



Annual Consolidated Financial Statements
For the Years Ended December 31, 2014 and 2013
(Stated in US Dollars Unless Noted Otherwise)

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying consolidated financial statements of Africo Resources Ltd. were prepared by management in accordance with International Financial Reporting Standards (“IFRS”). Management acknowledges responsibility for the preparation and presentation of the consolidated financial statements, including responsibility for significant accounting judgements and estimates and the choice of accounting principles and methods that are appropriate to the Company’s circumstances. The significant accounting policies of the Company are summarized in Note 3 to the consolidated financial statements.

Management has established a system of internal control over the financial reporting process, which is designed to provide reasonable assurance that relevant and reliable information is produced.

The Board of Directors is responsible for reviewing and approving the consolidated financial statements, the accompanying Management’s Discussion and Analysis and for ensuring that management fulfills its financial reporting responsibilities. The Audit Committee of the Board of Directors meets with management as well as with the independent auditor to review the internal controls over the financial reporting process, the consolidated financial statements and the auditor’s report. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the consolidated financial statements for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company’s affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

These financial statements have been audited by PricewaterhouseCoopers LLP, Chartered Accountants, and their independent audit report follows.

“Chris Theodoropoulos”

Chris Theodoropoulos
Acting Chairman and Chief Executive Officer

“Larry Okada”

Larry Okada
Acting Chief Financial Officer

March 20, 2015



March 20, 2015

Independent Auditor's Report

To the Shareholders of Africo Resources Ltd.

We have audited the accompanying consolidated financial statements of Africo Resources Ltd. and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2014 and December 31, 2013 and the consolidated statements of loss and comprehensive loss, cash flow and changes in equity for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Africo Resources Ltd. and its subsidiaries as at December 31, 2014 and December 31, 2013 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

signed "PricewaterhouseCoopers LLP"

Chartered Accountants

PricewaterhouseCoopers LLP

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

AFRICO RESOURCES LTD.
Consolidated Statements of Financial Position
(Stated in US Dollars Unless Noted Otherwise)

	As at December 31, 2014	As at December 31, 2013
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 19,500,905	\$ 37,418,649
Short-term investments (Note 5)	32,978,000	21,560,803
Due from related party (Note 6c)	824,645	942,489
Accounts receivable and prepayments	90,167	74,737
	53,393,717	59,996,678
Non-current assets:		
Exploration and evaluation assets (Note 7)	19,600,578	19,600,578
Reclamation deposits (Note 8)	207,834	-
TOTAL ASSETS	\$ 73,202,129	\$ 79,597,256
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 1,014,863	\$ 1,065,485
Non-current liabilities:		
Provision for closure and reclamation (Note 9)	210,876	210,876
TOTAL LIABILITIES	1,225,739	1,276,361
Equity:		
Share capital (Note 10a)	130,193,394	130,193,394
Equity reserve	10,616,534	10,155,335
Deficit	(68,833,538)	(62,027,834)
TOTAL EQUITY	71,976,390	78,320,895
TOTAL LIABILITIES AND EQUITY	\$ 73,202,129	\$ 79,597,256

Commitments (Note 11)
Income Taxes (Note 16)
Subsequent Event (Note 17)

Approved by the Board of Directors:

“James Cook” _____ Director
James Cook

“Charles Forster” _____ Director
Charles Forster

- See accompanying notes to the consolidated financial statements -

AFRICO RESOURCES LTD.
Consolidated Statements of Loss and Comprehensive Loss
(Stated in US Dollars Unless Noted Otherwise)

	For the year ended December 31, 2014	For the year ended December 31, 2013
Expenses		
Exploration and evaluation expenditures <i>(Note 7)</i>	\$ 2,427,981	\$ 2,426,544
Management and consulting fees	625,886	695,530
Office expenses	170,700	177,292
Professional fees	96,448	104,283
Share-based compensation expense (recovery) <i>(Note 10b)</i>	461,199	(16,238)
Stock exchange, filing and transfer agents fees	49,339	58,756
Travel	68,489	120,027
Total Expenses	(3,900,042)	(3,566,194)
Other Income (Expenses)		
Foreign exchange loss	(3,600,642)	(3,012,325)
Interest and other income	694,980	683,835
Net Loss and Comprehensive Loss for the Year	\$ (6,805,704)	\$ (5,894,684)
Loss per Common Share		
Basic	\$ (0.10)	\$ (0.08)
Diluted	\$ (0.10)	\$ (0.08)
Weighted Average Number of Common Shares Outstanding		
Basic	71,313,127	71,311,638
Diluted	71,313,127	71,311,638

- See accompanying notes to the consolidated financial statements -

AFRICO RESOURCES LTD.
Consolidated Statements of Cash Flows
(Stated in US Dollars Unless Noted Otherwise)

	For the year ended December 31, 2014	For the year ended December 31, 2013
Operating Activities		
Net loss for the year	\$ (6,805,704)	\$ (5,894,684)
Adjustment for items which do not involve cash:		
Share-based compensation expense (recovery)	461,199	(16,238)
Unrealized foreign exchange loss	3,455,439	2,924,060
Changes in non-cash working capital components:		
Accounts receivable and prepayments	(15,430)	17,289
Accounts payable and accrued liabilities	(50,622)	(83,138)
Cash used in operating activities	(2,955,118)	(3,052,711)
Investing Activities		
Short-term investments	(14,371,286)	22,108,994
Reclamation deposits	(207,834)	-
Due from related party	117,844	17,588
Cash (used in) provided by investing activities	(14,461,276)	22,126,582
Effect of exchange rate changes on cash and cash equivalents	(501,350)	(1,498,843)
Net (decrease) increase in cash and cash equivalents during the year	(17,917,744)	17,575,028
Cash and cash equivalents, beginning of the year	37,418,649	19,843,621
Cash and cash equivalents, end of the year	\$ 19,500,905	\$ 37,418,649

- See accompanying notes to the consolidated financial statements -

AFRICO RESOURCES LTD.**Consolidated Statements of Changes in Equity**

(Stated in US Dollars Unless Noted Otherwise)

	SHARE CAPITAL		EQUITY		TOTAL
	SHARES	AMOUNT	RESERVE	DEFICIT	EQUITY
Balance – January 1, 2013	71,311,278	\$ 130,193,394	\$ 10,171,573	\$ (56,133,150)	\$ 84,231,817
Shares issued under plan of arrangement <i>(Note 10a)</i>	1,849	-	-	-	-
Share-based compensation recovery <i>(Note 10b)</i>	-	-	(16,238)	-	(16,238)
Net loss for the year	-	-	-	(5,894,684)	(5,894,684)
Balance – December 31, 2013	71,313,127	\$ 130,193,394	\$ 10,155,335	\$ (62,027,834)	\$ 78,320,895
Balance – January 1, 2014	71,313,127	\$ 130,193,394	\$ 10,155,335	\$ (62,027,834)	\$ 78,320,895
Share-based compensation expense <i>(Note 10b)</i>	-	-	461,199	-	461,199
Net loss for the year	-	-	-	(6,805,704)	(6,805,704)
Balance – December 31, 2014	71,313,127	\$ 130,193,394	\$ 10,616,534	\$ (68,833,538)	\$ 71,976,390

- See accompanying notes to the consolidated financial statements -

AFRICO RESOURCES LTD.

Notes to the Consolidated Financial Statements

(Stated in US Dollars Unless Noted Otherwise)

1. NATURE OF OPERATIONS

Africo Resources Ltd. (the “Company” or “Africo”) is a mineral resource company engaged in the exploration and development of precious and base metal mineral properties. Currently, the Company’s principal mineral property is the Kalukundi Property, located in the Democratic Republic of the Congo (“DRC”).

Africo is a publicly listed company incorporated in Canada with limited liability under the laws of Canada. The Company’s shares are listed on the Toronto Stock Exchange under the symbol ARL.

The head office, principal address and records office of the Company are located at 800 West Pender Street, Suite 520, Vancouver, British Columbia, Canada, V6C 2V6. The Company’s registered address is 1111 West Georgia Street, Suite 1810, Vancouver, British Columbia, Canada, V6E 4M3.

2. BASIS OF PREPARATION

(a) Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) under the historical cost convention, as modified by the revaluation of derivative contracts and certain financial assets. The significant accounting policies are presented in Note 3 and have been consistently applied in each of the periods presented.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

(b) Approval of the Financial Statements

The consolidated financial statements of Africo Resources Ltd. for the year ended December 31, 2014 were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on March 18, 2015.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these consolidated financial statements are as follows:

(a) Principles of Consolidation

The financial statements of the Company consolidate the accounts of Africo and its subsidiaries. All intercompany transactions, balances and unrealized gains and losses are eliminated on consolidation.

AFRICO RESOURCES LTD.
Notes to the Consolidated Financial Statements
(Stated in US Dollars Unless Noted Otherwise)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

(a) Principles of Consolidation - continued

Subsidiaries are those entities which Africo controls by having the power to govern the financial and operating policies. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether Africo controls another entity. Subsidiaries are fully consolidated from the date on which control is obtained by Africo and are de-consolidated from the date that control ceases.

The Company's wholly owned and partially owned subsidiaries are presented below:

Subsidiary	Location	Ownership Interest	Status
Africo Resources (B.C.) Ltd.	Canada	100%	Consolidated
Kisankala Mining Corp.	Canada	100%	Consolidated
Africo DRC S.P.R.L.	Democratic Republic of Congo	100%	Consolidated
Swanmines SAS	Democratic Republic of Congo	75%	Consolidated

(b) Foreign Currency Translation

The functional and reporting currency of the Company and its subsidiaries is the United States dollar. Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the transaction date. Monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at each reporting date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Foreign currency translation differences are recognized in profit or loss.

(c) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held with banks, and other short-term highly liquid investments with original maturities of three months or less.

(d) Short-term Investments

The Company classifies all its investments with original maturities greater than three months to one year as short-term investments.

(e) Exploration and Evaluation Assets

Exploration and evaluation expenses are charged to earnings as they are incurred until the mineral property reaches the development stage. Significant costs related to property acquisitions 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 and will be amortized against production following commencement of commercial production, or written off if the property is sold, allowed to lapse or abandoned.

AFRICO RESOURCES LTD.

Notes to the Consolidated Financial Statements

(Stated in US Dollars Unless Noted Otherwise)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *continued*

(e) Exploration and Evaluation Assets - *continued*

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the conveyance history characteristic of many mineral properties. The Company has investigated title to its principal mineral property and to the best of its knowledge title to its property is in good standing.

(f) Exploration and Production Sharing

International operations conducted pursuant to exploration and production sharing agreements (“EPSAs”) are reflected in the consolidated financial statements based on the Company’s working interest. Under the EPSAs, the Company pays all exploration costs and the full costs to develop and operate the concessions. Each EPSA establishes specific terms for the Company to recover these costs and to share in the remaining production profits. The cost recovery is determined in accordance with a formula that is limited to a specified percentage of production during each fiscal year. The portion of production remaining after deducting the cost recovery is shared between the Company and the state owned project partner. Both the cost recovery and remaining production are reported as sales revenue. All government distributions are considered to be royalty interests.

(g) Provision for Closure and Reclamation

The Company records a liability based on the best estimate of costs for site closure and reclamation activities that the Company is legally or constructively required to remediate and the liability is recognized at the time environmental disturbance occurs. The resulting costs are capitalized to the corresponding asset. The provision for closure and reclamation liabilities is estimated using expected cash flows and discounted using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The capitalized amount is amortized on the same basis as the related asset. The liability is adjusted for the accretion of the discounted obligation and any changes in the amount or timing of the underlying future cash flows. Significant judgments and estimates are involved in forming expectations of the amounts and timing of future closure and reclamation costs. Changes in closure and reclamation estimates are accounted for as a change in the corresponding capitalized cost. Costs of rehabilitation projects for which a provision has been recorded are recorded directly against the provision as incurred, most of which are incurred at the end of the life of the mine.

(h) Impairment of Non-Current Assets

Non-current assets are evaluated at least annually by management for indicators that the carrying value is impaired and may not be recoverable. When indicators of impairment are present the recoverable amount of an asset is evaluated at the level of a cash generating unit (CGU), the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets, where the recoverable amount of a CGU is the greater of the CGU’s fair value less costs to sell and its value in use. An impairment loss is recognized in income to the extent that the carrying amount exceeds the recoverable amount.

AFRICO RESOURCES LTD.

Notes to the Consolidated Financial Statements

(Stated in US Dollars Unless Noted Otherwise)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *continued*

(h) