

AFRICO RESOURCES LTD.

**Management's Discussion & Analysis
for the Third Quarter ended
September 30, 2009**

November 10, 2009

AFRICO RESOURCES LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Set out below is a review of the activities, results of operations and financial condition of Africo Resources Ltd. and its subsidiaries (referred to herein together as "the Company" or "Africo") for the three and nine months ended September 30, 2009 compared with the same periods in the previous year. The following information should be read in conjunction with the Company's September 30, 2009 unaudited interim consolidated financial statements and related notes and with the Company's audited consolidated financial statements and related notes for the year ended December 31, 2008, which were prepared in accordance with Canadian generally accepted accounting principles. The accounting policies have been consistently followed in preparation of these financial statements except that the Company has adopted the following guidelines: Section 3064 – Goodwill and Intangible Assets; Section 1582 – Business Combinations; and EIC 173 – Credit Risk and the Fair Value of Financial Assets and Financial Liabilities, effective from January 1, 2009. This analysis is prepared as at November 10, 2009. All dollar amounts, unless otherwise indicated, are in US Dollars.

The Company is a reporting issuer in the Provinces of British Columbia, Alberta, Ontario, and Quebec in Canada and is listed on the TSX in Canada under the symbol ARL.

Additional information related to the Company, including the Company's most recent annual information form is available on SEDAR at www.sedar.com.

OVERVIEW

Africo Resources Ltd. is a development stage company with an operational base in the Democratic Republic of the Congo (DRC) and with corporate offices in Vancouver, Canada. Africo is pursuing the development of the high-grade Kalukundi copper cobalt deposit near Kolwezi in the DRC and is also seeking to acquire other strategic mining investments.

ACTIVITY IN THE QUARTER

Kalukundi Exploration and Development Activity

The Company continued to progress the evaluation of the drilling programme undertaken on its Kalukundi Project in the Katanga Province of the Southern DRC, and evaluated the results of boreholes drilled on the Kesho, Kii and Principal fragments during the quarter.

Mporokoso Project in Zambia

The Company is currently evaluating the project with a view to continuing some additional exploration work.

RESULTS OF OPERATIONS

9 months ended September 30, 2009 compared to the 9 months ended September 30, 2008

The net loss in the period decreased to \$2,709,396 from \$5,320,358 in the prior year. Individual items contributing to this decrease are as follows:

- General and administrative costs amounted to \$1,570,163 (2008 - \$4,540,891). The prior year expense includes compensation paid on completion of the financing by Camrose Resources Limited in the amount of C\$100 million that completed in July, 2008 (the “Camrose Financing”). Other reasons for the decrease include the reduction in staff as a result of recent retrenchments and a correspondingly lower level of activity.
- Professional fees of \$297,201 (2008 – \$713,377) were incurred consisting of legal and accounting fees. The decline results from the resolution of various legal issues in the DRC toward the end of 2008.
- Stock based compensation costs amounted to \$204,059 (2008 - \$ nil) reflecting the option expense in respect of options that vested in the period.
- Stock exchange, filing and transfer agent fees totaled \$64,050 (2008 - \$91,093). The decrease results from a lower level of activity in this area in the period compared to the prior year.
- Travel costs amounted to \$61,281 (2008 – \$310,068). The decline is a result of current cost cutting measures which have severely restricted corporate travel.
- The net foreign exchange loss for the period amounted to \$1,276,378 (2008 – \$212,972) and results mainly from the transfer of unrealized foreign exchange losses from Other Comprehensive Loss to the Income Statement as these losses have become realized through the utilization of the cash that had given rise to the unrealized losses.
- Interest and other income amounted to \$763,736 (2008 \$548,043); the increase is attributable to the increase in average cash balances over the same period in the prior year.
- The comprehensive loss for the period includes an unrealized foreign exchange gain amounting to \$11,304,405 (2008 – loss of \$4,650,400). This has arisen on the translation of cash and short term investments which are held in Canadian Dollar designated instruments with major Canadian banks, and which have been designated as available for sale. The gain offsets unrealised losses booked in the prior year.

