AFRICO RESOURCES LTD.

Management's Discussion & Analysis for the year ended

December 31, 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 year ended December 31, 2009 compared with the year ended December 31, 2008. The following information should be read in conjunction with its audited financial statements for the year ended December 31, 2009 and 2008. The financial statements have been 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 during the 2009 fiscal year: EIC-173 "Credit Risk and Fair Value of Financial Assets and Financial Liabilities," EIC-174 "Mining Exploration Costs" and CICA HB Section 3862 "Financial Instruments – Disclosure." The Company has also retrospectively changed its accounting policy relating to mineral property exploration expenditures. This review is prepared as at March 24, 2010. 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 (once filed) is available on SEDAR at www.sedar.com.

OVERVIEW

Africo Resources Ltd. ("the Company" or "Africo") is a mineral resource company engaged in the exploration and development of precious metal and base metal mineral properties. Currently the Company has its principal mineral property, the Kalukundi Property, which is a copper and cobalt property, located in the Democratic Republic of the Congo ("DRC") and has a secondary property, the Mporokoso property, which is an early stage gold exploration property located in the Republic of Zambia.

HIGHLIGHTS FOR THE CURRENT AND PRIOR YEARS

Private Placement and resolution of Kalukundi ownership dispute

On July 24, 2008, Africo completed a CDN $100 million private placement with Camrose Resources Limited ("Camrose"). Concurrently with the Camrose private placement, the Company entered into an agreement with Camrose pursuant to which Africo's wholly-owned subsidiary re-established ownership of 75% of the outstanding shares of Swanmines S.p.r.l. ("Swanmines"), the holder of the exploitation permit to the Kalukundi Property. This finally brought to an end the ownership dispute which had caused significant disruption to Africo's operational plans in the DRC.

Termination of Transfer Agreement with La Congolaise de Mines et de Development (Comide S.p.r.l.) ("Comide'')

Concurrently with the July 24, 2008 private placement with Camrose, Africo had entered into a Transfer Agreement with Comide, a joint venture company owned as to 75% by an affiliate of Camrose and 25% by Gecamines. The Transfer Agreement provided that Comide would transfer to Swanmines Exploitation Permit No. PE2607 consisting of approximately 34.81 km^2 for copper, cobalt, gold and nickel extraction located in the Province of Katanga, DRC. The purchase price to be paid by Africo was to be based on a valuation and be satisfied by the issuance of common shares in the capital of Africo at a deemed price of CDN $2.50 per share.

The transfer was subject to a number of conditions precedent being satisfied, including the consent of Gécamines, which was not obtained. As a result of the economic conditions in 2009, the uncertain value of the Exploitation Permit and the corresponding uncertainty as to the number of shares to be issued, and the consent of Gécamines not being obtained, on May 15, 2009 Africo, Comide and Camrose entered into an agreement to terminate the Transfer Agreement subject to the approval of the disinterested shareholders of Africo, which approval was obtained at Africo's annual and special meeting held June 18, 2009.

Mining Review

Under the terms of the mining review in the DRC, an agreement was concluded on January 13, 2009 with La Générale des Carrières et des Mines ("Gécamines") and the Government of the Democratic Republic of Congo on the amended terms governing the Kalukundi property. The main additional obligations under the amendment agreement are that Africo is required to pay Gécamines USD $1.6 million per year for a four year period as an entry fee, and an additional payment will be required on the basis of USD $35 per ton of copper on reserves exceeding 180,000 tons. The first USD $1.6 million payment was made in January 2009 and a second USD $1.6 million was paid in January 2010.

Mineral Projects – The Kalukundi Property

A technical report on the Kalukundi Property dated June 2006, as revised July 2008 (the "Kalukundi Report" or the "Technical Report") written by John Hearne, B.Eng., MBA, MA Aus IMM, and Dr. Julian Verbeek, BSc. (Honours), PhD (Geol.), MA Aus IMM, both principal consultants with RSG Global Pty. Ltd., which is compliant with National Instrument 43-101 has been filed and is available for public review on the Internet at the System for Electronic Document Analysis and Retrieval (SEDAR) website: www.sedar.com. A summary of the Technical Report is also contained in Africo's Annual Information Form dated March 25, 2009 (filed March 31, 2009) as well as in the Annual Information Form dated March 24, 2010, which are also available on the SEDAR website.

As a result of the 2008-2009 global economic conditions, Africo significantly scaled back activities on the Kalukundi project until such time as global economic conditions improve. In this regard, the Company also laid off its expatriate development team in order to reduce its costs on the project.

