).

In December 2009, the Corporation settled accrued liability of $420,000 (US$400,000), representing exploration related charges incurred during the first phase of the exploration program completed in November 2006, for $167,000. The balance of the accrued liability amounting to $420,000 less the settlement of $167,000 was recorded as gain on settlement.

Investing activities in Deferred Exploration and Development Expenses

During the first nine-month period of fiscal 2011, the Corporation incurred $2,364,654 in exploration expenses for the Block J and EPL 3403 marine diamond concessions and nil in base metal exploration expenses related to the Haib project versus $2,722,949 in exploration expenses on Block J and nil on the Haib project for the same period last year.

Investing activities in Deferred Exploration and Development Expenses (Cont'd)

Details of deferred exploration and development expenses for the nine month period of fiscal 2011 and 2010 are as follows:

	Nine-month period ending May 31	
	2011	**2010**
	$	**$**
Marine projects:		
Block J		
Sampling program	-	2,127,308
Geophysics	13,601	208,000
Geology	132,540	205,788
Stock-based compensation	-	146,600
Travel and other	3,350	35,253
	149,491	2,722,949
EPL 3403		
Sampling program	2,109,970	-
Geology	87,486	-
Travel and other	17,707	-
	2,215,163	-
Terrestrial base metal (Haib) project	-	-
Increase during the period	2,364,654	2,722,949
Balance, beginning of period	8,887,264	6,082,854
Balance, end of period	11,251,918	8,805,803

During the first two quarters of fiscal 2011, the Corporation completed a 43-101 compliant technical report on the Block J sampling program and another one on EPL 3403. During the third quarter of fiscal 2011, the Corporation initiated and completed a diamond-sampling program on the EPL 3403 concession at a cost of $2,109,970.

During the nine-month period ended May 31, 2010, actual cost of the sampling program on Black J was $2,127,308 while the geophysics' cost was for the acquisition of data relating to the TOPAS (Topographical Parametric Acoustic System) geophysical survey.

Financing Activities

The Corporation finances itself mainly through share issuance.

Nine-month period ended May 31, 2011
Cash flows from financing activities related to the issuance of shares and units totalled $2,085,825 in the third quarter of fiscal 2011 and consisted of a private placement that resulted in the issuance of 29,797,500 common shares and 14,898,750 warrants in March 2011. The Corporation had incurred $209,927 of share issue expenses related to this financing.

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

Financing activities (Cont'd)

Nine-month period ended May 31, 2010
Cash flows from financing activities related to the issuance of shares and units totalled $2,964,239 in the nine-month period ended May 31, 2010 and consisted of the following items:

a) The Corporation completed a private placement financings totalling $650,000 that resulted in the issuance of 4,062,500 common shares and 2,058,250 warrants;
b) 14,281,590 warrants were exercised for $2,142,239;
c) 1,075,000 options were exercised for $172,000.

As of May 31, 2011, Afri-Can had 222,714,984 (192,917,484 as of August 31, 2010) shares issued and with a book value of $44,034,436 (or $0.20 of book value per share issued), 31,755,085 warrants (19,957,625 as of August 31, 2010) and 11,940,000 options outstanding (10,940,000 as of August 31, 2010), for a fully-diluted share position of 266,410,069.

Outstanding Share, Warrant and Option Data

as of July 28, 2011	**Number**
Common shares	238,524,984
Warrants	40,808,885
Options	10,390,000
Fully-diluted	289,723,869

Liquidity

On average, during fiscal 2010 and 2009, Afri-Can's working capital expenditure was around $160,000 for the quarter. For fiscal 2011, management anticipates that working capital expenditure should approximate between $150,000 and $200,000 per quarter. Note that these amounts do not include approximately $100,000 per quarter of management's salaries and fees, or professional fees owed to other insiders of the Corporation, since, as in the past, these payments could be accrued and paid later or reduced if the financial position of the Corporation required it. (Please refer to Transaction with Related Parties for more details).

During the first nine months of fiscal 2011, the Corporation's exploration related capital expenditure totalled $2,364,654. This amount includes $2,109,970 of sampling expenditures related to the resources delineation sampling program conducted on EPL 3403. Excluding these amounts, because of their one-time nature, the Corporation's exploration related capital expenditure was $254,684. The Corporation anticipates that the exploration related capital amounts required for fiscal 2011 to finance its ongoing marine exploration activities should approximate $70,000 to $80,000 per quarter. The Corporation does not anticipate any capital amounts will be required for its base metal exploration project following the signature of the agreement on the Haib project with Teck.

Based on the above, the Corporation's minimum capital requirements to maintain our operations for fiscal 2011 are between $220,000 and $280,000 per quarter.

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

Liquidity (Cont'd)

The Corporation's present cash position is not sufficient to meet the Corporation minimum capital requirements for the coming quarters. Since the execution of the original agreement with IMDH in 2006, the Corporation has been able to raise the funds required to advance the project, and pay ongoing working and exploration expenses. While the Corporation has been successful in the past, there can be no assurance it will be in the future. As a result of the planned acquisition of EPL 3403 combined with the its 70%-owned Block J marine diamond concession and the Haib Copper project in Namibia, Afri-Can now has the foundation to strengthen its development and to achieve its primary goal of developing an economic diamond resource ready for production. While there is a doubt as to the Corporation's ability to meet its liquidity needs over the next twelve months, the Corporation closed a non-brokered private placement financing of units for cash in the amount of $1,106,700 subsequent to period end (Note 12 i).This most recent financing was done at a premium to the recent market price of the Corporation shares and it is an indication that there exist interest from key investors regarding the financing of the Corporation and its projects. Based on this interest, management is of the opinion that if negative market conditions do not worsen, the Corporation should be capable of completing the necessary financing to meet its liquidity needs over the next twelve months.

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

Capital Resources

As at May 31, 2011, the Corporation's working capital, consisting of current assets less current liabilities, stood at negative $763,536 (versus $676,248 as at August 31, 2010).

The Corporation's current assets of $352,897 as at May 31, 2011 ($714,392 as of August 31, 2010) include the following items: $187,785 ($572,579 as at August 31, 2010) in cash; $56,210 ($134,550 as at August 31, 2010) in amounts receivable; and $108,920 ($7,263 as at August 31, 2010) in prepaid expenses.

Afri-Can's current liabilities of $1,116,433 as at May 31, 2011 ($38,144 as of August 31, 2010) consist mainly of accounts payable related to the sampling program on EPL 3403 completed in May 2011...

The Corporation closed a non-brokered private placement financing of units for cash in the amount of $1,106,700 subsequent to period end (Note 12 i) allowing the Corporation to pay its outstanding liability of May 31, 2011.

Further to the execution of the sampling program by IMDH on Block J in Fiscal 2010, the Corporation presently does not have any financial obligations related to its Block J marine project.

As for EPL 3403, the Corporation is presently renegotiating the second requirement of the agreement regarding the financing of US$3.5 million in order to allow flexibility as to the timing of the financing.

Capital Resources (Cont'd)

Block J
On November 11, 2010, the Corporation announced that they had finalized the design of the work program for furthering the development of Block J. The program will comprise geophysical surveys, vibracoring and 257 samples of 5 m^2 each. The sampling program will be focused on the extension of the high grade strip in Feature 8 and northwards to define the diamondiferous potential of the extension and to extend the Inferred Resources. Furthermore, the program will include 100,000 m^2 of trial mining within the high grade strip in Feature 8. The Corporation intends to raise funds from private placements to cover the Block J program.

EPL 3403
Afri-Can is presently planning the next exploration phase, which will include an acoustic and seismic geophysical survey to start as soon as vessel availability is confirmed. The goals are to start delineating inferred resources in the Southern Region, to define the boundaries and extensions of the known mineralized areas and to investigate other potentially mineralized areas which appear similar to those already discovered. The Northern Region will also be the object of further exploration and the program will be designed once analysis of the data and geological logs is completed.

Land based project:
Further to the signature of an Agreement for the Haib Copper project in Namibia between the Corporation, Deep South and Teck, 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 until Teck has incurred exploration expenditures totalling US$2 million by December 31, 2012.

Teck has recently advised both Deep South and Afri-Can that they expect to reach this investment threshold by the end of August 2011. The Corporation in consultation with Deep South has already started the planning process for the next stage of the Haib development and will disclose it once a formal notification is received from Teck.

Off-Balance Sheet Arrangements

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

Transactions with Related Parties

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

	Nine-month period ended May 31,	
	2011	**2010**
	$	**$**
Management fees from an officer	97,500	97,500
Professional fees from directors	89,930	96,900
Share and unit issuance costs	36,460	30,127
Administrative expenses recovered from a company managed by an officer of the Corporation	(7,720)	(19,775)

Transaction with related parties (Cont'd)

For the nine-month period of fiscal 2011, management services fees for an amount of $97,500 ($97,500 for the same period of fiscal 2010), accounted for as salaries, fringe benefits and management fees was charged by a Corporation owned by the Chief Financial Officer and director of the Corporation.

A director of Afri-Can provides legal and secretarial services to the Corporation. For the nine-month period of fiscal 2011, an amount of $33,680 ($29,150 for the same period of fiscal 2010) in legal and secretarial fees was accounted for as professional fees in the Consolidated Statement of Operations and $36,460 ($30,127 for the same period of fiscal 2010) in share issuance expenses with regards to legal services rendered related to financing activities.

For the nine-month period of fiscal 2011, professional fees for an amount of $56,250 ($56,250 for the same period of fiscal 2010) representing consulting fees was charged by a company managed by the Chairman in connection with consulting services rendered to Afri-Can.

For the nine-month period of fiscal 2011, $7,720 in expenses ($19,775 for the same period of fiscal 2010) were recovered from a company managed by an officer and director of the Corporation.

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

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

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

Subsequent Events

i) Private placement

In July 2011, the Corporation closed a non-brokered private placement financing of units ("Units") for gross proceeds of $1,106,700 based upon the issue of 15,810,000 Units at a price of $0.07 per Unit. Each Unit is comprised of one common share and one-half warrant. Each whole Warrant entitles the holder to purchase one common share of the Corporation at a price of $0.11 until July 2013.

In connection with the placement, the Corporation will pay finder's fee for a total amount of $80,416 and will issue 1,148,800 compensation warrants. The compensation warrants have the same terms and conditions as the warrant described above.

ii) Mining properties: Acquisition of a marine mining concession EPL 3403

The Corporation is presently renegotiating the second requirement of the Thyme Share Sale Agreement regarding the financing of US$3.5 million in order to allow flexibility as to the timing of the financing and hence limit the dilution of the actual shareholders.

Critical Accounting Estimates

The preparation of consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and related amounts of revenues and expenses during the reporting period. Significant areas where management judgement is applied are the recoverability of mining properties and of deferred exploration and development expenses, the valuation of stock based compensation and warrants, the valuation of environmental liabilities and disclosure of the contingent liability. These estimates are based on management's best knowledge of current events and actions that the Corporation may undertake in the future. Actual results could differ from these estimates.

A detailed summary of the entire Corporation's significant accounting policies and the significant estimates derived there from is included in Note 2 to the Annual Consolidated Financial Statements for the years ended August 31, 2010 and 2009.

Changes in Accounting Policies Including Initial Adoption

As at October 15, 2010, certain new primary sources of Canadian generally accepted accounting principles (standards) have been published but are not yet in effect. These standards should not have a significant impact on the Corporation's financial statements.

In January 2009, the CICA published Section 1582, "Business Combinations", that replaces Section 1581 of the same title. On the same date, the CICA also published new Sections 1601, "Consolidated Financial Statements", and 1602, "Non-controlling Interests". These two new sections replace Section 1600, "Consolidated Financial Statements".

The objective of Section 1582 is to improve the relevance, reliability and comparability of the information that a reporting entity provides in its financial statements about a business combination and its effects. Section 1601 establishes standards for the preparation of consolidated financial statements following a business combination that involves a purchase of an equity interest by one company in another. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. Section 1582 must be applied to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011 and Sections 1601 and 1602 are effective for fiscal years beginning on or after January 1, 2011.

Beginning on September 1, 2011, the Corporation will cease to prepare its financial statements in accordance with Canadian GAAP as set out in Part V of the CICA Handbook – Accounting ("Canadian GAAP") and will apply as its primary basis of accounting, International Financial Reporting Standards as published by the International Accounting Standards Board as set out in Part I of the CICA Handbook – Accounting. Consequently, management has not determined the impact of the aforementioned future accounting changes to Canadian GAAP that are for periods beginning on or after January 1, 2011.

Financial Instruments

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

As of May 31, 2011, the Corporation's Canadian and US cash was held in an interest bearing account with HSBC Bank of Canada. The Corporation's Namibian denominated cash was held in an interest bearing account with The First National Bank of Namibia.