3 months ended September 30, 2009 compared to the 3 months ended September 30, 2008

The net loss for the quarter decreased to \$158,079 from \$2,383,865 in the prior year. Individual items contributing to this decrease are as follows:

- General and administrative costs amounted to \$192,849 (2008 - \$2,277,895). The prior year expense includes compensation paid on completion of the Camrose Financing. Other reasons for the decrease include the reduction in staff as a result of recent retrenchments and a correspondingly lower level of activity.
- Professional fees of \$21,773 (2008 – \$312,179) were incurred consisting mainly of legal fees. The decrease results from the resolution of various legal issues in the DRC toward the end of 2008.

- Stock based compensation costs amounted to \$54,678 (2008 - \$ nil) reflecting the option expense in respect of options that vested in the period.
- Stock exchange, filing and transfer agent fees totaled \$10,932 (2008 - \$47,061). The decrease results from a lower level of activity in this area in the period compared to the prior year.
- Travel costs amounted to \$4,511 (2008 – \$119,969). The decline is a result of current cost cutting measures which have severely restricted corporate travel.
- The net foreign exchange loss for the period amounted to \$106,865 (2008 –\$113,070) and results mainly from the transfer of unrealized foreign exchange losses from Other Comprehensive Loss to the Income Statement as these losses have become realized through the utilization of the cash that had given rise to the unrealized losses.
- Interest and other income amounted to \$233,529 (2008 - \$486,309); the decrease is attributable to the decrease in average interest rates achieved over the same period in the prior year.
- The comprehensive loss includes an unrealized foreign exchange gain for the quarter amounting to \$6,528,088. (2008 – loss of \$4,650,400). This has arisen on the translation of cash and short term investments which are held in Canadian Dollar designated instruments with major Canadian banks, and which have been designated as available for sale. The gain offsets unrealised losses booked in the previous quarter and prior year.

DISCUSSION OF CASH FLOWS

9 months ended September 30, 2009 compared to the 9 months ended September 30, 2008

There was a cash outflow from operating activities of \$4,135,391 (2008 - \$5,727,441). A decline in operating expenses was more than offset by the payment of accounts payable which were high as a result of the drilling program in progress at the 2008 year end.

Cash outflows from investing activities of \$37,127,066 (2008 - \$2,253,896) consisted mainly of \$33,454,967 that was transferred to short term investments, and exploration and development costs incurred in respect of the Kalukundi project of \$3,687,676, which included an entry premium payment to La Générale des Carrières et des Mines (“Gécamines”), a mining company owned by the Government of the DRC of \$1,600,000, and drilling costs not incurred in the prior year.

Unrealized foreign exchange gains on conversion of Canadian Dollar designated investments to US Dollars for reporting purposes and booked to Other Comprehensive Loss caused an increase in cash of \$11,034,405 (2008 – decrease of \$4,650,400).

3 months ended September 30, 2009 compared to the 3months ended September 30, 2008

There was a cash outflow from operating activities of \$248,757 (2008 - \$2,538,080). The prior year outflow included the payment of accounts payable which were high as a result of the drilling program underway at that time.

Cash outflows from investing activities of \$14,986,283 (2008 - \$501,799) consisted mainly of amounts transferred to short term investments.

Unrealized foreign exchange gains on conversion of Canadian Dollar designated investments to US Dollars for reporting purposes and booked to Other Comprehensive Loss caused an increase in cash of \$6,528,088 (2008 – decline of \$4,650,400).

FINANCIAL POSITION

Cash and short term investments

Short term investments comprise GIC's held with Canadian Chartered Banks with terms to maturity exceeding three months. The increase in the total of cash and short term investments to \$80,836,577 at September 30, 2009 (December 31, 2008 - \$77,608,662) results from operating cash outflows, exploration and developments costs, and unrealized foreign exchange gains as per the "DISCUSSION OF CASH FLOWS" above.