Exploration activities and drilling activity which focused on the search for mineralization within new fragments started in 2008 and continued into 2009. The core drilling programme, amounting to 3971m, was undertaken on three fragments:

Kesho	18 holes	2282m
SE Anticline	6 holes	674m
Principal	6 holes	1015m
Totals	**30 holes**	**3971m**

This was accompanied by 1139m of RC drilling from 13 boreholes at selected localities on the Kii, Kalukundi, SE Anticline and Principal Fragments to identify the hydrogeological characteristics of the RAT Lilas formation.

Evaluation of the core including sampling, SG measurements, etc was followed by monitoring and evaluation of the assay data to comply with QA/QC requirements. All borehole collar positions were accurately surveyed for inclusion in the detailed geological models. Accordingly, on August 4, 2009, Africo reported initial results from the drilling programme on the Principal and SE Anticline Fragments. The August 4, 2009 announcement has been electronically filed with regulators and is available for review through the Internet on SEDAR at www.sedar.com.

As Africo outlined in its August 4, 2009 announcement, results from the drilling have returned some of the best values encountered on the project to date and confirm that the central part of the Principal Fragment is highly anomalous in cobalt as well as hosting excellent copper grades. The best intersection from BH K107 grades at 7.75% copper and 2.68% cobalt over a drilled width of 32.88m (true width 30.00m). This intersection runs from 157.0m to 189.88m and has established that oxide mineralization on this fragment can be confirmed to a vertical depth of 140m.

Assay results from the drilling on the SE Anticline Fragment have been received and are very encouraging, particularly in respect of cobalt values, with the best intersection grading at 1.47% cobalt over a drilled width of 28.86m (true width 25.0m).

The core drilling on the Kesho fragment followed a programme of RC drilling undertaken in 2007 which also confirmed the presence of continuous mineralization. The results of the core drilling were very positive with each borehole intersection locating both copper and cobalt mineralization. The better intersections encountered are summarized as follows:

BH No.	From	To	Drilled Width	Cu	Co
KES 1	8.00m	44.00m	36.00M	3.08%	0.54%
KES 3B	18.50m	56.00m	37.50m	2.87%	0.54%
KES 5	3.35m	45.50m	39.15m	1.65%	0.71%
KES 15	53.00m	87.50m	34.50m	1.35%	0.89%

The SE Anticline Fragment is located to the south of the Kesho fragment. Pitting and trenching exploration plus assay data from a percussion borehole in 2008 established the presence of high grade cobalt mineralization on this fragment. A limited amount of drilling at 200m centers in 2009 was designed to determine the prospectivity of this fragment and the potential continuity of the mineralization. The drilling was successful in locating mineralization, which is copper-rich in the north and cobalt-rich in the south. One RC hole drilled in the north intersected significant copper mineralization in the hanging wall SDS unit.

As the Kalukundi Report focused on the Principal, Anticline, Kalukundi and Kii Fragments, the Company is evaluating the prospects of an assessment on the Kesho Fragment, which is a completely new geological model, and an update of the existing data on the Principal Fragment. In this regard it has been recommended by Coffey Mining (SA) Pty. Ltd. that:

- Additional drilling is needed at the Kesho Fragment to reduce the borehole spacing to 50m x 50m and replace all RC with core.
- Additional drilling is still needed at the Principal Fragment to fill in gaps in the drilling and to evaluate the mineralization in the southern portion of the Fragment.
- Hanging wall mineralization be evaluated and included in the mineral resource models.

During 2010, Africo will assess and evaluate the recommendations in the Kalukundi Report with respect to the Kalukundi Property.

Mporokoso Project in Zambia

The Company continued to seek joint venture partners to participate in exploration activities on the project, however, a joint venture partner was not able to be secured and the Company is currently re-evaluating its strategy on this project. There is a possibility that if a joint venture partner is not able to be secured in the near future and the Company does not wish to continue with its own exploration program, the project will be abandoned during 2010.

QUALIFIED PERSON

The technical information within this MD&A was prepared under the supervision of Michael J. Evans, Africo's Consulting Geologist, who is a Qualified Person under National Instrument 43-101 (NI 43-101) *Standards of Disclosures for Mineral Projects*.

SELECTED ANNUAL FINANCIAL INFORMATION

The table below sets forth selected financial data relating to the Company for the years ended December 31, 2009, December 31, 2008 and December 31, 2007.

	Years ended December 31,		
DEFICIT	**2009**	***(Restated)*** **2008**	***(Restated)*** **2007**
Sales	-	-	-
Exploration expenses	3,354,606	5,133,194	22,358,117
General and administrative costs	1,487,000	5,187,909	3,798,330
Professional fees	234,015	1,398,364	1,375,022
Stock based compensation	1,525,083	135,000	1,604,096
Stock exchange, listing and transfer agent fees	64,850	137,611	125,695
Travel	68,514	539,279	373,390
Foreign Exchange (Gain) / Loss	1,325,996	(243,200)	(1,199,685)
Interest and other income	(971,854)	(1,165,908)	(352,422)
Loss on equity accounted investment	-	-	167,489
Loss for the year	(7,088,210)	(11,122,249)	(28,250,032)
Loss per share	(0.10)	(0.24)	(1.12)
Weighted average number of shares	72,369,249	47,114,787	25,241,107
Comprehensive income (loss) for the year	5,482,419	(27,667,515)	(28,250,032)
BALANCE SHEET			
Total assets	95,315,328	91,121,475	8,047,570
Total long-term liabilities	210,876	210,876	202,560
Shareholders' equity	94,822,281	89,046,407	6,959,769
Cash dividends declared	-	-	-

See Change in accounting policy – mineral properties, for a description of the restatement.

RESULTS OF OPERATIONS

As Africo is in the exploration phase and as development is being considered on its Kalukundi Property, none of the Company's properties are currently in production. Mineral exploration expenditures are currently expensed when incurred except for significant acquisition costs with respect to a given property. Losses incurred as a result of administrative expenses relating to the operation of the Company's business are also expensed. Consequently, the Company's net income is not a meaningful indicator of its performance or potential. The policy of expensing mineral property exploration expenditures was implemented in 2009 and has been applied retroactively.

The key performance driver for the Company is the acquisition and development of prospective mineral properties. By acquiring and exploring projects of superior technical merit, the Company increases its chances of finding and developing an economic deposit.

At this time, the Company is not anticipating profit from operations. Until such time as the Company is able to realize profits from the production and marketing of commodities from its mineral properties, the Company will report an annual loss and will rely on its ability to obtain equity or debt financing to fund on-going operations. Currently the Company has sufficient working capital to fund any exploration programs however, in order to develop the Kalukundi Property additional debt or equity will be required to be raised by the Company.

Additional financing may be required for new exploration, production decisions on its principal mineral property and other business initiatives. Due to the inherent nature of the junior mineral exploration industry, the Company will have a continuous need to secure additional funds through the issuance of equity or debt in order to support its corporate and exploration and development activities, as well as its share of obligations relating to mineral properties.

For the Year ended December 31, 2009

The loss for the year ended December 31, 2009 was $7,088,210 or $(0.10) per share compared to the loss for the year ended December 31, 2008 of $11,122,249 or $(0.24) per share. The loss before other items for the year ended December 31, 2009 was $6,734,068 as compared to a loss of $12,531,357 for the year ended December 31, 2008. The decrease in operating expenses was mainly a result of the following significant operating expenditures:

- Exploration expenses for the year ended December 31, 2009 were $3,354,606 as compared to exploration expenses of $5,133,194 for the year ended December 31, 2008. The decrease in exploration expenditures was a direct result of the Company scaling back on its exploration work on its Kalukundi property during 2009 for a care and maintenance program.

- General and administrative costs of $1,487,000 for the year ended December 31, 2009 (2008 - $5,187,909) which includes fees paid to directors, consulting fees, conference fees, rent and other general expenses. The decrease in general and administrative costs was a result of the Company scaling back on its corporate head office expenditures during 2009 and the elimination of legal expenses pursuant to the resolution of the dispute relating to the Kalukundi property. In addition, the Company closed its offices in South Africa and significantly reduced its expenses in the DRC. Consulting fees and expenses relating to legal, financial, investor relations and other corporate matters, and salaries paid to Directors, former Directors, and organizations having common Directors totalled $929,972 for the year ended December 31, 2009 (2008 - $2,274,112).

- Professional fees of $234,015 (2008 – $1,398,364) for the year ended December 31, 2009. Professional fees decreased significantly during 2009 due to the fact that in 2008 professional fees were high as a result of legal fees resulting from the Swanmines ownership dispute in the DRC which began in April 2007.

- Stock based compensation expense amounted to $1,525,083 (2008 - $135,000) being the fair value attributed to options that were granted and vested during the year. The increase in stock based compensation expense was a direct result of the Company granting substantially more stock options in 2009 versus in 2008. These options vested immediately upon granting and therefore the fair value attributed to the options has been recognized.