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

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

IFRS Convergence

Effective September 1, 2011, the Corporation is required to prepare its financial statements in accordance with International Financial Reporting Standards ("IFRS") for interim and annual periods. Due to the requirement to present comparative financial information, the effective transition date is September 1, 2010. The three months ended November 30, 2011 is the Corporation's first reporting period under IFRS.

There is no new development to report on this subject since the filing of the MD&A included in the 2010 annual report dated December 13, 2010 except for the following items:

Accounting policies and financial statements preparation: The Corporation is expected to complete the detailed analysis of the accounting policies impacted by the IFRS convergence by the end of August 2011. In addition, the financial statement model and the identification of the IFRS convergence adjustments will be completed by that date;

Internal Controls: The conversion to IFRS is not expected to have a significant impact on the Corporation's internal controls (including information technology systems), and accounting processes. However, the extent of change in accounting framework will required the Corporation to update its internal controls, disclosure controls and procedures to ensure they are appropriately designed and operated effectively for reporting under IFRS. These include: training communication to ensure IFRS knowledge is transferred from subject matter experts to the entire organization; documentation to ensure corporate accounting policies are updated for IFRS, and transitional analysis and decisions are adequately supported; and review to ensure segregation of duties in the review and approval of IFRS information from preparer to management, and ultimately by the Audit Committee. As a result of these incremental internal control enhancements, the impact of the conversion from Canadian GAAP to IFRS on the Corporation's risk management or other business activities will be reduced.

Business activities and key performance measures: The Corporation is not subject to any financial covenants or key ratios, therefore the transition will not have an impact in this regard.

Stock Option Plan

The purpose of the Stock Option Plan (the "Plan") is to serve as an incentive for the directors, officers and service providers who will be motivated by the Corporation's success as well as to promote ownership of common shares of the Corporation by these people. There is no objective attached to the Plan and no relationship to manage the Corporation's risks.

Management's Report on Internal Control over Financial Reporting

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

In contrast to the certificate required for non-venture issuers under Regulation 52-109 respecting Certification of Disclosure in Issuer's Annual and Interim Filings, the Venture Issuer Basic Certification includes a 'Note to Reader' stating that the CEO and CFO do not make any representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in Regulation 52-109.

Risks

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

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

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

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

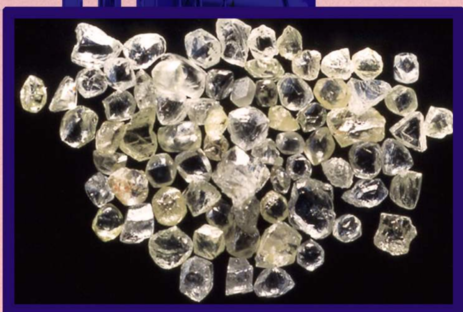
In addition, although the Corporation has taken steps to verify that it holds good title to its mineral properties, there can be no guarantee that the Corporation's title may not be subject to unregistered prior agreements, encumbrances or adverse regulatory requirements. The consequences of these risks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

Risks (Cont'd)

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, July 28, 2011



AFRI-CAN MARINE MINERALS CORPORATION

UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THIRD QUARTERS ENDED MAY 31, 2011 AND 2010

THE ATTACHED FINANCIAL STATEMENTS HAVE BEEN PREPARED BY MANAGEMENT OF THE CORPORATION AND HAVE NOT BEEN REVIEWED BY AN AUDITOR.

AFRI-CAN MARINE MINERALS CORPORATION

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Financial Statements

AFRI-CAN MARINE MINERALS CORPORATION
Consolidated Balance Sheets

	As at May 31, 2011	As at August 31, 2010
	$	$
Assets		
Current assets:		
Cash	187,785	572,579
Amounts receivable (Note 3)	56,210	134,550
Prepaid expenses	108,902	7,263
	352,897	714,392
Mining properties (Note 4)	978,620	978,620
Deferred exploration and development expenses (Note 5)	11,251,918	8,887,264
	12,583,435	10,580,276
Liabilities		
Current liabilities:		
Accounts payable	1,116,433	38,144
Due to directors and a corporation held by a director (Note 6)	356,866	360,866
	1,473,299	399,010
Shareholders' Equity		
Share capital (Note 7)	44,034,436	42,463,040
Contributed surplus (Note 7)	2,814,241	2,371,049
Deficit	(35,738,541)	(34,652,823)
	11,110,136	10,181,266
	12,583,435	10,580,276

Governing Statutes, Nature of Operations and Going Concern Assumption (Note 1)
Subsequent events (Note 12)

See accompanying notes to consolidated financial statements.