Mineral properties

The mineral property balance is mainly attributable to the Kalukundi project. The increase to \$56,002,007 at September 30, 2009 (December 31, 2008 - \$52,071,128) results from expenditures on the project during the period, including a \$1,600,000 entry premium paid to Gécamines in January, 2009.

Current liabilities

The decrease in current liabilities to \$113,945 at September 30, 2009 (December 31, 2008 - \$1,864,192) results mainly from the payment of year-end accruals related to the drilling program.

Future income tax liability

The future income tax liability of \$11,192,237 at September 30, 2009 (December 31, 2008 – \$10,949,034) results from the non deductibility in Canada for tax purposes of mineral property costs incurred directly by the Canadian Parent Company in respect of the Kalukundi project. The increase is attributable to the tax effect of consolidation adjustments affecting mineral property.

Shareholders equity

Contributed surplus

The contributed surplus increased to \$5,535,732 at September 30, 2009 (December 31, 2008 - \$5,331,673). The increase is attributable to stock based compensation recognized in the period.

Accumulated other comprehensive net loss

Accumulated other comprehensive net loss contains net unrealized losses on available-for-sale securities of \$5,510,861 at September 30, 2009 (December 31, 2008 - \$16,545,266) resulting from the decline in the value of the Canadian Dollar between the date the proceeds of the Camrose Financing were received and invested in Canadian Dollar designated investments, and the reporting date.

LIQUIDITY

Net working capital amounted to \$80,898,097 at September 30, 2009 (December 31, 2008 - \$76,041,128). The Company took steps early in the current fiscal year to reduce the level of its operating costs which, management

believes, will ensure that the Company is suitably placed, in terms of equity capital, to bring the Kalukundi project into production at the opportune time.

SUBSEQUENT EVENT

The Company repurchased 1,731,000 of its common shares on November 3, 2009 from a director, at a price of \$0.76 per share, being the closing price of Africo's shares on Monday November 2, 2009. The repurchased shares were immediately cancelled and returned to treasury.

OUTLOOK

The feasibility study for the Kalukundi project which was completed in May 2006 estimated capital costs totaling \$166.6 million. Taking into account the lead time to build the mine and potential working capital requirements at the start of production, the Company will need approximately \$200 million for capital costs, working capital, and additional mining and exploration activities to enable the Company to meet its development plans. The Company raised C\$100 million of equity funding in the prior year and will need to secure a debt and / or additional equity component in order to proceed with the project.

In light of the recent decline in global market conditions, Africo significantly scaled back activities on its Kalukundi project, with a view to being suitably placed to recommence financing and development activity when global economic conditions support better financing terms for the project, although there can be no assurance that the financing required can be obtained. The Company has also laid off its expatriate development team in order to reduce its costs on the project.

The Company is also considering an acquisition strategy that would take advantage of current market conditions to acquire assets, providing that these are a good long term strategic fit.

SUMMARY OF QUARTERLY RESULTS

	2009	2009	2009	2008	2008	2008	2008	2007
	Third	Second	First	Fourth	Third	Second	First	Fourth
	Quarter	Quarter	Quarter	Quarter	Quarter	Quarter	Quarter	Quarter
Interest income.....	233,529	204,920	325,290	617,865	486,309	21,644	40,090	53,572
Net loss for the quarter.....	(158,079)	(1,177,808)	(1,373,506)	(668,693)	(2,383,865)	(1,198,280)	(1,738,213)	(3,001,696)
Loss per share	\$ -	\$(0.02)	\$0.02	\$0.01	\$0.04	\$0.04	\$0.06	\$0.11

Quarterly expenses in the fourth quarter of 2007 reflect the effect of vesting stock options and include bonuses paid to consultants for successful completion of the private placement and plan of arrangement with Rubicon Minerals Corporation in December 2006. The loss in the third quarter of 2008 includes bonuses paid related to the Camrose Financing. Interest income has tracked the cash balances of the Company.

OFF BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

TRANSACTIONS WITH RELATED PARTIES

Consulting fees relating to legal, financial, investor relations and other corporate matters, and salaries paid to Directors, former Directors, and organizations having common Directors totalled \$66,759 (2008 - \$1,434,999) in the three months, and \$563,387 (2008 - \$2,083,497) in the nine months ended September 30, 2009.

A subsidiary of the Company has appointed Oakton Global South Africa (Pty) Ltd, a company associated with a major shareholder, to provide administrative and technical consulting services for a fee of \$50,000 per month effective August 1, 2009. The amount of the fee was determined based on the commercial value of the services provided. The total amount paid to Oakton during the quarter amounted to \$100,000.

These transactions are in the normal course of operations and are measured at the exchange amount which is the amount of consideration agreed to by the related parties.

Other related party transactions are disclosed elsewhere in the financial statements. See also "Subsequent Event".

OUTSTANDING SHARE DATA

As November 10, 2009 the Company had the following securities issued and outstanding:

- 70,920,295 common shares;
- 1,705,000 common share purchase options
- 21,880,093 share purchase warrants

The Company also has the obligation under a plan of arrangement with Rubicon Minerals Corporation, among others, which completed on December 8, 2006, to issue shares to pre-existing Rubicon option and warrant holders, all consideration in respect of which is payable to Rubicon. A total of 192,482 shares remain to be issued to these option and warrant holders or to Rubicon for no additional consideration to the Company.

FINANCIAL INSTRUMENTS

Fair Value

The Company has classified its cash and equivalents and short-term investments as available for sale. Amounts receivable are classified as loans and receivables. Accounts payable and accrued liabilities are classified as other liabilities. As of September 30, 2009, the Balance Sheet carrying amounts of these financial instruments closely approximate their fair value, and the Company held no derivative instruments.

Fair value estimates are made at the balance sheet date, based on relevant market information and other information about the financial instruments. Fair values are determined directly by reference to published price quotations in an active market, when available, or by using a valuation technique that uses inputs observed from the markets.

Financial risk management

The Company's activities expose it to a variety of financial risks including credit risk, foreign exchange risk, interest rate risk and liquidity risk.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments that potentially subject the Company to credit risk consist of cash and cash equivalents, and accounts receivable. Africo deposits its cash and cash equivalents, with high credit quality major Canadian financial institutions, as determined by ratings agencies, with original maturities of less than 90 days. Management believes the risk of loss to be remote.

Currency risk

The Company operates in the DRC and Canada and has a functional currency of US Dollars. It is therefore exposed to foreign exchange risk arising from transactions denominated in a foreign currency. Africo's cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities are held in several currencies (mainly Canadian dollars) and are therefore subject to fluctuation against the US dollar.

The Company had the following balances in Canadian Dollars as at September 30, 2009:

	Canadian Dollars
Cash and cash equivalents	28,280,483
Short term investments	58,186,806
Accounts receivable	44,935
Accounts payable and accrued liabilities	(53,303)
Net balance	86,458,921
Equivalent in US Dollars	80,749,902

Based on the balances as at September 30, 2009, a 1% change in the exchange rates on that date would have resulted in a change of approximately \$798,985 in the net comprehensive loss for the period.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Cash and cash equivalents include deposits which are at variable interest rates. A plus or minus 1% change in rates would affect the net loss for the period by approximately \$76,373.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Company manages liquidity by maintaining adequate cash and cash equivalent balances. The Company monitors and reviews both actual and forecasted cash flows, and also matches the maturity profile of financial assets and liabilities.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting policies requires management of the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the

reporting period. These estimates are based on past experience, industry trends and known commitments and events. By their nature, these estimates are subject to measurement uncertainty and the effects on the financial statements of changes in such estimates in future periods could be significant. Actual results will likely differ from those estimates.

Carrying value of deferred property interests

The Company has capitalized the cost of acquiring mineral property interests and on-going exploration and maintenance costs. Capitalized property costs are expensed in the period in which the Company determines that the mineral property interests have no future economic value. Capitalized property costs may also be written down if future cash flow, including potential sales proceeds and option payments, related to the property are estimated to be less than the carrying value of the property. The Company reviews the carrying value of its mineral properties periodically, and whenever events or changes in circumstances indicate the carrying value may not be recoverable, reductions in the carrying value of each property would be recorded to the extent that the carrying value of the investment exceeds the property's estimated fair value. Such events or changes in circumstances involve changes in political risk, economic risk, commodity prices, exchange rates, and interest rates among others.

The Company has determined that there is no impairment in the carrying value of its mineral properties.

Stock-based compensation

The Company uses the Black-Scholes option pricing model to calculate the fair value of stock options and compensatory warrants granted. This model is subject to various assumptions. The assumptions the Company makes will likely change from time to time. At the time the fair value is determined, the methodology the Company uses is based on historical information, as well as anticipated future events. The assumptions with the greatest impact on fair value are those for estimated stock volatility and for the expected life of the instrument.

Future income taxes

The Company accounts for tax consequences of the differences in the carrying amounts of assets and liabilities and their tax bases using tax rates expected to apply when these temporary differences are expected to be settled. When the future realization of income tax assets does not meet the test of being more likely than not to occur, a valuation allowance in the amount of the potential future benefit is taken and no future income tax asset is recognized. The Company has taken a valuation allowance against all such potential tax assets.

CHANGES IN ACCOUNTING POLICIES

The Company has adopted the following CICA guidelines:

Goodwill and Intangible Assets

In February 2008, the Canadian Institute of Chartered Accountants ("CICA") issued CICA Handbook Section 3064, *Goodwill and Intangible Assets*, which replaces Section 3062, *Goodwill and Other Intangible Assets* and Section 3450, *Research and Development Costs*. Various changes have been made to other sections of the CICA Handbook for consistency purposes. Section 3064 establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. The new Section became applicable to the Company's consolidated financial statements for its fiscal year beginning January 1, 2009. Adoption of this section has not had a material impact on the interim consolidated financial statements.

Business Combinations

In January 2009, the CICA issued Section 1582, *Business Combinations*, which replaces former guidance on business combinations. Section 1582 establishes principles and requirements of the acquisition method for business combinations and related disclosures. In addition, the CICA issued Sections 1601, *Consolidated Financial Statements*, and 1602, *Non-Controlling Interests*, which replaces the existing guidance. Section 1601 establishes standards for the preparation of consolidated financial statements, while section 1602 provides guidance on accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination.

These statements apply prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011 with earlier application permitted. The Company is currently evaluating the new sections to determine the potential impact on its consolidated financial statements.

Credit Risk and the Fair Value of Financial Assets and Financial Liabilities

In January 2009, the CICA issued EIC – 173, *Credit Risk and the Fair Value of Financial Assets and Financial Liabilities*. The guidance requires that an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities, including derivative instruments. This guidance became applicable to fiscal periods ending on or after January 12, 2009. Adoption of this section has not had a material impact on the interim consolidated financial statements.

Mining Exploration Costs

In March 2009, the CICA issued EIC-174, *Mining Exploration Costs*. The EIC provides guidance on the accounting and the impairment review of exploration costs. This standard is effective for our fiscal year beginning January 1, 2009. The application of this EIC did not have an effect on the company's financial statements

International Financial Reporting Standards

In February 2008, the CICA Accounting Standards Board confirmed that International Financial Reporting Standards will replace Canada's current generally accepted accounting principles for publicly accountable profit-oriented enterprises effective January 1, 2011.

The Company is currently developing its IFRS conversion plan with priority being placed on those standards likely to have a significant impact. Our analysis will include identifying the differences between IFRS and the Company's current accounting policies, assessing the impact of the difference, and where necessary, analyzing the various policies that it could elect to adopt. Changes in accounting policies are likely and may materially impact the Company's consolidated financial statements.

CONTROLS AND PROCEDURES

Internal control over Financial Reporting

The Company's management is responsible for establishing adequate internal control over financial reporting. Any system of internal control over financial reporting, no matter how well designed, has inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statements preparation and presentation.