- Stock exchange, filing and transfer agent fees totaled $64,850 (2008 - $137,611) for the year ended December 31, 2009. The decrease over the prior year is attributable to the fact that higher costs were recognized in 2008 as a result of the private placement with Camrose.

- Travel costs amounted to $68,514 (2008 – $539,279) for the year ended December 31, 2009. The decrease in travel costs is a direct result of management scaling back on travel during 2009 and the closure of the Company's office in South Africa. In 2008, travel demands were high as a result of both raising capital and transitioning the group into a development phase in the DRC, as well as the added travel requirements resulting from the legal issues being dealt with in the DRC and concluding the CDN $100 million private placement with Camrose.

- The net foreign exchange loss for the year ended December 31, 2009 amounted to $1,325,996 as compared to a net foreign exchange gain of $243,400 for the year ended December 31, 2008. The net foreign exchange gain (loss) results mainly from translation differences arising due to the fact that, some of the Company's transactions are conducted in Canadian Dollars and most cash is held in Canadian Dollars whereas the Company's functional currency is U.S. Dollars. The significant foreign exchange loss in 2009 versus the foreign exchange gain in 2008 was a direct result of the CDN/USD exchange rate being volatile in 2009 which caused a decline in the U.S. dollar.

- Interest and other income for the year ended December 31, 2009 was $971,854 (2008 – $1,165,908) and is attributable to interest earned on the Company's funds held in various interest bearing accounts and guaranteed investment certificates.

- The comprehensive income (loss) for the year ended December 31, 2009 includes an unrealized foreign exchange gain of $12,570,629 (2008 – loss of $16,545,266). 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.

Fourth Quarter Results - 2009

During the fourth quarter of 2009 the Company retrospectively changed its accounting policy for exploration expenditures to more appropriately align itself with policies applied by other comparable companies at a similar stage in the mining industry. As a result of this change in accounting policy, which was applied retrospectively, the Company's net loss increased significantly during the fourth quarter of 2009 by $2,291,141 (2008 - $3,238,919). Had the Company not changed its accounting policy, the net loss would have increased by approximately $1,024,208 for the fourth quarter of 2009 (2008 - $668,697).

The Company's largest expenditures during the quarter were exploration expenditures of $1,266,930 (2008 - $2,570,222), a recovery of general and administrative costs of $83,163 (2008 - general and administrative costs of $647,018) and stock based compensation expense of $1,321,024 (2008 - $135,000). As a result of the increase in the Company's net loss, the accumulated deficit increased from $47,016,884 to $51,395,698.

SUMMARY OF QUARTERLY RESULTS

The following table summarizes selected financial data reported by the Company for the quarter ended December 31, 2009 and the previous seven quarters in U.S. dollars. Fiscal quarters prior to the quarter ended December 31, 2009, have all been restated to conform to the change in accounting policy:

	December 31, 2009	(Restated) September 30, 2009	(Restated) June 30, 2009	(Restated) March 31, 2009	(Restated) December 31, 2008	(Restated) September 30, 2008	(Restated) June 30, 2008	(Restated) March 31, 2008
Net loss	(2,291,141)	(434,203)	(1,452,734)	(2,910,132)	(3,238,919)	(3,006,385)	(2,351,311)	(2,525,634)
Loss per share	($0.03)	($0.01)	($0.02)	($0.04)	($0.04)	($0.08)	($0.09)	($0.09)

See Change in accounting policy – mineral properties, for a description of the restatement.

LIQUIDITY AND CAPITAL RESOURCES

The Company is in the exploration stage and therefore has no regular cash inflows. At December 31, 2009, the Company had working capital of $80,232,579 (December 31, 2008 - $76,041,128).

For the Year Ended December 31, 2009

Cash and cash equivalents decreased by $3,778,759 during the year ended December 31, 2009 from $52,876,823 to $49,098,064 (2008 – increase of $47,360,528). In addition, at December 31, 2009, the Company had $31,325,906 (2008 - $24,731,839) in short-term investments.

During the year ended December 31, 2009, the Company's cash provided by (used in) financing activities was ($1,231,627) as compared to $98,674,516 for the year ended December 31, 2008. Cash provided by (used in) financing activities consists of additional funds from the sale of common shares and warrants and through funds received as a result of directors, officers, employees and consultants exercising their stock options as well as the repurchase of common shares from existing shareholders.

Cash used in operating activities during the year ended December 31, 2009 was $5,563,127 (2008 - $10,987,249) before any changes in non-cash working capital. After adjusting for cash flows applied to non-cash working capital, cash used in operating activities was $6,923,694 (2008 - $10,036,883).