AFRI-CAN MARINE MINERALS CORPORATION

Consolidated Statement of Operations and Comprehensive Loss

For the third quarters ended May 31, 2011 and 2010
(Unaudited)

	Three-month period ending May 31,		Nine-month period ending May 31,	
	2011 $	2010 $	2011 $	2010 $
General and administrative expenses:				
Professional and consulting fees	133,386	68,225	322,024	229,185
Salaries, benefits and management fees	90,868	76,044	236,479	232,099
Stock-based compensation expenses	6,944	33,500	6,944	148,100
Traveling	44,662	46,362	81,947	86,812
Office	26,869	28,003	72,183	81,560
Information to shareholders and registration fees	21,076	8,384	64,381	42,455
Public relations	66,318	24,115	145,569	83,017
Depreciation of equipment	-	804	-	2,410
	390,123	285,437	929,527	905,638
Others:				
Interest expense on short-term loan	3,500	-	8,500	-
Gain on settlement of accrued liabilities	-	-	-	(253,000)
Foreign exchange loss (gain)	23,871	(19,915)	24,909	(39,681)
Investment income	(579)	(8)	(1,244)	(21)
Administrative expenses recovered (Note 11)	-	(5,790)	(7,720)	(19,775)
	26,792	(25,713)	24,445	(312,477)
Net loss and comprehensive loss	416,915	259,724	953,972	593,161
Net loss per share, basic and diluted	(0.00)	(0.00)	(0.00)	(0.00)
Weighted average number of common shares outstanding	218,874,071	177,665,473	201,664,759	167,985,710

Consolidated Statement of Deficit

For the third quarters ended May 31, 2011 and 2010
(Unaudited)

	Three-month period ending May 31,		Nine-month period ending May 31,	
	2011 $	2010 $	2011 $	2010 $
Deficit, beginning of period	35,199,746	33,965,213	34,652,823	33,631,776
Net loss	416,915	259,724	953,972	593,161
Change of maturity date of warrants (Note 7a)	121,880	134,000	131,746	134,000
Deficit, end of period	35,738,541	34,358,937	35,738,541	34,358,937

See accompanying notes to consolidated financial statements.

AFRI-CAN MARINE MINERALS CORPORATION

Consolidated Statement of Cash Flows
For the third quarters ended May 31, 2011 and 2010
(Unaudited)

	Three-month period ending May 31,		Nine-month period ending May 31,	
	2011 $	2010 $	2011 $	2010 $
Cash flows from operating activities:				
Net loss	(416,915)	(259,724)	(953,972)	(593,161)
Adjustments for:				
Depreciation of equipment	-	804	-	2,410
Stock-based compensation expenses	6,944	33,500	6,944	148,100
Unrealized foreign exchange loss (gain)	22,025	-	22,025	(16,800)
Gain on settlement of accrued liabilities	-	-	-	(253,000)
Changes in non-cash working capital:				
Amounts receivable	(19,667)	(10,175)	78,340	(16,193)
Prepaid expenses	(75,039)	3,739	(101,639)	(3,160)
Accounts payable	56,670	48,447	100,623	29,974
	(425,982)	(183,409)	(847,679)	(701,830)
Cash flows from financing activities:				
Decrease in due to directors and a corporation held by a director	-	-	(4,000)	-
Issuance of common shares and units	2,085,825	172,000	2,085,825	2,964,239
Subscription received	(80,000)	-	-	-
Share and unit issuance costs	(204,927)	(5,127)	(209,927)	(52,317)
Deferred share issue expenses	26,555	-	-	-
Short-term loan refund	(200,000)	-	-	-
	1,627,453	166,873	1,871,898	2,911,922
Cash flows from investing activities:				
Deferred exploration and development expenses	(1,216,571)	(1,285,091)	(1,409,013)	(1,430,159)
Net increase (decrease) in cash	(15,100)	(1,301,627)	(384,794)	779,933
Cash, beginning of period	202,885	2,111,625	572,579	30,065
Cash, end of period	187,785	809,998	187,785	809,998

See accompanying notes to consolidated financial statements.

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, a stable political situation, renewal of the underlying titles to the mining properties and/or future proceeds from the disposition thereof.

