



Afri-Can Marine Minerals Corporation



ANNUAL REPORT 2006

CORPORATE PROFILE

Afri-Can Marine Minerals Corporation ("Afri-Can") is an exploration and development company, actively involved in the acquisition, exploration and development of major mineral properties in Namibia. The Corporation's large and prospective license holdings, together with its growth strategy, place it as the partner of choice for Namibian Empowerment Groups.

2006 HIGHLIGHTS

- Successfully raised 1,500,070 CDN \$ during the fiscal year.
- Agreement with International Mining & Dredging Holding Ltd to proceed with resources delineation program on Block J.

SUBSEQUENT EVENTS

- The mv Mare Oceano has completed, in November 2006, the 1st phase of the resources delineation program on Block J in Namibia.

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REPORT TO OUR SHAREHOLDERS

During the past year, Afri-Can made major steps towards our goal of marine diamond development. We signed an agreement with International Mining and Dredging Holding Ltd. ("IMD") to work with Afri-Can on our marine concession Block J in Namibia, we resumed marine exploration activities, and we successfully completed the survey and vibro-core sampling for the first phase of our resources delineation program.

IMD is the contractor of choice for international offshore marine diamond mining, with state-of-the-art geophysical survey and sampling equipment. Argo SRL, the parent company of IMD, owns several marine exploration and mining vessels that have been successfully operating diamond mining projects in Namibian territorial waters for over six years.

The first phase of our planned resources delineation program for Block J was completed on November 22, 2006. This entailed a geophysical survey of 854 lines / kilometers and the extraction of 38 vibro-cores samples. The analysis and interpretation of these results will lead to the final detailed planning of a bulk sampling phase that will consist of the extraction of about 319 large samples of 10 square meters each. The aim of the complete program is to delineate diamond resources on Block J in compliance with National Instrument 43-101.

Offshore marine diamond mining started on a commercial scale in the early 1990's, when advances in technology made it possible to identify and exploit large gem deposits on the seabed. De Beers Marine (Namdeb), the joint-venture company owned by De Beers and the Namibian government, is mining between 850,000 and 900,000 carats of marine diamonds annually, compared with around 500,000 carats in 2002. Namdeb's selling price averages over US \$300 per carat, reflecting the high quality of its stones.

Based on Namdeb's success, our confidence in Afri-Can's offshore marine diamond business remains strong. Afri-Can's Block J concession is well located and has shown a huge potential and we firmly believe that the exploration program implemented in October 2006 will successfully enable the establishment of a strong base for the Corporation's future development and will create value for our shareholders.

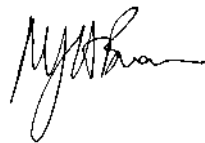
The diamond market is very firm: about \$13.4 billion US of rough diamonds were sold in 2005, compared with \$9 billion US in 2002, and specialists estimate this could rise to at least \$20 billion US by 2015. Furthermore, according to WWW Diamond Forecast Ltd, output from diamond mines worldwide is likely to decrease by 2% by 2015, while demand will continue to rise helped by the booming economies of India and China. If no further large discoveries are made, there would be a \$5 billion US to \$7 billion US supply shortage. The strong growth in demand for diamonds over the last five years is pushing producers into relatively uncharted territory in search of the next big discovery. Marine diamonds, with a preponderance of gem-quality stones, could well be the area of greatest development potential.

Our exploration potential clearly supports the continued implementation of our business plan. Today, Afri-Can is one of the most active participants in the Namibian mineral exploration sector. The ongoing cooperation of our Namibian partners and the Government authorities has enabled Afri-Can to invest and further establish its position in Namibia, to the benefit of our shareholders and Namibian stakeholders. For this we are appreciative.

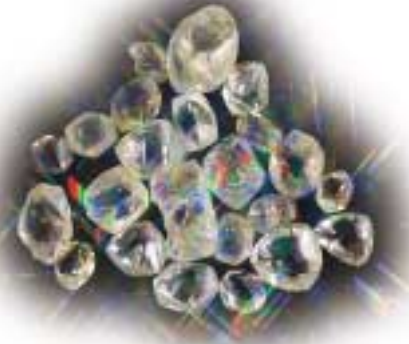
The Corporation's successes could not have been possible without the dedication and perseverance of our management, technical consultants and Board of Directors. Most importantly, we would like to extend our gratitude to our shareholders, both old and new, for their patience and ongoing support. With them, we look forward to exciting and rewarding years ahead, as we strive to achieve our prime objective— *the discovery and development of excellent mineral resources*



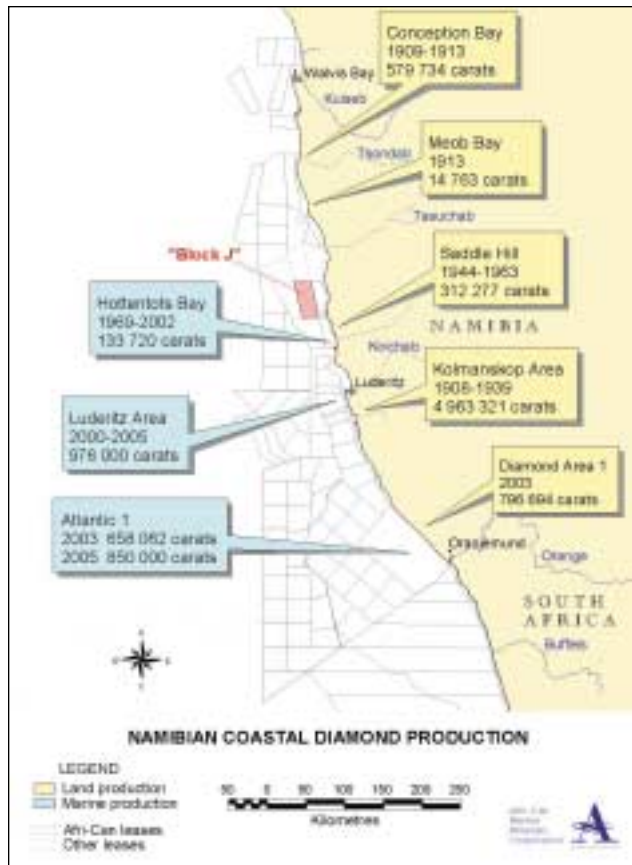
Pierre Léveillé
President & CEO



Michael J. H. Brown
Chairman



MARINE DIAMOND CONCESSIONS



BLOCK J / WODUNA CONCESSION

In January 2006, Afri-Can has signed an agreement with International Mining and Dredging Holding Ltd. ("IMD") to resume diamond exploration on marine concession Block J in Namibia.

The first phase of the program will consist in a geophysical survey covering approximately 1,200 line-kilometers, where at least 25 vibro-core samples of 100 mm in diameter will be extracted. The survey and vibro-core sampling will focus specifically on target areas called Features 6 & 8, both of which proved to contain diamonds from reconnaissance sampling in 2001 and 2002. Feature 6 forms a known aeolian-fluvial diamondiferous deposit covering approximately 4.1 km², and is structurally similar to known deposits in the Luderitz area in Namibia where an historical inferred resource of 4.1 million carats of diamonds has been estimated. Feature 8 consists of known diamondiferous gravel waves and lag gravel deposits covering approximately 11.2 km². Feature 8 is structurally similar to a known deposit at the mouth of the Orange River area in Namibian waters, where Namdeb (a joint-venture between the Government of Namibia and De Beers Group) is producing over 900,000 carats annually.

The aim of the first phase is to accurately map and modelize Features 6 & 8 and to increase our understanding of the geology, stratigraphy and volume of gravels contained in the deposits. Furthermore, the interpretation of the results of the first phase will enable the finalization of the details of the second phase of the program, which will essentially be a bulk sampling of approximately 319 large samples of 10 m² each. The second phase is planned to begin soon after the completion of the analysis and interpretation of the results from the first phase. The aim of the complete program is to delineate diamond resources on Block J in compliance with National Instrument 43-101.

IMD is an international marine mining contractor with state-of-the-art geophysical survey and sampling equipment. The parent company of IMD (Argo SRL), owns several marine exploration and mining vessels that have been successfully operating diamond mining projects in Namibian territorial waters for over six years. The vessel designated to conduct the first phase of the exploration program on Block J, the mv Mare Oceano, has a gross tonnage of 2,033 tons and is equipped with a DGPS positioning system as well as advanced survey and geotechnical equipment.

Afri-Can has proven the presence of two sizeable deposits on Block J (EPL 2499). These deposits contain diamonds of the same quality as its neighbouring competitors. Furthermore, these deposits are of comparable size to the largest deposits exploited in the neighbouring geological environment.

Afri-Can is the first company after De Beers Marine to have discovered diamonds on the middle-shelf, at about 120 meters of depth. Of great importance, the discovery was made in geological features similar to the "Atlantic One Deposit". The significance of the discovery cannot be underestimated since, according to De Beers' public statements on middle-shelf deposits, "De Beers has found diamonds as far as 40 km from the coast of southern Africa, and mines in water depths of up to 120 meters. A very high proportion - about 95 per cent - of marine diamonds are gem quality. As you get away from the land, the quality of the stones tends to get better, as only the best and strongest gems would survive being buffeted by ocean currents."

Located off the coast of Namibia 105 km north of Luderitz, Block J covers an area of 994 km² and occupies part of the continental shelf in water depths ranging from 70 to 170 m. The concession is subject to an option and joint-venture agreement signed in October 1999 between Afri-Can and Woduna Mining Holding (PTY) Ltd. Currently, Afri-Can holds a 70% undivided interest and is the operator of the joint venture. Since October 1999, Afri-Can has invested over CDN \$4.4 million on Block J. As a result, two successful geophysical surveys and two successful sampling programs were completed, the results of which are as follows:

MARINE DIAMOND CONCESSIONS

BLOCK J / WODUNA CONCESSION (continued)

Quantitative sampling. Afri-Can conducted the first phase of the quantitative sampling program designed to determine the continuity of mineralization along and across the features, establish sufficient quantitative data to support an Inferred Resource, and provide preliminary data on potential mining economics. A total of 25 samples averaging 13.24 m² each were collected over a sea-floor area of 0.365 km². The samples were taken from 2 anchor spreads of which 21 samples were excavated in the first spread and 4 samples on the second spread. 11 samples were taken within the mineralized area, producing 84 gem-quality diamonds, with the largest stone weighing 0.49 carats.

Reconnaissance sampling. Prior to the quantitative sampling, Afri-Can conducted a reconnaissance-sampling program. The objective of this program was to prove the existence of diamonds and to delineate areas containing diamondiferous sediments. 338 samples were collected from 29 anchor spreads covering an area of 728 m² of gravels. A total of 23 gem-quality diamonds weighing 4.65 carats were recovered, with the largest stone weighing 0.64 carats. The samples were collected from 17 features of which 8 proved to contain diamonds. Two of the samples contained more than one diamond. This is very significant as it proves that diamonds can concentrate in some areas of the concession and exceed the normal background concentrations present along and off the West Coast of Namibia

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

- The *marine gravel lags* were formed by "Pleistocene beach material" (from 8,000 to 3 million years ago) that was in fact an outcrop of basal Tertiary sandstones and conglomerates, the erosion of which has formed deposition of marine gravel lags. The significance of the discovery cannot be underestimated since, according to De Beers' own published information regarding the middle-shelf deposits: "Cemented, diamond-bearing gravels on the dip slopes ridges were flooded during marine transgressive and erosive events. Their consequent reworking produced a gravel lag from the original fluvial and deltaic sediments, increasing the diamond grade by a factor of 4 to 20."

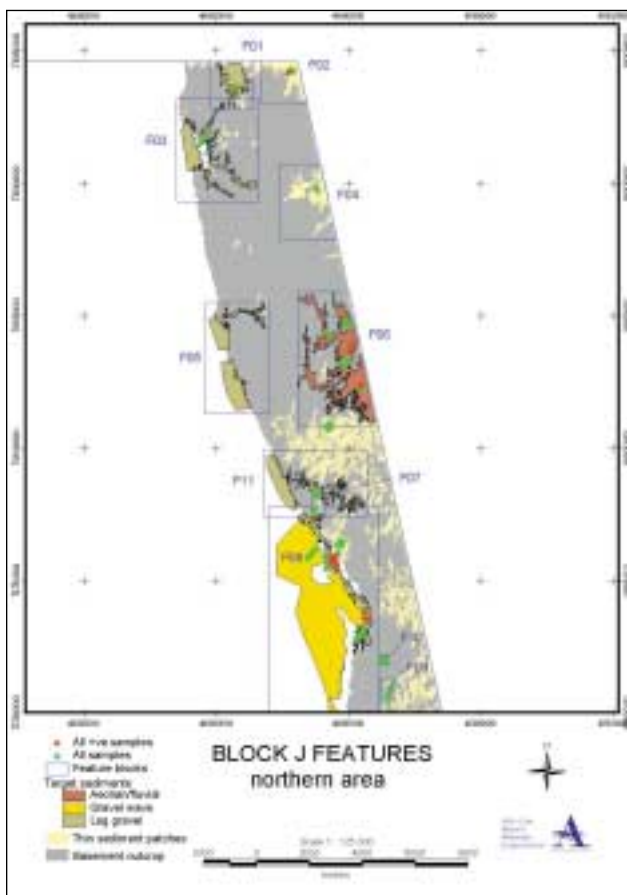
- The gravels found in the *paleo-surf zone gravel waves* (Features 8 & 17) contain abundant classic "Orange River Suite of exotic pebbles" such as jaspers, agates, episodites and iron bandedstone, which in such anomalous quantities are important indicators of the

presence of diamonds. The gravel waves stand at 125 m below sea level and are characterized by the presence of large slabs of local bedrock, from which the term "gravel waves" has been coined.

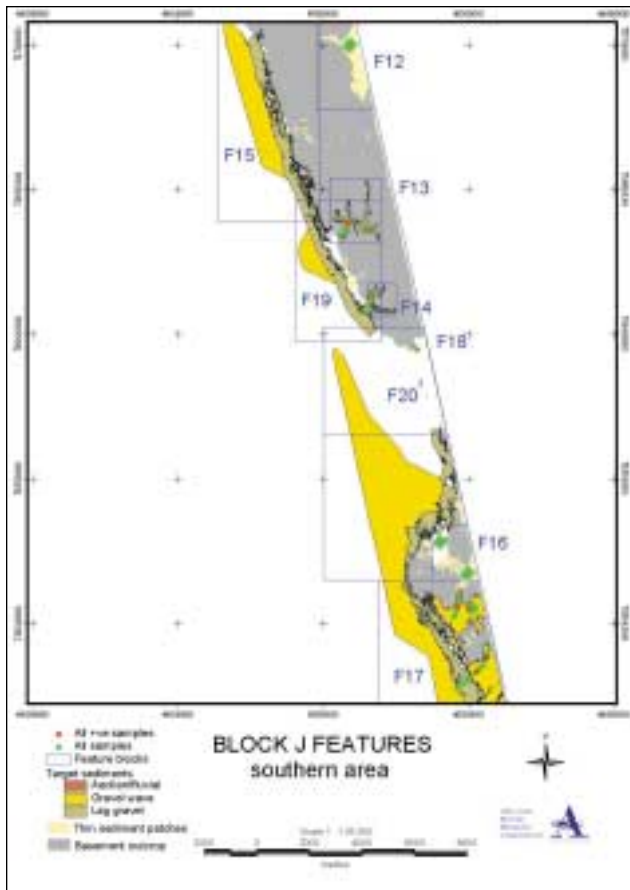
-The *aeolian-fluvial valley's* geology (Feature 6) is similar to the one in the features mined by Diamond Fields (Marshall Forks) and the former Namco (Feature 19). Feature 6 stands at about 105 m below sea level and is an assemblage of valleys and depressions. The area would have been exposed when the sea level stood at -125 m during the formation of Feature 8. Later on, the area would have been flooded as the sea level rose, thus creating shallow marine or lagoon environments.

GOING FORWARD

Afri-Can has completed the first phase of its resources delineation program in November 2006. Further interpretation and analysis of the data will enable to finalize the layout of the second phase, which will mainly consist of a large bulk sampling and trial mining program to be conducted in the first semester of 2007.



MARINE DIAMOND CONCESSIONS



HAIB COPPER CONCESSION

In May 2005, Afri-Can signed an option agreement with Copper Resources Ltd. for the development of the deposit. Copper Resources has the option to earn up to 70% in the concession in consideration for exploration expenditures totaling US \$2.2 million. Mineral Engineering Technical Services (Pty) Ltd. a well-established Australian group of mineral processing consultants, has been appointed and is currently carrying out a metallurgical process review for the Haib Copper project.

The Exclusive Prospecting License (EPL # 3140) covers 74,563 hectares and is located in the Karas region, 8 km from the Orange River in the south of Namibia, near the South African border. The concession contains a large, low-grade porphyry copper-molybdenum deposit which has been explored by a number of companies since discovery in 1948. The most recent independent resource evaluation was by Behre Dolbear & Company Inc., in August 1996, when Indicated Resources were estimated at 292 million tonnes grading 0.46% copper at a 0.3% cut-off.

REPUBLIC OF NAMIBIA

The Republic of Namibia is one of the more politically stable, well-developed countries in Africa. Since it obtained independence from South Africa in 1990, the country has established a constitution recognized as one of the most democratic in the world. Laws that ensure the security of tenure and offer protection from expropriation and the repatriation of profits regulate the mining industry. Namibia is the first country in the world to incorporate the protection of the environment into its constitution; some 14% of the land is protected, including virtually the entire Namib Desert coastal strip.

The economy is heavily dependent on the extraction and processing of minerals for export. Mining accounts for 20% of GDP and rich alluvial diamond deposits make Namibia a primary source for gem-quality diamonds. The marine diamond industry in Namibia offers an enormous potential with an estimated offshore resource exceeding 2 billion carats. Namibia is the fourth-largest exporter of non-fuel minerals in Africa, the world's fifth-largest producer of uranium, and the producer of large quantities of lead, zinc, tin, silver, and tungsten. Mining of zinc, copper, and silver and increased fish production led growth in 2003. Proposed privatization of several enterprises is expected to stimulate foreign investment in the future.

COMMITMENT TO LOCAL COMMUNITIES

Afri-Can's long-term view in developing the potential of its concessions includes a firm commitment to build a long lasting relationship with the Namibian people. As such, all option and joint-venture agreements include local Namibian partners. Management's "hands on" approach has solidified Afri-Can's ties and stature within Namibia's corporate and financial communities. On-site representation with local and government officials is a clear demonstration of our willingness and determination to succeed, which in turn will enable Afri-Can to fulfill its long-term commitment with the Namibian people.

ENVIRONMENTAL STATEMENT

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

CORPORATE INFORMATION

DIRECTORS AND OFFICERS

Michael J. H. Brown

Director, Chairman of the Board

Pierre Léveillé

Director, President and CEO

Bernard J. Tourillon

Director, Executive Vice President and CFO

Marcel Drapeau

Director, Corporate Secretary

Michael Nicolai *

Director

Howard Messias *

Director

SENIOR TECHNICAL CONSULTANT

R.W. Foster

Resource Development Manager
Diamond Project

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Auditors — Canada

Raymond, Chabot, Grant, Thornton
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Auditors — Namibia

KPMG
Windhoek, Namibia

Bankers — Canada

HSBC (Canada)
Montreal, Quebec, Canada

Bankers — Namibia

First National Bank Namibia
Windhoek, Namibia

Exchanges and Trading symbols:

TSX Venture – AFA;
Frankfurt (XETRA) – AJF;
OTC (Pink Sheets) – AFCMF

Shares Outstanding: 118,646,434

Fully Diluted: 133,688,496

SEC 12g3-2(b) exemption: file number 82-3329

* Member of the Audit and Remuneration Committee

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

INTRODUCTION

This Discussion and Analysis of the financial position and results of operations ("MD&A") of Afri-Can Marine Minerals Corporation ("Afri-Can", the "Company", the "Corporation" or "AFA") should be read in conjunction with the accompanying Management's Responsibility for Financial Reporting statement, the Auditors' Report to Shareholders, the Consolidated Financial Statements of the Corporation and the notes thereto for the fiscal years ended August 31, 2006 and August 31, 2005. Unless expressly stated otherwise, all references to dollar amounts are in Canadian dollars.

The effective date of this MD&A is December 11th, 2006. Additional information about Afri-Can 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, the words such as "could", "plan", "estimate", "expect", "intend", "intent", "may", "potential", "should", and similar expressions are forward-looking statements. Although Afri-Can believes that its expectations reflected in these forward-looking statements are reasonable, such statements involve risks and uncertainties and no assurance can be given that actual results will be consistent with these forward-looking statements. The Company undertakes no obligation to update forward-looking statements if circumstances or management's estimates or opinions should change. Readers are therefore cautioned not to place undue reliance on any forward-looking statements.

RESULTS OF OPERATIONS

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

EXPLORATION

Joint Venture and Properties in Namibia

BLOCK J / WODUNA CONCESSION

On January 11, 2006, the Corporation concluded an agreement with **INTERNATIONAL MINING AND DREDGING HOLDING LTD.** ("IMD") in order to resume a sampling and resources delineation program on the marine concession Block J held at 70% by the Corporation in Namibia.

The agreement states that Afri-Can will pay a mobilization/demobilization fee, and daily vessel chartering costs plus fuel consumption. The complete program is estimated to cost up to US \$2.5 million. Under the

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

terms of the agreement, Afri-Can has to make an upfront payment of US \$300,000 upon mobilization of the vessel and pay fuel consumption costs at the end of each month of vessel utilization. The remaining balance, estimated to be about US \$1.8 million after deduction of the upfront and fuel payments, becomes due 30 days following the completion of the program. Payment of this balance is subject to payment options approved by Afri-Can's shareholders on February 23, 2006 and this by a vote of 99.8% in favor of the agreement. As a result of this vote, the IMD agreement is now in force.

The first phase of our planned resources delineation program for Block J was completed on November 22, 2006. This phase entailed a geophysical survey of 854 lines / kilometers and the extraction of 38 vibro-cores samples. The analysis and interpretation of these results will lead to the final detailed planning of a bulk sampling phase that will consist of the extraction of about 319 large samples of 10 square meters each. The second phase of our resources delineation program is scheduled to start during the first half of 2007 and the complete program will be carried out over a period of about 12 months. The aim of the complete program is to delineate diamond resources on Block J in compliance with National Instrument 43-101.

HAIB COPPER CONCESSION

On May 26, 2005 Afri-Can announced that Afri-Can and Deep South had signed an Option and Operating Agreement ("Option Agreement") with Copper Resources Corporation ("CRC") whereby CRC will acquire Afri-Can's option to manage the exploration programs and earn a 70% undivided interest in the Haib Copper project in Namibia. Because of this transaction, Afri-Can no longer has any financial obligations towards Deep South, and this even if CRC decides to withdraw from the project.

SELECTED ANNUAL DISCLOSURE

The following table sets forth selected financial information for the fiscal year 2006, 2005, 2004, 2003, 2002, 2001, and 2000.

Complete fiscal year

	FISCAL 2006	FISCAL 2005	FISCAL 2004	FISCAL 2003	FISCAL 2002	FISCAL 2001	FISCAL 2000
For the fiscal year ending:	31/08/06	31/08/05	31/08/04	31/08/03	31/08/02	31/08/01	31/08/00
	\$	\$	\$	\$	\$	\$	\$
General and administrative expenses	1,231,729	954,713	1,011,394	799,809	887,505	659,998	590,173
Loss before write-downs	1,265,234	1,038,142	1,055,289	882,920	980,317	605,768	424,503
Loss and diluted loss per share (before write downs)	0.010	0.012	0.014	0.010	0.020	0.010	0.010
Net loss	1,265,234	6,849,562	4,835,086	891,676	980,317	3,185,550	424,503
Net Loss and diluted net loss per share	0.010	0.080	0.060	0.010	0.020	0.060	0.010
Current assets	687,679	345,862	93,217	160,148	934,957	748,021	183,328
Total assets	5,238,097	4,738,641	10,053,595	13,451,968	13,006,819	10,245,026	11,020,373
Current liabilities	211,638	133,084	938,334	974,476	569,277	124,050	190,032
Due to directors	513,980	356,042	812,162	239,913	59,557	50,630	9,335
Shareholders' equity	4,512,479	4,249,515	8,303,099	13,451,968	13,006,819	10,070,346	10,821,006

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Discussion on the Selected Financial Information

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

The last major marine exploration programs carried out by the Corporation were done during the fiscal years 2002 and 2003. Until the end of fiscal year 2004, the Corporation's exploration activities were centered on the preparation of an in-depth sampling program for the entire 41 km² already identified as diamondiferous or potentially diamondiferous. The work also included the preparation of a complete Scope of Work combined with the development of an exclusive exploration sampling tool that could be mounted on existing airlift equip vessels.

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

With the signature of our agreement with IMD and its subsequent ratification by shareholders during the second quarter of 2006, the Corporation's Block J concession is no longer under a care and maintenance status. During the third and the fourth quarter, Management spent time re-activating and working with its technical team, under the stewardship of Mr. Dick Foster, in order to prepare for the planned exploration programs.

Average general and administrative expenses and loss before write down for the last seven years stand respectively at \$ 876,474 and \$ 893,167, versus \$ 1,231,729 and \$ 1,265,234 for fiscal 2006. The seven year averages are not an accurate yardstick when evaluating Corporate performance, especially because since fiscal 2004, management and administrative expenses related to our exploration programs in Namibia have been accounted for as operational expenses and not as exploration expenses, as they were in the past.

The averages of the last three years for general and administrative expenses and loss before write down of \$ 1,065,945 and \$ 1,119,555 respectively, are a better baseline.

The following factors explain why fiscal 2006 numbers are higher than the averages for the last three years: 1) During January 2006, the Corporation granted 2,350,000 options to directors and to an investor relations group and this resulted in a one-time option expensing charge of \$126,030 (please refer to the relevant section of MD&A and Financial Statements, note 7 for details); 2) During fiscal 2006, the Corporation increased its marketing efforts and this resulted in a significant year-over-year increase in Afri-Can's public relations related costs; and 3) Regulatory related costs have increased by over 50%.

Overall Performance

During the 2006 fiscal year, the Corporation incurred \$ 169,428 in exploration related expenses for its marine concession versus \$226,531 (before write-downs) in care and maintenance for the same period last year.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

For the 2006 fiscal year, the Corporation's net loss decreased by \$ 5,584,328 (or 81.5%), (\$ 1,265,234 versus \$ 6,849,562), general and administrative expenses increased by \$ 277,016 (or 29.0%) while other costs decreased by \$ 5,861,344 (or 99.4%).

The general and administrative expense increase of \$ 277,016 (or 29.0%) over the same period last year was mostly due to increases in public relations expenses of \$ 153,383 (or 137%); salaries, fringe benefits and management fees of \$ 108,705 (or 51%); stock-based compensation expenses of \$ 85,085 (or 289%); and information to shareholders and registration fees of \$ 15,115 (or 35%) that could not be fully offset by decreases in traveling and office expenses.

Of the \$ 153,383 increase in public relations expenses, \$ 11,515 represents option expensing costs related to the issuance of options to Paradox Public Relations. The remaining \$ 141,868 is the result of a decision to spend more funds in order to increase the visibility of the Corporation.

The Corporation's \$ 33,505 in other cost are composed of: foreign exchange losses of \$21,908, interest income of \$ 3,130, and bad debt of \$14,727 (this represents small advances made to third parties in Namibia on which the Corporation was unable to collect).

The Corporation's foreign exchange losses result from the fact that some monetary assets and liabilities of the Corporation are denominated in Namibian dollars and South African Rand. During fiscal 2006 \$ 21,908 foreign exchange loss represents a cash loss incurred by the Corporation during the normal course of operations.

Summary of Quarterly Results

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

For the quarter ending:	FISCAL 2006				FISCAL 2005			
	31/08/06	31/05/06	28/02/06	30/11/05	31/08/05	31/05/05	28/02/05	31/11/04
	\$		\$	\$	\$	\$	\$	\$
General and administrative expenses	318,812	245,621	437,801	229,495	221,986	230,379	281,468	220,880
Loss before write downs	327,247	250,599	457,350	230,038	216,366	249,832	338,765	233,179
Loss and diluted loss per share (before write downs)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net loss	327,247	250,599	457,350	230,038	5,878,002	413,077	325,304	233,179
Net loss and diluted net loss per share	0.00	0.00	0.00	0.00	0.08	0.00	0.00	0.00
Current assets	687,679	72,025	39,453	120,816	345,862	1,180,017	53,039	64,515
Total assets	5,238,097	4,490,250	4,450,811	4,495,872	4,738,641	11,076,877	10,118,987	10,103,720
Current liabilities	211,638	77,328	268,958	125,359	133,084	447,328	930,769	730,881
Due to directors	513,980	670,004	493,696	351,037	356,042	501,349	666,060	528,377
Shareholders' equity	4,512,479	3,742,918	3,688,157	4,019,477	4,249,515	11,128,200	8,519,158	8,844,462

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Discussion on the Selected Quarterly Financial Information

Over the last eight quarters, the average general and administrative expenses and loss before write-down stood respectively at \$ 273,305 and \$ 287,922. While the first and third quarter results were under the averages, the second and fourth quarter results were higher than the averages.

These higher numbers can be explained by the following factors: 1) During all the periods of fiscal 2006, the Corporation increased its marketing efforts and this resulted in higher public relations related costs; 2) During the second quarter (January 2006), the Corporation granted 2,350,000 options to directors and to an investor relations group, and this resulted in a one-time charge of \$126,030 (please refer to relevant section of MD&A and Financial Statements, note 7 for details); 3) Year-over-year costs associated with our annual audit, financial reporting and AGM increased by over 50%, with the majority of these costs incurred during the second quarter (representing about \$ 20,000 of the increases) and during the fourth quarter (representing another \$ 40,000 of the increases); and 4) During the fourth quarter, the board of directors approved bonus payments to the management of the Corporation totaling \$ 37,000.

As a result of the above, average general and administrative expenses for fiscal 2006 stood at \$ 308,000 per quarter and represent an indicative level of the new quarterly cost of operating the Corporation. Of this amount, \$100,000 represents compensation payable to members of management and professional fees payable to two directors of the Corporation (please refer to section entitled Transactions with Related Parties for more details).

Overall Quarterly Performance

During the fourth quarter of fiscal 2006, The Corporation's net loss decreased by \$ 5,550,755 (or 94%), (\$ 327,247 versus \$ 5,878,002), general and administrative expenses increased by \$ 96,826 (or 43%) (\$ 318,812 versus \$ 221,986) and other costs decreased by \$ 5,647,581 (or 97%) (\$ 8,435 versus \$ 5,656,016).

Liquidity

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

Afri-Can's working capital requirement for fiscal year 2006 approximated \$ 200,000 per quarter. This amount does not include management's salaries and fees that are payable, nor professional fees owed to other insiders of the Corporation (please refer to Discussion on the Selected Quarterly Financial Information and Transaction with Related Parties for more details).

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.

The Corporation's working capital situation has improved since February 28th, 2006 when the deficit stood at \$ 229,505. The Corporation's working capital as of August 31, 2006 stood at \$ 476,041 (versus a working capital of \$ 212,778 as of August 31, 2005).

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The Corporation's current assets as of August 31, 2006 included the following items: cash and cash equivalents \$ 567,300; \$ 118,004 in amounts receivable; and \$ 2,375 in prepaid expenses. Afri-Can's \$ 211,638 in current liabilities include the following items: \$ 80,899 (\$ 133,084 as of August 31, 2005) in general accounts payable; and \$ 130,739 in dues to directors and corporations held by directors.

Capital Resources

The Corporation's commitments for capital expenditures for the coming fiscal year are nil. Subsequent to signing the May 26, 2005 transaction with Copper Resources Corporation (CRC), responsibility for exploration expenditures related to the Haib Copper project has now transferred to CRC.

The Corporation's planned marine exploration expenditures are subject to terms of the IMD agreement which was ratified by the shareholders at the Annual General Meeting held on February 23, 2006. Under the terms of the agreement, the Corporation will have a minimum-funding obligation of approximately US \$500,000 over the next twelve months; included in this amount is an upfront payment of US \$300,000 payable to IMD upon mobilization of the vessel.

The Corporation intends to fund its exploration programs and working capital requirement out of funds available and additional funds to be raised either through private placements or through strategic associations.

Transactions with Related Parties

Legal and secretarial services are provided to the Corporation by a director of Afri-Can. For the fiscal year, an amount of \$ 41,875 in legal fees was accounted for as professional fees in the Consolidated Statement of Operations and Deficit and \$ 22,985 in share issuance expenses with regards to legal and secretarial services rendered.

Management services fees for an amount of \$ 122,000, accounted for as Salaries, fringe benefits and management fees was charged by a Corporation owned by a member of management and director. During the period \$75,000 in Chairman's fees was accounted for as professional fees by a director in connection with consulting services rendered to Afri-Can.

The transactions are made in the normal course of operations of the Corporation and are measured at the exchange value which is the amount agreed upon by both parties involved in the transactions. Amounts due to directors are non-interest bearing and with no specific repayment terms.

The \$ 644,719 total (\$ 356,042 as of August 31, 2005) due to directors payable at August 31, 2006 have now been divided in two sections.

Under Current liabilities, the \$ 130,739 due to directors and corporations held by directors is composed mostly of expenses that have been incurred by management in order to accomplish their work. These expenses were charged to their personal credit cards and have not yet been reimbursed by the Corporation.

The remaining due to Directors include unpaid salaries and other fees totaling \$ 513,980 (August 31, 2005 - \$356,042). Seventy percent (70%) of this amount is payable to two members of management who are also directors. The remaining balance is payable to another director of the Corporation.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Critical Accounting Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, related amounts of revenues and expenses, the recoverability of mining properties and deferred exploration and development expenses, the valuation of environmental liabilities and disclosure of the contingent liability. Actual results could differ from those estimates.