Cash used for investing activities during the year ended December 31, 2009 was $3,279,374 (2008 - $30,075,184). The investing activities were as follows: short-term investments of $1,679,374 (2008 - $30,075,184) and acquisition of resource properties of $1,600,000 (2008 - $Nil). The increase in short-term deposits on the consolidated balance sheet is a combination of the additional $1,679,374 invested and the unrealized foreign exchange gain on the Company's Canadian dollar denominated investments.

At December 31, 2009, the Company's investment in resource properties aggregated $14,800,578 (2008 - $13,200,578) and other assets, accounts receivable and prepayment totaled $90,780 (2008 - $312,235).

At December 31, 2009, share capital of $129,874,527 consisted of 70,920,295 issued and outstanding common shares (2008 - $133,042,257 consisted of 72,615,172 issued and outstanding common shares). Contributed surplus, which arises from the recognition of the estimated fair value of stock options was $8,864,106 (2008 - $5,331,673), share purchase warrants totaled $11,453,983 (2008 - $11,525,231) and accumulated other comprehensive loss totaled $3,974,637 (2008 - $16,545,266).

As a result of the net loss for the year of $7,088,210, the deficit at December 31, 2009, increased to $51,395,698 from $44,307,488 at December 31, 2008. Accordingly, shareholders' equity at December 31, 2009 was $94,822,281 as compared to $89,046,407 at December 31, 2008.

At present, the Company's operations do not generate cash inflows and its financial success is dependent on the potential development of its principal property and on management's ability to discover economically viable mineral deposits. The mineral exploration process can take many years and is subject to factors that are beyond the Company's control.

The Company currently has sufficient financial resources to meet its administrative overhead and property commitments for the next twelve months and beyond based on current expenditure levels. However, in order to develop the Kalukundi project in accordance with the capital cost estimates outlined in our feasibility study, the Company will be required to raise additional debt and/or equity capital.

Although management believes it will be able to raise equity capital as required in the long term, it recognizes that there will be risks involved which may be beyond its control and there can be no assurance that the Company will be able to raise the additional debt and/or equity that may be required. Furthermore, in order for the Company to raise additional capital, it may have to review and revise the capital cost estimates that are currently outlined in the feasibility study, and therefore such capital cost estimates could end up being significantly higher than currently outlined in the feasibility study.

LIQUIDITY OUTLOOK

Cash Utilization Requirements

The Company has the following requirements:

- The Company is currently assessing its planned exploration activities for 2010 and currently has sufficient funds to carry out these planned exploration activities during 2010.

- The Company is required to make an entry payment of $6,400,000 from 2009 to 2012 in four equal installments of $1,600,000. As at March 24, 2010, the Company has made two installment payments for a total of $3,200,000.

STRATEGY AND RISK MANAGEMENT

The Company has taken steps to reduce the level of its operating costs with a view to ensuring that it is able to withstand any delay in bringing the Kalukundi project into production as a result of the current economic conditions.

The feasibility study for the Kalukundi project which was completed in June 2006 and revised in July 2008 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 and based on estimates contained in the feasibility study, the Company will need to raise approximately $200 million or more for capital costs, working capital, and additional mining and exploration activities to enable the Company to meet its development plans. In 2008, the Company raised CDN $100 million of equity funding, and the Company will need to secure a debt component or additional equity financing in order to proceed with the project.

As a result of the 2008 and 2009 economic conditions, Africo significantly scaled back activities on its Kalukundi project until such time as global economic conditions improve. 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.

EXPLORATION AND EARLY DEVELOPMENT STAGE COMPANY

The Company is engaged in the business of acquiring, exploring and developing mineral properties with the expectation of locating economic deposits of minerals. There is no assurance that the Company's exploration or development programs will result in economic deposits being commercially mined. As a consequence, the risks and uncertainties and forward looking information is subject to known and unknown risks and uncertainties which are as follows, but not limited thereto:

- exploration and development of mining properties is highly speculative in nature and involves a high degree of risk
- there are many competitors in the business, some of which have greater financial, technical and other resources
- mining involves many hazards and risks in the field such as unexpected rock formations, seismic activity, cave-ins, adverse weather conditions, unstable political conditions, and many other conditions
- timing delays in exploration and development and delays in funding may result in delays and postponement of projects
- there is no assurance that the Company will be able to obtain all necessary permits and approvals to conduct its affairs and no assurance that future tax, environmental or other legislation will cause additional expenses, delays or postponements
- there is no assurance that the Company will be able to obtain the requisite financing to bring the Kalukundi project into production
- the operations are subject to environmental regulation, a breach of which may result in imposition of enforcement actions, environmental hazards may exist on current properties which are presently unknown to the Company, and regulations and laws change over time
- world prices for metals can be unstable and unpredictable and may materially affect the Company's operations as well as economic conditions which may change the demand for minerals
- the securities markets worldwide have experienced high price and volume volatility
- the Company is dependent upon the services of several key individuals whose loss could significantly affect operations
- officers and directors of the Company may have potential conflicts of interest with other entities
- uncertainties as to future development and implementation of future technologies

- changes in accounting policies and methods may affect how the financial condition of the Company is reported

- uncertainties, such as potential breaches of contracts (i.e. property agreements), could result in significant loss

- The Company operates in the DRC and Canada and has a functional currency of U.S. 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 (currently mainly Canadian dollars) and are therefore subject to fluctuation against the U.S. dollar.

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

DIVIDENDS

Africo has no earnings or dividend record and is unlikely to pay any dividends in the foreseeable future as it intends to employ available funds for mineral exploration and development. Any future determination to pay dividends will be at the discretion of the Board of Directors of Africo and will depend on Africo's financial condition, results of operations, capital requirements and such other factors as the Board of Directors of Africo deem relevant.

NATURE OF THE SECURITIES

The purchase of the Company's securities involves a high degree of risk and should be undertaken only by investors whose financial resources are sufficient to enable them to assume such risks. The Company's securities should not be purchased by persons who cannot afford the possibility of the loss of their entire investment. Furthermore, an investment in the Company's securities should not constitute a major portion of an investor's portfolio.

PROPOSED TRANSACTIONS

At the present time, there are no proposed transactions that are required to be disclosed.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

TRANSACTIONS WITH RELATED PARTIES

Consulting fees and expenses relating to legal, financial, investor relations and other corporate matters, and salaries paid to Directors, former Directors, and organizations having common Directors totalled $929,972 for the year ended December 31, 2009 (2008 - $2,274,112).

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. In February 2010 this fee was reduced to $40,000 per month and the contract is currently being re-negotiated. The amount of the fee was determined based on the commercial value of the services provided. The total amount paid to Oakton as of December 31, 2009 amounted to $250,000.

Related party transactions are in the normal course of business and occur on terms similar to transactions with non-related parties, and therefore are measured at the exchange amount. Other related party transactions are disclosed elsewhere in the notes to the consolidated financial statements.

OUTSTANDING SHARE DATA

Africo's authorized capital consists of an unlimited number of common shares without par value. As at March 24, 2010, the following common shares, options and share purchase warrants were outstanding:

	# of Shares	Exercise Price	Expiry Date
Issued and Outstanding Common Shares at March 24, 2010	71,069,660	N/A	N/A
Incentive Stock Options	640,000	CDN $0.75	June 18, 2010
	25,000	CDN $1.75	November 16, 2010
	255,000	CDN $2.50	April 1, 2011
	710,000	CDN $2.31	November 18, 2012
	1,630,000	CDN $1.00	December 9, 2014
	100,000	CDN $1.00	January 11, 2015
Share Purchase Warrants	1,731,602	CDN $2.89	November 27, 2012
Fully Diluted at March 24, 2010	76,161,262		

The Company also has an obligation under a plan of arrangement with Rubicon Minerals Corporation, among others, which was completed on December 8, 2006, to issue shares to pre-existing Rubicon option and warrant holders. All consideration with respect to these shares is payable to Rubicon. A total of 43,477 shares remain to be issued to these option and warrant holders or to Rubicon as of March 24, 2010.

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. 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 that 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 the Kalukundi property.

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.

Reclamation costs

The amounts recorded for reclamation costs are estimates based on the Company's assessment of the work that is anticipated to remediate the Company's current properties. These assessments were conducted by Michael J. Evans, Africo's Consulting Geologist, who is a Qualified Person under National Instrument 43-101 (NI 43-101). An asset retirement obligation ("ARO") is recognized initially at fair value with a corresponding increase in the related asset. The ARO is accreted to full value over time through periodic changes to operations. The ARO which has been recorded in Africo's consolidated financial statements for the year ended December 31, 2009 has not been discounted due to the uncertainty of timing of when the costs will be incurred. Actual costs incurred during reclamation and the timing of when the costs will be incurred could be materially different from these estimates.

CHANGE IN ACCOUNTING POLICY – MINERAL PROPERTIES

During the year ended December 31, 2009, the Company retrospectively changed its accounting policy for exploration expenditures to more appropriately align itself with policies applied by other comparable companies at a similar stage in the mining industry. Prior to the year ended December 31, 2009, the company capitalized exploration expenditures and acquisition costs to mineral properties held directly or through an investment, and only wrote down capitalized costs when the property was sold, abandoned or if the capitalized costs were not considered to be economically recoverable.