The accompanying unaudited 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 $35,738,541 ($34,652,823 as at August 31, 2010). 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 unaudited 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 12 i). Should the Corporation 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 acquirements.

2. Significant Accounting Policies

(a) Basis of presentation:
The interim financial statements of the Corporation have been prepared by management in accordance with Canadian generally accepted accounting principles for interim financial statements. The interim financial statements have, in management's opinion, been properly prepared using judgment within reasonable limits of materiality. These interim financial statements do not include all the note disclosures required for annual financial statements and therefore they should be read in conjunction with the Corporation's audited financial statements for the year ended August 31, 2010. The significant accounting policies follow that of the most recently reported audited annual financial statements.

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

3. Amounts Receivable

	As at May 31, 2011	As at August 31, 2010
	$	$
Sales taxes receivable	40,027	19,886
Subscription receivable	-	92,000
Other	16,183	22,664
	56,210	134,550

4. Mining Properties

		As at August 31, 2010	Addition	As at May 31, 2011
		$	$	$
Namibia - Block J Woduna (interest)	(1)	896,206	-	896,206
Namibia - Base metal Haib project	(2)	82,414	-	82,414
		978,620	-	978,620

(1) 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.

4. Mining Properties (Cont'd)

(2) 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 of one prospecting license ("Property") held by Deep South. With this transaction, Afri-Can has terminated its pre-existing option with Deep South in consideration of certain payments under this Agreement.

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 by December 31, 2012. 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.

(3) Acquisition of a marine mining concession EPL 3403 (Note 12 ii)

Under an agreement (the "Thyme Share Sale Agreement") entered into in September 2010 and amended in December 2010 and February 2011, the Corporation will acquire up to 100% of Thyme Investments (Pty) Ltd. ("Thyme") from IMDH and BV Investments Four Hundred and Nine (Pty) Ltd. ("BVI") in exchange for 65 million common shares ("New Shares") of the Corporation. Thyme, a Namibian company, holds the Exploration and Prospecting License ("EPL") 3403 covering about 800 square kilometres and situated about 120 kilometres south of Luderitz in Namibia. Closing of the sale of Thyme is conditional upon the Corporation raising a minimum of US$5.5 million under the following terms:

i) (a) to raise US$2 million by March 15th, 2011 and to start the first sampling program on EPL 3403 (completed on April 19, 2011), and (b) to raise the balance of US$3.5 million within 90 days of the completion of the first sampling program;

ii) In consideration of (a) above, the Corporation shall have the option to acquire 20% of the shares of Thyme within a period ending 30 days after the said US$2 million has been utilized in exploration on EPL 3403 pursuant to the Agreement (the " 20% Option");

iii) In the event the 20% Option is exercised by the Corporation, the commensurate number of New Shares of the Corporation will be issued to IMDH and BVI pro rata in accordance with the Agreement; and

iv) The transfer of the balance of the shares of Thyme and the issue of the balance of the New Shares of the Corporation shall only become effective upon the raising of the US$3.5 million as referred to in i) (b) above.

4. Mining Properties (Cont'd)

(3) Acquisition of a marine mining concession EPL 3403 (Note 12 ii) (Cont'd)

At Closing, IMDH shall have right to appoint two Directors to the Board of Directors of the Corporation. The shareholders of the Corporation approved the terms of this agreement while the TSX Venture Exchange granted its conditional approval

5. Deferred Exploration and Development Expenses

	As at August 31, 2010	Addition	As at May 31, 2011
	$	$	$
Namibia - Block J Woduna	8,629,401	127,280	8,756,681
Namibia - EPL 3403	-	2,237,374	2,237,374
Namibia - Base metal Haib project	257,863	-	257,863
	8,887,264	2,364,654	11,251,918

6. Due to Directors and a Corporation Held by a Director

The amounts due to directors and a corporation held by a director (The "Lenders") do not bear interest and the lenders will not request the repayment before 12 months from the date of the publication of these consolidated financial statements.

7. Share Capital and Contributed Surplus

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

Issuance:

	Nine-month period ended May 31, 2011	
	Number	Amount
		$
Balance, beginning of period	192,917,484	42,463,040
Issuance of units in cash on private placement	29,797,500	2,085,825
Valuation of warrants issued on private placement		(270,123)
Share and unit issuance costs		(244,306)
Total shares issued, end of period	222,714,984	44,034,436

Private placement
In March 2011, the Corporation closed a private placement financing of units ("Units") for gross proceeds of $2,085,825 based upon the issue of 29,797,500 Units at a price of $0.07 per Unit. Each Unit is comprised of one common share and one-half share purchase warrant (a "Warrant"). Each whole Warrant entitles the holder to purchase one common share of the Corporation at a price of $0.11 at any time until March 2013.