A detailed summary of the entire Corporation's significant accounting policies and the estimates derived therefrom is included in Note 2 to the Annual Consolidated Financial Statements for the year ended August 31, 2006.

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

1) *Translation of foreign currencies:*

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

2) *Stock option plan:*

On September 1, 2002, the Corporation adopted prospectively the new standards for stock-based payments (Section 3870, Stock-Based Compensation and Other Stock-Based Payments). This section defines recognition, measurement and disclosure standards for stock-based compensation to non-employees and employees. Under these new standards, all stock-based payments made to employees and non-employees must be systematically accounted for in the Corporation's financial statements. These standards define a fair value-based method of accounting and encourage companies to adopt this method of accounting for their stock-based employee compensation plans. The Corporation uses the Black-Scholes option-pricing model to estimate the value of the options granted. The cost is recognized as an increase to the compensation expense, deferred expenses, or professional fees and to contributed surplus. Any consideration paid by employees on the exercise of these stock options is credited to share capital.

3) *Mining properties and deferred exploration and development expenses:*

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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

4) Warrants:

The fair value of warrants issued (Black-Scholes model) are not segregated between share capital and warrants and Contributed Surplus in the Corporation Shareholders' Equity at the time of the closing of any financing.

In the event that warrants issued are never exercised, the fair value of warrant canceled (calculated using a Black-Scholes model at the time of the original warrant issuance) is transferred from Share Capital and Warrants to Contributed Surplus.

Write-down of Deferred Exploration Expenses

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

Changes in Accounting Policies including Initial Adoption

During the fiscal year 2004, the Corporation adopted the *recognition and allocation of an asset retirement cost recommendation of the CICA*.

As per CICA 3110.13: Upon initial recognition of a liability for an asset retirement obligation, an entity should recognize an asset retirement cost by increasing the carrying amount of the related long-lived asset by the same amount as the liability. An entity should subsequently allocate that asset retirement cost to expense using a systematic and rational method over its useful life.

As a result, the following sentence was added to the disclosure related to Afri-Can's accounting policy for environmental cost in fiscal year 2004: "*A corresponding amount will be capitalized to the mining asset and depreciated over its useful life.*"

According to our auditors, there has been no change in accounting policies applicable to the Corporation in 2005 and 2006.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Outstanding Share Data

As of August 31, 2006, Afri-Can had 118,646,434 (107,103,434 as of August 31, 2005) shares issued and outstanding with a paid in value of \$33,519,419, (included in this amount are the 4,960,539 shares paid in cash but not yet issued as at August 31, 2006), 11,401,062 warrants (7,600,000 as of August 31, 2005) and 3,625,000 options outstanding (1,915,000 as of August 31, 2005), for a fully-diluted share position of 133,668,496.

SHARE CAPITAL

The authorized share capital of the Corporation consists of an unlimited number of shares and of which 118,642,434 were outstanding as of the date hereof.

OTHER

As required by Multilateral Instrument 52-109, Afri-Can evaluated the effectiveness of its disclosure controls and procedures and the internal control over financial reporting as of August 31, 2006 under the supervision and with the participation of the President and Chief Executive Officer and the Executive Vice-President and CFO. Based on the results of this evaluation, the President and Chief Executive Officer and the Executive Vice-President and CFO concluded that the design and operation of these disclosure controls and procedures were generally effective.

The only issue identified during the process was related to internal control over financial reporting. The issue identified, the concentration of some duties, is one that affects small companies. As a small organization, the Corporation's management is composed of a small number of key individuals, resulting in a situation where limitations in segregation of duties have to be compensated by more effective supervision and monitoring by the CEO and CFO. Afri-Can's officers will continue to monitor very closely all financial activities of the corporation and increase the level of supervision in key areas. It is important to note that this issue would also require the Corporation to hire additional staff in order to provide greater segregation of duties. Since the increased funding costs of such hiring could threaten the Corporation's financial viability, Afri-Can's management has chosen to disclose the potential risk in its filings and proceed with increased staffing only when budgets will enable that action.

RISKS

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.

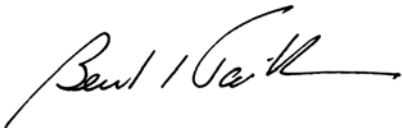
A number of factors determine the economic viability of a diamond deposit. They include the size of the deposit; the quantity, quality and average unit carat size of the diamonds; the proximity of the deposit to existing infrastructure; the estimated development and operating costs; the financing costs and the

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

project cash flows; the prevailing prices and markets for diamonds; and the competitive nature of the industry. Also of key importance are governmental regulations, including those relating to taxes, royalties, land use, the environment, and interests and socio-economic impacts on affected communities.

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

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

A handwritten signature in black ink, appearing to read "Bernard J. Tourillon". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

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

Montreal, December 11, 2006

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of Afri-Can Marine Minerals Corporation and all information in this annual report are the responsibility of Management. The consolidated financial statements have been prepared by Management in accordance with Canadian generally accepted accounting principles and where appropriate include Management's best estimates and judgments. Management has reviewed the financial information presented throughout this report and has ensured it is consistent with the consolidated financial statements.

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

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

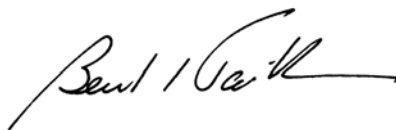
The Board of Directors appoints the Audit Committee, and all of its members are non-management directors. The Audit Committee meets periodically with Management and the shareholders' auditors to review internal controls, audit results, accounting principles and the external auditors' report. The Audit Committee communicates its observations to the Board when the latter approves the issuance of the consolidated financial statements to the shareholders.

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

The Board of Directors has approved the Corporation's consolidated financial statements on the recommendation of the Audit Committee.



Pierre Léveillé
President and CEO



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

Montréal, Canada
December 11, 2006

AUDITORS' REPORT

To the Shareholders of

Afri-Can Marine Minerals Corporation

(a company operating in the exploration and development of mining properties)

We have audited the consolidated balance sheets of Afri-Can Marine Minerals Corporation (a company operating in the exploration and development of mining properties) as at August 31, 2006 and 2005 and the consolidated statements of deferred exploration and development expenses, operations and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at August 31, 2006 and 2005 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Raymond Chabot Grant Thornton S.E.N.C.R.L.

Chartered Accountants

Montréal, Canada
December 11, 2006

AFRI-CAN MARINE MINERALS CORPORATION

Consolidated Balance Sheets
August 31, 2006 and 2005

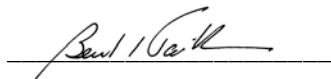
	2006	2005
Assets		
Current assets:		
Cash and cash equivalents	567,300	92,700
Amounts receivable (Note 3)	118,004	175,155
Prepaid expenses	2,375	78,007
	<u>687,679</u>	<u>345,862</u>
Note receivable, without interest or repayment terms	24,433	29,786
Fixed assets (Note 4)	19,198	25,634
Mining properties (Note 5)	978,621	978,621
Deferred exploration and development expenses (Note 6)	3,528,166	3,358,738
	<u>5,238,097</u>	<u>4,738,641</u>
Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities	80,899	133,084
Due to directors and corporations held by directors, without interest	130,739	-
	<u>211,638</u>	<u>133,084</u>
Due to directors, without interest or repayment terms	513,980	356,042
	<u>725,618</u>	<u>489,126</u>
Shareholders' equity		
Share capital and warrants (Note 7)	33,519,419	32,211,008
Contributed surplus (Note 7)	450,450	230,663
Deficit	(29,457,390)	(28,192,156)
	<u>4,512,479</u>	<u>4,249,515</u>
Governing Statutes, Nature of Operations and Going Concern Assumption (Note 1)		
Commitments (Note 13)		
Contingency (Note 14)		
	<u>5,238,097</u>	<u>4,738,641</u>

See accompanying notes to consolidated financial statements.

On behalf of the Board:



Pierre Léveillé, director



Bernard J. Tourillon, director

AFRI-CAN MARINE MINERALS CORPORATION

Consolidated Statements of Deferred Exploration and Development Expenses
Years ended August 31, 2006 and 2005

	2006	2005
Exploration expenses:		
Project management, consulting fees, taxes and permits	157,786	114,975
Traveling	11,642	18,506
Mining properties expenses (Note 5)	-	93,050
Increase in deferred expenses	169,428	226,531
Write-off of deferred exploration and development expenses	-	(133,845)
	169,428	92,686
Balance, beginning of year	3,358,738	3,266,052
Balance, end of year	3,528,166	3,358,738

See accompanying notes to consolidated financial statements.

AFRI-CAN MARINE MINERALS CORPORATION

Consolidated Statements of Operations and Deficit
Years ended August 31, 2006 and 2005

	2006	2005
General and administrative expenses:		
Traveling	81,257	151,366
Professional fees	261,628	261,988
Salaries, fringe benefits and management fees	318,757	210,052
Stock-based compensation	114,515	29,430
Office	98,736	116,515
Information to shareholders and registration fees	58,428	43,313
Public relations (1)	265,099	111,716
Interest	19,950	13,363
Bank charges	6,923	10,162
Depreciation of fixed assets	6,436	6,808
	1,231,729	954,713
Other:		
Exchange loss	21,908	80,571
Bad debts	14,727	30,000
Interest income	(3,130)	(1,951)
Write-off of mining properties	-	5,677,575
Write-off of deferred exploration and development expenses	-	133,845
Gain on disposal of mining properties	-	(25,191)
	33,505	5,894,849
Net loss	1,265,234	6,849,562
Deficit, beginning of year	28,192,156	21,342,594
Deficit, end of year	29,457,390	28,192,156
Net loss per share, basic and diluted	(0.01)	(0.08)
Weighted average number of shares outstanding	107,678,600	87,904,764

(1) Including stock-based compensation of \$11,515 in 2006 (nil in 2005).

See accompanying notes to consolidated financial statements.

AFRI-CAN MARINE MINERALS CORPORATION

Consolidated Statements of Cash Flows
Years ended August 31, 2006 and 2005

	2006	2005
Cash flows from operating activities:		
Net loss	(1,265,234)	(6,849,562)
Adjustments for:		
Depreciation of fixed assets	6,436	6,808
Write-off of mining properties	-	5,677,575
Write-off of deferred exploration and development expenses	-	133,845
Stock-based compensation	126,030	29,430
Gain on disposal of mining properties	-	(25,191)
Public relations fees paid in shares	-	34,438
Exchange loss	5,353	-
	<u>(1,127,415)</u>	<u>(992,657)</u>
Changes in non-cash working capital:		
Amounts receivable	47,430	18,632
Prepaid expenses	75,632	(72,151)
Accounts payable and accrued liabilities	(15,248)	(136,389)
	<u>107,814</u>	<u>(189,908)</u>
	 <u>(1,019,601)</u>	 <u>(1,182,565)</u>
Cash flows from financing activities:		
Net increase (decrease) in due to directors and corporations held by directors	236,306	(31,428)
Note payable	-	(539,630)
Share capital issuance	1,511,231	2,273,729
	<u>1,747,537</u>	<u>1,702,671</u>
 Cash flows from investing activities:		
Advance to a corporation controlled by a director	(98,000)	-
Note receivable	-	(29,786)
Acquisition of fixed assets	-	(4,949)
Acquisition of mining properties	-	(25,754)
Disposal of mining properties	-	25,192
Deferred exploration and development expenses	(155,336)	(393,404)
	<u>(253,336)</u>	<u>(428,701)</u>
Net increase in cash and cash equivalents	474,600	91,405
Cash and cash equivalents, beginning of year	92,700	1,295
Cash and cash equivalents, end of year	<u>567,300</u>	<u>92,700</u>

See accompanying notes to consolidated financial statements.

AFRI-CAN MARINE MINERALS CORPORATION

Notes to Consolidated Financial Statements
Years ended August 31, 2006 and 2005

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 mining properties.

The Corporation holds mining properties at the exploration and development stage in Namibia. The recoverability of amounts shown for mining properties and related deferred exploration and development expenses is dependent upon the discovery of economically recoverable reserves, the ability of the Corporation to obtain the necessary financing to complete the exploration and the development and to place these properties into production, stable political situation, renewal of underlying titles to the mining properties and/or future proceeds from the disposition thereof. According to Management, the net book value of mining properties and deferred exploration and development expenses as at August 31, 2006 represents Management's best estimate of their net recoverable value. However, this value could be reduced in the future.

The accompanying 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 \$29,457,390 (2005 - \$28,192,156). These factors raise 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. These 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.

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

AFRI-CAN MARINE MINERALS CORPORATION

Notes to Consolidated Financial Statements
Years ended August 31, 2006 and 2005

2. Significant Accounting Policies:

(a) Use of estimates:

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities, related amounts of revenues and expenses, the recoverability of mining properties and deferred exploration and development expenses, the valuation of environmental liabilities and disclosure of the contingent liability. Actual results could differ from those estimates.

(b) Basis of consolidation:

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

(c) Cash and cash equivalents:

Cash and cash equivalents include cash, demand deposits and investments maturing in less than three months from the acquisition date.

(d) Fixed assets:

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

Assets	Rates
Furniture and office equipment	20%
Computer equipment	20% and 30%

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

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

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

AFRI-CAN MARINE MINERALS CORPORATION

Notes to Consolidated Financial Statements
Years ended August 31, 2006 and 2005

2. Significant Accounting Policies (Continued):

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

(f) Income taxes:

The Corporation uses the liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are determined according to differences between the carrying amounts and tax basis of assets and liabilities. They are measured by applying enacted or substantively enacted tax rates and laws at the date of the financial statements for the years in which the temporary differences are expected to reverse. The Corporation records a valuation allowance with respect to the future income tax asset if, according to available information, it is more likely than not that part or all of the future income tax asset will not be realized.

(g) Net loss per share:

Net loss per share is calculated using the weighted average number of outstanding shares each year. The treasury stock method is used to determine the dilutive effect of stock options and warrants. The diluted net loss per common share is equal to the basic net loss per common share due to the anti-dilutive effect of outstanding stock options and warrants described in Note 7.

(h) Stock-based compensation plan:

The Corporation has a stock-based compensation plan for which a compensation expense is recognized at its fair value when stock options are issued. Any consideration paid on exercise of stock options or purchase of stock is credited to share capital. If stock options are repurchased from employees and non-employees, the excess of the consideration paid over the carrying amount of the stock option cancelled is charged to deficit.

(i) Foreign currency translation:

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

AFRI-CAN MARINE MINERALS CORPORATION

Notes to Consolidated Financial Statements
 Years ended August 31, 2006 and 2005

3. Amounts Receivable:

	2006	2005
Note receivable from a shareholder, without interest	-	107,721
Sales taxes receivable	17,698	49,359
Advance to a corporation controlled by a director, without interest	98,000	-
Other	2,306	18,075
	118,004	175,155

4. Fixed Assets:

	2006		
	Cost	Accumulated depreciation	Net book value
Furniture and office equipment	50,494	41,550	8,944
Computer equipment	62,468	52,214	10,254
	112,962	93,764	19,198
	2005		
	Cost	Accumulated depreciation	Net book value
Furniture and office equipment	50,494	39,239	11,255
Computer equipment	62,468	48,089	14,379
	112,962	87,328	25,634

AFRI-CAN MARINE MINERALS CORPORATION

Notes to Consolidated Financial Statements
Years ended August 31, 2006 and 2005

5. Mining Properties:

		Balance as at August 31, 2005	Addition (adjustments)	Write-down/ write-off	Balance as at August 31, 2006
Namibia -					
Namibian Gemstones (1)		1	-	-	1
Namibia - Block J					
Woduna (interest) (2)		896,206	-	-	896,206
Namibia -					
Haib Copper (3)		82,414	-	-	82,414
		978,621	-	-	978,621

		Balance as at August 31, 2004	Addition (adjustments)	Write-down/ write-off	Balance as at August 31, 2005
Namibia -					
Namibian Gemstones (1)		5,235,181	-	(5,235,180)	1
Namibia - Block J					
Woduna (interest) (2)		896,206	-	-	896,206
Namibia -					
Haib Copper (3)		-	82,414	-	82,414
Namibia - Block B					
Quando (option) (4)		163,245	-	(163,245)	-
Mining properties expenses (5)		372,200	(93,050)	(279,150)	-
Canada - East Leitch		1	(1)	-	-
		6,666,833	(10,637)	(5,677,575)	978,621

(1) As at August 31, 2006 and 2005, the Corporation has an interest of 60% in the diamond concessions - Namibian Gemstones. The cost of the mining property was written down during fiscal 2005 as required by Canadian generally accepted accounting principles.

AFRI-CAN MARINE MINERALS CORPORATION

Notes to Consolidated Financial Statements
Years ended August 31, 2006 and 2005

5. Mining Properties (Continued):

- (2) Afri-can interest in the Block J - Woduna concession is done through an agreement between the Corporation and Woduna Mining Holding (PTY) Ltd. (a Namibian Corporation). This agreement shall remain in force unless re-negotiated by the parties involved. The agreement stipulates that Afri-Can 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, Afri-Can shall be reimbursed its full investment (exploration and acquisition cost) with interest before Woduna can receive its 30% share of the net profit of the project.
- (3) On March 16, 2005, the Corporation announced that it has signed an amended agreement with Deep South Mining (PTY) Ltd. ("Deep South"), whereby the Corporation had acquire an option to acquire a 70% undivided interest in the Haib Copper deposit in Namibia. The terms of the agreement were as follows:
- A cash payment to Deep South of \$200,000 and \$50,000 of the Corporation's shares upon signature of the amended agreement;
 - A cash payment of \$250,000 to Deep South upon completion of the Phase I drilling program;
 - Cash payments to Deep South of \$200,000 per annum, for five years, with the first such payment on the one-year anniversary of the second \$250,000 payment noted above;
 - Exploration expenditures to a minimum of \$3 million. Upon the satisfaction of this condition, the Corporation will be deemed to have acquired an undivided interest of 55% in Haib Copper;
 - Upon completion of a positive feasibility study, the Corporation will make an additional cash payment of \$1 million to Deep South. The Corporation will be deemed to have acquired an additional undivided interest of 15% in Haib Copper. The total undivided interest of the Corporation shall then be 70%. Funding thereafter will be on a pro-rata basis;
 - Upon the commencement of mining operations, the Corporation shall make a further cash payment of \$1 million to Deep South;
 - The Corporation shall have a call option on 20% of Deep South's remaining 30% interest (i.e. two-thirds of Deep South's holdings) for a cash payment of \$2 million and a 1% net smelter royalty, such option being exercisable for a period of up to 36 months following completion of the feasibility study.

AFRI-CAN MARINE MINERALS CORPORATION

Notes to Consolidated Financial Statements
Years ended August 31, 2006 and 2005

5. Mining Properties (Continued):

On May 26, 2005, the Corporation had completed the first payments and share issuance and, before incurring any expenses on the property, announced that it had signed an option and operating agreement ("Option Agreement") with Copper Resources Corporation ("CRC") whereby CRC will acquire the Corporation's option to manage the exploration programs and earn a 70% undivided interest in the Haib Copper Project. The terms of the agreement were as follows:

- Under the terms of the Option Agreement, CRC is able to earn a 60% interest in the Haib Copper Project by assuming all of the Corporation's future payment commitments to Deep South;
- By incurring initial expenditures of US\$1.2 million;
- By reimbursing the Corporation for the C\$200,000 that it has already paid to Deep South, and by making an investment of C\$350,000 in common shares of the Corporation;
- CRC shall acquire its interest in confirming its expenditures on or before February 26, 2007. Ownership of the Haib Copper Project will be 60% by CRC, 25% by Deep South and 15% by the Corporation;
- By incurring further expenditures of US\$1 million, CRC can acquire an additional 10% in the Haib Copper Project, for a total ownership of 70%, leaving Deep South with 20% and the Corporation with 10%. At that point, Deep South and the Corporation would have the option of contributing their share of the development cost and maintaining their ownership positions or, in the case of Deep South, being diluted to a 10% non-contributing interest in the consideration of 75,000 common shares of CRC, and in the case of the Corporation, exchanging its residual ownership for 75,000 common shares of CRC. CRC could then earn up to a 90% interest in the Haib Copper Project.
- CRC shall acquire its residual interest in confirming its expenditures to the Corporation and Deep South on or before October 26, 2008.

As of today, the Corporation has no other engagement with Deep South and as per the agreement, has received complete payments and investments from CRC.

- (4) The Corporation returned its 30% interest to Together Quando Mining Consortium and the cost of the mining property was written off.

AFRI-CAN MARINE MINERALS CORPORATION

Notes to Consolidated Financial Statements
Years ended August 31, 2006 and 2005

5. Mining Properties (Continued):

- (5) On November 21, 2001, the Corporation entered into an agreement with Ototinana Regional Marine Mineral Exploration (Pty) Ltd. ("ORMME"), a not-for-profit Namibian corporation held directly by the regional council of the Oshikoto, Ohangwena, Oshana and Omusati regions. According to this agreement, the Corporation issued 2,500,000 common shares to ORMME and, in consideration, the Ministry of Mines and Energy in Namibia granted the Corporation a clause of non-reduction of the area of all Namibia concessions for the next three periods of two years. Between 2001 and August 31 2005, \$345,850 of the \$625,000 allocated to the 2,500,000 common shares was amortized and included in the deferred exploration and development expenses. During fiscal 2005, the unamortized balance of \$279,150 was written off.

6. Deferred Exploration and Development Expenses:

	Balance as at August 31, 2005	Addition	Write-down/ Write-off	Balance as at August 31, 2006
Namibia - Block J Woduna	3,358,738	169,428	-	3,528,166

	Balance as at August 31, 2004	Addition	Write-down/ Write-off	Balance as at August 31, 2005
Namibia - Block J Woduna	3,266,052	209,736	(117,050)	3,358,738
Haib Copper	-	16,795	(16,795)	-
	3,266,052	226,531	(133,845)	3,358,738

AFRI-CAN MARINE MINERALS CORPORATION

Notes to Consolidated Financial Statements
Years ended August 31, 2006 and 2005

7. Share Capital and Warrants

Authorized:

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

Issuance:

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

	2006		2005	
	Number	Amount	Number	Amount
Balance, beginning of year	107,103,434	32,211,008	77,715,975	29,451,120
Paid in cash (a)	6,578,462	855,200	24,525,869	2,417,605
Paid in cash, to be issued (a)	4,960,538	644,870	-	-
Issued in exchange of a note receivable (b)	-	-	1,077,210	107,721
Issued in exchange of due to directors	-	-	2,550,000	255,000
Issued in exchange of services	-	-	734,380	73,438
Share issuance expenses	-	(104,985)	-	(143,876)
Issued in exchange of mining properties	-	-	500,000	50,000
Warrants expired	-	(86,674)	-	-
Balance, end of year	118,642,434	33,519,419	107,103,434	32,211,008

(a) These shares were issued through a private offering of 11,539,000 units priced at \$0.13 per unit. Each unit consists of one share and half of a non-transferable warrant, each warrant entitling the holder to purchase one share at \$0.18 until July 2008.

(b) These shares were issued in exchange for a note receivable in the amount of \$107,721.

As at August 31, 2005, 4,350,000 issued common shares were held in trust. These common shares were released in September 2005.

Stock-based compensation plan:

The Corporation maintains a stock-based compensation plan ("Plan") whereby the Board of Directors may, from time to time, grant to employees, officers, directors of, or consultants to the Corporation options to acquire common shares in such numbers, at such exercise prices as may be determined by the Board and for a maximum term of five years. The exercise price is fixed at the time of the granting and the options can be exercisable when granted. The exercise price is the market value of the share on the date the option is granted.

AFRI-CAN MARINE MINERALS CORPORATION

Notes to Consolidated Financial Statements
Years ended August 31, 2006 and 2005

7. Share Capital and Warrants (Continued):

The Plan provides that the maximum number of common shares in the capital of the Corporation that may be reserved for issuance under the stock option plan shall be equal to 4,228,746 (2005 - 4,228,746) common shares and that the maximum number of common shares, which may be reserved for issuance to any one optionee pursuant to the share option, may not exceed 5% of the common shares outstanding at the time of grant.

During the fiscal year ended August 31, 2006, the Corporation granted 2,425,000 (650,000 in 2005) stock options to employees and non-employees. The fair value on the grant date of the options awarded in 2006 and 2005 was estimated using the Black-Scholes model and the following weighted average assumptions:

	2006	2005
Rate of return of dividends	-%	-%
Projected volatility	75%	98%
Risk-free interest rate	3.75% - 4.18%	3.25% - 3.5%
Predicted average duration of options	1 - 3.2 years	1.5 - 3.5 years
Weighted average estimated fair value of each option	\$0.04 - \$0.06	\$0.03 - \$0.07

For the year ended August 31, 2006, the Corporation recorded \$126,030 as an expense, \$3,008 as deferred exploration and development expenses (\$29,430 as an expense and \$6,660 as mining properties in 2005) for the stock-based compensation plan.