The Company management has evaluated the effectiveness of the design and operation of the Company's internal control over financial reporting as of the period covered by this report. Based on the result of the assessment, the Company's Chairman, acting in the capacity of Interim Chief Executive Officer, and Chief Financial Officer have concluded that the Company's internal control over financial reporting are effective.

Disclosure Controls and Procedures

Disclosure controls and procedure as designed to provide reasonable assurance that material information is gathered and reported to senior management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to permit timely decisions regarding public disclosure.

Management, including the Chairman, acting in the capacity of Interim Chief Executive Officer, and Chief Financial Officer, has evaluated the effectiveness of the design and operation of our disclosure controls and procedures. Based on this evaluation, the Chairman, acting in the capacity of Interim Chief Executive Officer, and Chief Financial Officer have concluded that the Company's disclosure controls and procedures, as defined in National Instrument 52-109 – Certification of Disclosure in Issuer's Annual and Interim Filings, are effective to ensure that information required to be disclosed in reports that are filed or submitted under Canadian securities legislation are recorded, processed, summarized and reported within the time period specified in those rules.

CORPORATE GOVERNANCE

Composition of the Board of Directors

The Board of Directors of Africo is at present comprised of six directors, four of whom are considered to be independent.

RISKS AND UNCERTAINTIES

The success of the Company depends upon a number of factors, many of which are beyond our control. Certain of these risks include political risks, financing risks, title risks, commodity prices, exchange rate risks, operating and environmental hazards encountered in the exploration, development and mining business and changing laws and public policies. Risk factors are more fully described in our Annual Information Form for the year ended December 31, 2008 and dated March 25, 2009, available electronically through the Internet on the Canadian System for Electronic Document Analysis and Retrieval (SEDAR) under Africo's issuer profile, which can be accessed at www.sedar.com.

Currency risk

The Company operates in the DRC and Canada and has a functional currency of US Dollars. It is therefore exposed to foreign exchange risk arising from transactions denominated in a foreign currency. Africo's cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities are held in several currencies (mainly Canadian dollars) and are therefore subject to fluctuation against the US dollar.

Investment in the Company's shares is highly speculative and investors risk losing their entire investment.

FORWARD LOOKING STATEMENTS

The Company's interim financial statements for the period ended September 30, 2009, and annual financial statements for the period ended December 31, 2008 and this accompanying MD&A contain certain statements that may be deemed "forward-looking statements". All statements in this document, other than statements of historical fact, that address events or developments that the Company expects to occur, are forward looking statements. Forward looking statements are statements that are not historical facts and are generally, but not always, identified by the words "expects", "plans", "anticipates", "believes", "intends", "estimates", "projects", "potential", "interprets" and similar expressions, or that events or conditions "will", "would", "may", "could" or "should" occur. Forward-looking statements in this document include statements regarding future exploration programs and joint venture partner participation, liquidity and effects of accounting policy changes. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results may differ materially from those in forward-looking statements. Factors that could cause the actual results to differ materially from those in forward-looking statements include market prices, exploitation and exploration success, continued availability of capital and financing, inability to obtain required regulatory or governmental approvals and general economic, market or business conditions. Investors are cautioned that any such statements are not guarantees of future performance and actual results or developments may differ materially from those projected in the forward-looking statements. Forward looking statements are based on the beliefs, estimates and opinions of the Company's management on the date the statements are made. The Company undertakes no obligation to update these forward-looking statements in the event that management's beliefs, estimates or opinions, or other factors, should change except as required by law.

These statements are based on a number of assumptions, including, among others, assumptions regarding general business and economic conditions, the timing of the receipt of regulatory and governmental approvals for the transactions described herein, the ability of Africo and other relevant parties to satisfy stock exchange and other regulatory requirements in a timely manner, the availability of financing for Africo's proposed transactions and exploration and development programs on reasonable terms and the ability of third-party service providers to deliver services in a timely manner. The foregoing list of assumptions is not exhaustive. Events or circumstances could cause results to differ materially.

AFRICO RESOURCES LTD.

By:

Chris Theodoropoulos

CHAIRMAN

November 10, 2009