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

The fair value of the Warrants was estimated using the Black-Scholes option pricing model based on the following assumptions: dividend yield of 0%, average projected volatility of 80%, risk-free interest rate of 1.75%, and predicted life of warrants of 2 years. As a result, the fair value of the Warrants was estimated at $270,123, after a pro-rata allocation of the fair value of the Units' components. This amount was allocated to contributed surplus.

As finders' fee, the Corporation paid in cash $133,697 and granted 1,909,960, warrants that entitle the holder to acquire the same number of common shares at a price of $0.11 until March 2013. The fair value of these warrants have been valued at $34,379 using the Black-Scholes option pricing model based on the assumptions indicated above. This amount was allocated to share and unit issuance costs and contributed surplus.

a) Warrants:

A summary of changes in the Warrants is presented below:

	Nine-month period ended May 31, 2011	
	Number of Warrants	**Average exercise price**
		$
Balance, beginning of period	14,957,625	0.15
Issued	16,808,710	0.11
Expired	(11,250)	0.15
Balance, end of period	31,755,085	0.13

Warrants outstanding as at May 31, 2011 are as follows:

Number	**Exercise price**	**Expiry date**
	$	
16,808,710	0.11	March 2013
1,250,000	0.15	March 2012 (1)
7,515,000	0.13	August 2012
2,632,500	0.15	May 2012 (1)
1,490,625	0.15	January 2012 (1)
2,058,250	0.21	October 2011
31,755,085		

(1) Between January and May 2011, the Corporation extended the maturity date of these warrants by one year.

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

Change of maturity date

The increase in the weighted average fair value on the extension date of the 5,373,125 Warrants awarded was $0.025 per warrant or $131,746 estimated using the Black-Scholes model based on the following weighted average assumptions:

Dividend yield	-%
Projected volatility	78%
Risk-free interest rate	1.03
Predicted life of Warrants	1 years
Exercise price of Warrants	$0.15

b) *Stock-based compensation plan*

During the third quarter ended May 31, 2011, the Corporation granted 1,000,000 stock options to an investor relations company. The options vest in stages over 12 months with 1/4 of the options vesting in any three month period, have an exercise price of $0.10 and expire on April 1, 2013. The total stock compensation costs fair value for the 1,000,000 options granted amount to $40,000 or $0.04 per option. An amount of $6,944 was expensed in the consolidated statements of operations and the balance will be amortized over the remaining ten months vesting period.

The stock compensation fair value cost was estimated using the Black-Scholes model based on the following weighted average assumptions:

Dividend yield	-%
Average projected volatility	99%
Risk-free interest rate	1.83%
Predicted life of Options	2 years

A summary of changes in the Options is presented below:

	Nine-month period ended May 31, 2011	
	Number of options	**Weighted average exercise price**
		$
Balance, beginning of period	10,940,000	0.18
Granted	1,000,000	0.10
Balance, end of period	11,940,000	0.17
Options exercisable	10,877,500	0.18

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

Options outstanding and exercisable as at May 31, 2011 are as follows:

	Exercisable Options		
Range of exercise prices	**Number of Options**	**Average remaining life**	**Average exercise price**
$			**$**
0.10 – 0.15	5,422,500	1.20 years	0.11
0.17 – 0.20	1,240,000	2.73 years	0.19
0.23 – 0.25	4,215,000	1.20 years	0.25
Exercisable	10,877,500	1.37 years	0.18
	1,062,500	1.49 years	At $0.10
Outstanding	11,940,000	1.41 years	0.17

c) *Contributed surplus:*

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

		Nine-month period ended May 31, 2011
		$
Balance, beginning of period		2,371,049
Add:	Stock-based compensation expenses related to:	
	Public relations	6,944
	Warrants issued on private placement	270,123
	Change of maturity date of Warrants (Note 7a)	131,746
	Brokers' warrants	34,379
Balance, end of period		2,814,241

8. Statement of Cash Flows

Supplemental disclosures of cash flows information:

	Nine-month period ended May 31,	
	2011	**2010**
	$	**$**
Cash paid during the period for:		
Interest	8,763	909
Non-cash activities:		
Deferred exploration and development expenses included in accounts payable	986,876	951,084
Deferred exploration and development expenses financed through issuance of Options to non-employees	-	146,600
Share issuance expense related to finders' fee	34,379	1,620
Warrants issued for settlement of accrued liabilities	-	167,000
Warrants issued for addition to deferred exploration and development expenses	-	208,000

9. 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 are 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 May 31, 2011, the Shareholders' Equity totals $11,110,136 ($10,181,266 as at August 31, 2010).

10. 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.

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 May 31, 2011, the Corporation's Canadian and US cash was held in an interest bearing account with HSBC Bank of Canada. The Corporation's Namibian denominated cash was held in an interest bearing account with The First National Bank of Namibia.

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 May 31, 2011, current liabilities represent accounts payable due for payment 30 days following receipt of an invoice.

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 consolidated financial statements.

Cash and amounts receivable as at May 31, 2011 are not sufficient to fund the Corporation's ongoing operational needs for the next 12 months (see Note 1).

Interest rate risk
Cash bear interest at a variable rate and the Corporation is, therefore, not exposed to the risk of changes in fair value resulting from interest rate fluctuations.

Foreign exchange risk
The Corporation is exposed to exchange risk as a result of cash, amounts receivable, and accounts payable denominated in foreign currency. As at May 31, 2011, 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.

10. Financial Instruments (Cont'd)

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

	As at May 31, 2011	
	Cash and amounts receivable	**CDA**
		$
Namibian dollars	141,394	19,795

The accounts payables in foreign currency are detailed as follows:

	As at May 31, 2011	
	Accounts payable	**CDA**
		$
Namibian dollars	12,518	1,751
US dollars	1,025,352	1,001,358

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 May 31, 2011, the Corporation had US$1,025,352 in accounts payable that were translated to Canadian dollars at the period-end exchange rate. A $0.01 increase or decrease in the USD/CAD exchange rate would result in a change to net loss of approximately $10,000.

Fair value of financial instruments
Fair value estimates are made at the balance sheet date, based on relevant market information and other information about financial instruments.

The Corporation defines the fair value hierarchy under which its financial instruments are valued as follows: Level 1 includes unadjusted quoted prices in active markets for identical assets or liabilities. Level 2 includes inputs other than quoted prices in level 1 that are observable for assets or liability, either directly or indirectly and level 3 includes inputs for the asset or liability that are not based on observable market data. Cash is considered a level 1.

10. Financial Instruments (Cont'd)

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

	As at May 31, 2011	
	Carrying amount	**Fair value**
	$	**$**
Held-for-trading financial assets		
Cash	187,785	187,785
Loans and receivables		
Other amounts receivable	16,183	16,183
Financial liabilities		
Accounts payable	1,116,433	1,116,433

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

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

The fair value of the due to directors and a corporation held by a director is comparable to its carrying amount given the fact it does not have repayment terms.

11. 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:

	Nine-month period ended May 31,	
	2011	**2010**
	$	**$**
Consulting fees from an officer	97,500	97,500
Professional fees from directors	89,930	96,900
Share and unit issuance costs	36,460	30,127
Administrative expenses recovered from a company managed by an officer of the Corporation	(7,720)	(19,775)

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.

12. Subsequent events

i) Private placement

In July 2011, the Corporation closed a non-brokered private placement financing of units ("Units") for gross proceeds of $1,106,700 based upon the issue of 15,810,000 Units at a price of $0.07 per Unit. Each Unit is comprised of one common share and one-half warrant. Each whole Warrant entitles the holder to purchase one common share of the Corporation at a price of $0.11 until July 2013.

In connection with the placement, the Corporation will pay finder's fee for a total amount of $80,416 and will issue 1,148,800 compensation warrants. The compensation warrants have the same terms and conditions as the warrant described above.

ii) Mining properties: Acquisition of a marine mining concession EPL 3403

The Corporation is presently renegotiating the second requirement of the Thyme Share Sale Agreement regarding the financing of US$3.5 million in order to allow flexibility as to the timing of the financing and hence limit the dilution of the actual shareholders.

13. Comparative figures

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

Presentation of consolidated statements of operations

The Corporation combined the presentation of office expenses, interest and bank charges into one account under office expenses this quarter as compared to the same quarter of the prior year due to the non materiality of interest and bank charges.