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

	2006	2005
Balance, beginning of year	230,663	194,573
Add amounts arising from stock-based compensation to non-employees	133,113	36,090
Add amounts arising from warrant expired	86,674	-
Balance, end of year	450,450	230,663

AFRI-CAN MARINE MINERALS CORPORATION

Notes to Consolidated Financial Statements
Years ended August 31, 2006 and 2005

7. Share Capital and Warrants (Continued):

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

	2006		2005	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance, beginning of year	1,915,000	0.21	2,545,000	0.29
Granted	2,425,000	0.12	650,000	0.10
Expired	(140,000)	0.32	(1,280,000)	0.31
Cancelled	(575,000)	0.30	-	-
Balance, end of year	3,625,000	0.13	1,915,000	0.21

Options exercisable as at August 31, 2006:

Span of exercise price	Exercisable options		Projected average exercise price
	Number of valid options during fiscal 2006	Projected average contractual time remaining	
\$0.35	120,000	0.39 years	\$0.35
\$0.17 - \$0.25	280,000	1.27 years	\$0.21
\$0.10 - \$0.15	3,225,000	1.86 years	\$0.12
	3,625,000	1.77 years	\$0.13

Warrants:

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

	2006		2005	
	Number of warrants	Average exercise price	Number of warrants	Average exercise price
Balance, beginning of year	7,600,000	0.23	3,850,000	0.30
Issued	5,769,500	0.18	3,750,000	0.15
Expired	(1,968,438)	0.30	-	-
Balance, end of year	11,401,062	0.19	7,600,000	0.23

AFRI-CAN MARINE MINERALS CORPORATION

Notes to Consolidated Financial Statements
Years ended August 31, 2006 and 2005

7. Share Capital and Warrants (Continued):

Warrants exercisable as at August 31, 2006:

Number	Exercise price	Expiry date
1,881,562	0.30	September 2006
3,750,000	0.15	November 2006
5,769,500	0.18	July 2008
11,401,062		

During the fiscal year ended August 31, 2006, 5,769,500 (3,750,000 in 2005) warrants have been issued as part of private offerings.

During the fiscal year ended August 31, 2006, the Corporation granted 92,000 brokers warrants. The fair value on the grant date of the warrants awarded in 2006 was estimated using the Black-Scholes model and the following assumptions:

	2006
Rate of return of dividends	-%
Projected volatility	75%
Risk-free interest rate	4.18%
Predicted average duration of warrants	2 years
Weighted average estimated fair value of each warrant	\$0.04

For the year ended August 31, 2006, the Corporation recorded \$4,075 as share issuance expenses.

AFRI-CAN MARINE MINERALS CORPORATION

Notes to Consolidated Financial Statements
Years ended August 31, 2006 and 2005

8. Statement of Cash Flows:

	2006	2005
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Interest paid	19,950	13,363
Non-cash financing and investing activities:		
Increase in deferred exploration and development expenses through depreciation of mining properties	-	93,050
Deferred exploration and development expenses included in accounts payable	11,084	-
Deferred exploration and development expenses financed through issuance of stock options to non-employees	3,008	6,660
Share issuance expenses through the warrants brokers	4,075	-
Issuance of shares through reduction of due to directors	-	(255,000)
Issuance of shares through decrease of the accounts payable	-	(15,000)
Issuance of shares through the increase in amounts receivable	-	(107,721)
Acquisition of mining properties through issuance of shares	-	50,000
Deferred exploration and development expenses financed through issuance of stock options to non-employees	-	(24,000)
Share issuance expense increase of the due to directors	4,350	-
Accounts payable through reduction of due to directors	48,021	-

9. Financial Instruments:

(a) Fair value:

The carrying amount of cash and cash equivalents, other amounts receivable, accounts payable and accrued liabilities approximates their fair value because of the short-term maturity of those instruments.

The fair value of the advance to a corporation controlled by a director, the note receivable from a shareholder, the note receivable, the due to directors and the due to directors and corporations held by directors could not be determined since it is practically impossible to find financial instruments on the market having substantially the same economic characteristics.

AFRI-CAN MARINE MINERALS CORPORATION

Notes to Consolidated Financial Statements
Years ended August 31, 2006 and 2005

(b) Foreign exchange risk:

A portion of the Corporation's expenses is denominated in U.S. dollars and Namibian dollars. The Corporation does not buy futures contracts to reduce its foreign exchange risk.

The Corporation is exposed to foreign exchange risk due to cash and cash equivalents, amounts receivable, note receivable and accounts payable and accrued liabilities denominated in U.S. dollars and Namibian dollars. As at August 31, 2006 and 2005, assets denominated in U.S. dollars and Namibian dollars consisting of cash and cash equivalents, amounts receivable and note receivable totalled US\$20,400 and N\$176,437 (US\$48,105 and N\$863,614 as at August 31, 2005) and accounts payable and accrued liabilities denominated in U.S. dollars and Namibian dollars totalled US\$10,000 and N\$24,000 in 2006 (nil in 2005).

10. Environment:

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

11. Income Taxes:

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

	2006	2005
Future income tax assets:		
Mining properties and deferred exploration and development expenses	6,151,639	6,057,666
Capital losses carried forward	967,700	967,700
Non-capital losses carried forward	4,214,195	5,128,649
Share capital issuance costs	117,710	124,918
	11,451,244	12,278,933
Less: valuation allowance	(11,451,244)	(12,278,933)
Future income taxes	-	-

AFRI-CAN MARINE MINERALS CORPORATION

Notes to Consolidated Financial Statements
Years ended August 31, 2006 and 2005

11. Income Taxes (Continued):

The provision for income taxes is different from the amount that would have resulted from applying the combined Canadian statutory income tax rate (federal and Québec: 31.69% in 2006 and 31.02% in 2005) as a result of the following:

	2006	2005
Income tax benefit at combined Canadian statutory rate (federal and Québec)	(400,953)	(2,124,734)
Increase (decrease) resulting from:		
Income tax rate differential of foreign subsidiary	(280,695)	(1,642,525)
Permanent difference and other	1,509,338	411,300
Unrecognized deductible temporary difference for the year	(827,690)	3,355,959
	-	-

As at August 31, 2006, the Corporation has accumulated non-capital losses which may be carried forward to reduce taxable income in future years. These losses expire as follows:

	Federal	Provincial
2007	525,073	525,073
2008	658,546	658,546
2009	981,728	981,728
2010	981,220	981,220
2014	1,186,784	1,186,784
2015	1,137,544	1,134,083
2016	1,158,755	1,154,801
	6,629,650	6,622,235

The Corporation also has foreign loss carry-forwards at August 31, 2006 of approximately \$1,539,000 in Namibia. The foreign loss carry-forwards can be carried forward indefinitely, subject to continuity of business tests.

AFRI-CAN MARINE MINERALS CORPORATION

Notes to Consolidated Financial Statements
Years ended August 31, 2006 and 2005

12. Related Party Transactions:

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

	2006	2005
Management fees	122,000	28,269
Professional fees	139,800	156,300

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

13. Commitments:

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

Marine Operations:

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

The complete survey and Program is estimated to cost approximately US\$2.5 million (C\$2.77 million). The Corporation will pay for fuel consumption at the end of each month of vessel utilization. At the end of the Program, the remaining balance, after payment of mobilization fees and fuel costs, is estimated to be about US\$1.8 million (C\$1.99 million).

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

Option 1

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

AFRI-CAN MARINE MINERALS CORPORATION

Notes to Consolidated Financial Statements
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13. Commitments (Continued):

Option 2

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

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

Option 3

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

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

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

The existing agreement between the Corporation and Woduna Mining Holding (PTY) Ltd. shall remain in force unless re-negotiated by the parties involved. The agreement stipulates that the Corporation is the operator and manager of the exploration and development programs on the Concession Block J. It also stipulates that, in the event that Block J becomes a commercial mining lease, the Corporation and, if applicable, IMD shall be reimbursed their full investment with interest before Woduna can receive its 30% share of the net profit. As at August 31, 2006, the Corporation's exploration and development investment in the Block J amounted C\$3.6 million.

AFRI-CAN MARINE MINERALS CORPORATION

Notes to Consolidated Financial Statements
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13. Commitments (Continued):

Investor Relations

The Corporation has retained PaRadox Public Relations to increase the Corporation's visibility in the financial community in Canada. PaRadox receives a monthly fee of \$5,000, and was granted 350,000 options at an exercise price of \$0.12 per share to be exercised at any time prior to January 21, 2007. The agreement is for twelve months, renewable, and both parties can cancel the agreement by giving a 30-day notice.

Lease Commitment:

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

2007	15,818
2008	5,322
	<hr/>
	21,140

14. Contingency:

A claim amounting to \$133,000 (US\$120,000) was launched during fiscal 2003 against the Corporation regarding a disagreement on an exploration work contract. In the opinion of Management, this claim will not have a significant negative impact on the results of operations or on the financial position of the Corporation.

15. Subsequent Event:

On November 29, 2006, the Corporation announced that it would proceed with a private placement for a total amount of \$500,000. The private placement will comprise 3,846,154 units priced at \$0.13 per unit, each unit consisting of one common share and one half of one warrant. Each full warrant will entitle the holder to purchase one common share of the Corporation for \$0.18 within two years from the date of closing. The common shares and warrants comprising the units are subject to a holding period of four months following the closing date.