Exploration expenditures are now charged to earnings as they are incurred until the mineral property reaches the development stage. Significant costs related to property acquisitions, including allocations for underdeveloped mineral interests, are capitalized until the viability of the mineral interest is determined. When it has been established that a mineral deposit is commercially mineable and an economic analysis has been completed, the costs subsequently incurred to develop a mine on the property prior to the start of mining operations are capitalized. The impact of this change on the previously reported December 31, 2008 consolidated financial statements is as follows:

		As previously reported		Restatement		As Restated
Mineral property costs at December 31, 2008	$	52,071,128	$	(38,870,550)	**$**	**13,200,578**
Future income tax liability		10,949,034		(10,949,034)		**-**
Exploration expenses for the year ended December 31, 2008		-		5,133,194		**5,133,194**
Loss for the year ended December 31, 2008	$	5,989,055	$	5,133,194	**$**	**11,122,249**
Loss per share for the year ended December 31, 2008		(0.13)		(0.11)		**(0.24)**
Deficit at December 31, 2008	$	16,385,972	$	27,921,516	**$**	**44,307,488**
Deficit at December 31, 2007		10,396,921		22,788,318		**33,185,239**

NEW ACCOUNTING PRONOUNCEMENTS

The accounting policies followed by the Company are set out in note 2 of the audited consolidated financial statements for the year ended December 31, 2009, and have been consistently followed in the preparation of these consolidated financial statements except that the Company has retrospectively changed its accounting policy for exploration costs, as previously discussed, and has adopted the following CICA guidelines during the fiscal year ended December 31, 2009:

Credit Risk and Fair Value of Financial Assets and Financial Liabilities

Effective January 2009, the CICA approved EIC-173 "Credit Risk and Fair Value of Financial Assets and Financial Liabilities." This guidance clarified that an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities including derivative instruments. The Company has evaluated this new section and has determined that the adoption of these new requirements has not had an impact on the Company's consolidated financial statements.

Mining Exploration Costs

Effective March 2009, the CICA approved EIC-174 "Mining Exploration Costs." This guidance clarified that an entity that has initially capitalized exploration costs has an obligation in the current and subsequent accounting periods to test such costs for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. The Company has evaluated this new section and has determined that the adoption of these new requirements has not had an impact on the Company's consolidated financial statements.

Financial Instruments - Disclosure, Section 3862

In June 2009, Handbook Section 3862 was further amended to include disclosures about fair value measurements of financial instruments and to enhance liquidity risk disclosure. The additional fair value measurement disclosures include classification of financial instrument fair values in a fair value hierarchy comprising of three levels reflecting the significance of the inputs used in making the measurements, described as follows:

Level 1: Valuations based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Valuations based on directly or indirectly observable inputs in active markets for similar assets or liabilities, other than Level 1 prices such as quoted interest or currency exchange rates; and

Level 3: Valuations based on significant inputs that are not derived from observable market data, such as discounted cash flow methodologies based on internal cash flow forecasts.

These amendments are required to be adopted for fiscal years ending after September 20, 2009. The Company has adopted these amendments for the fiscal year ended December 31, 2009.

RECENT CANADIAN ACCOUNTING PRONOUNCEMENTS

The following recent Canadian accounting pronouncements will be adopted by the Company January 1, 2010. Recent Canadian accounting pronouncements that have been issued but are not yet effective, and which may affect the Company's financial reporting are as follows:

International Financial Reporting Standards (''IFRS'')

In February 2008 the Accounting Standards Board (''AcSB'') announced that the changeover date for publicly listed companies to use IFRS, which replaces Canadian Generally Accepted Accounting Principles (''GAAP''), shall be for interim and annual financial statements beginning on or after January 1, 2011. The company will also require a restatement for the comparative purposes of amounts reported by the company for the 2010 fiscal year.

The company has commenced the process to transition from GAAP to IFRS and has determined that the process will comprise of various phases. The phases would be scoping and diagnosis, analysis and quantification and evaluation and implementation.

A preliminary diagnostic review indicated that the greatest areas of impact would be in the areas of consolidation, impairment of assets, financial instruments, related party transactions and initial adoption alternatives under IFRS 1.

The analysis and quantification and evaluation stage requires the specification of changes, their impact on accounting policies and information systems and an analysis of alternatives allowed under IFRS 1. The company has not determined the potential impact on future financial statements and reporting at this time.

The implementation phase involves the execution of changes to information systems and authorization to accounting policy changes followed by the collection of financial information necessary to compile the IFRS financial statements.

IFRS 1 is a first time adoption Standard which provides companies adopting IFRS for the first time numerous optional exemptions and mandatory exceptions. The accounting policy choices are being evaluated and those determined to be appropriate are anticipated to be adopted.

IFRS is currently developing new projects that are expected to become new IFRS standards and therefore IFRS as at the transition date are expected to differ from the current form. The full impact of IFRS will only be determined once all applicable standards at the conversion date are known.

Business Combinations

The Canadian Institute of Chartered Accountants (''CICA') issued Handbook Sections 1582, 1601 and 1602 relating to the acquisition method of accounting, consolidated financial statements and non-controlling interests. These standards apply prospectively to business combinations for which the acquisition date is on or after January 1, 2011. The Company has evaluated this new section and has determined that the adoption of these new requirements has not had a material impact on the Company's consolidated financial statements.

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.

Available-for-sale financial assets are recorded at fair value as determined by active market prices. Unrealized gains and losses on available-for-sale investments are recognized in other comprehensive income. If a decline in fair value is deemed to be other than temporary, the unrealized loss is recognized in net earnings. Investments in equity instruments that do not have an active quoted market price are measured at cost.

Loans and receivables are recorded initially at fair value, net of transaction costs incurred, and subsequently at amortized cost using the effective interest rate method.

As of December 31, 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 U.S. 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 and accounts payable and accrued liabilities are held in several currencies (mainly Canadian dollars) and are therefore subject to fluctuation against the U.S. dollar.

The Company had the following balances in Canadian Dollars as at December 31, 2009:

	Canadian Dollars
Cash and cash equivalents	$ 51,359,497
Short-.term investments	32,837,000
Accounts receivable	29,343
Accounts payable and accrued liabilities	(181,658)
Net balance	**$ 84,044,182**
Equivalent in US Dollars	**$80,049,539**

As at December 31, 2009, a 1% increase (decrease) in the exchange rates on that date would have resulted in a decrease (increase) of approximately $800,495.

<u>Interest rate risk</u>

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 and short-term investments include deposits which are at variable interest rates. A plus or minus 0.5% change in market interest rates would affect the Company's interest earned on cash and cash equivalents and short-term investments by approximately $402,000.

<u>Liquidity risk</u>

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.

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 statement preparation and presentation.

The Company's 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 Chief Executive Officer and Chief Financial Officer have concluded that the Company's internal controls over financial reporting are effective.

Disclosure Controls and Procedures

Disclosure controls and procedures 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 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 Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures, as defined in Multilateral 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.

SUBSEQUENT EVENTS

(a) Subsequent to the year ended December 31, 2009, the Company paid $1,600,000 to La Générale des Carrières et des Mines ("GCM") pursuant to its agreement with GCM dated January 13, 2009. This payment is the second of four equal annual installments totaling $6,400,000 which is considered to be an entry payment.

(b) On January 11, 2010, Africo issued 100,000 incentive stock options exercisable at CDN $1.00 per share for a period of five years to an officer and a consultant of the Company.

(c) On January 24, 2010, 20,000,000 warrants with an exercise price of CDN $3.50 expired without exercise.

(d) On February 1, 2010, 75,000 incentive stock options with an exercise price of CDN $2.31 expired without exercise.

(e) Other subsequent events have been disclosed elsewhere in the body of this annual MD&A.

FORWARD LOOKING STATEMENTS

The Company's annual financial statements for the years ended December 31, 2009 and 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.

APPROVAL

The Board of Directors of Africo Resources Ltd. has approved the disclosure contained in this annual MD&A. A copy of this annual MD&A will be provided to anyone who requests it.

Additional Information

Additional information relating to Africo Resources Ltd. can be obtained on SEDAR at www.sedar.com or by contacting:

Africo Resources Ltd.
Attention: Chris Theodoropoulos, Acting President and Chief Executive Officer
Suite 1108 – 1030 West Georgia Street
Vancouver, BC CANADA V6E 2Y3
Tel: (604) 646-3225 Fax: (604) 646-3226
Website: www.africoresources.com
Email: info@africoresources.com

AFRICO RESOURCES LTD.
/s/ "Chris Theodoropoulos"
Chris Theodoropoulos
Acting President and Chief Executive Officer

AFRICO RESOURCES LTD.
/s/ "Larry Okada"
Larry Okada, CA
Acting Chief Financial Officer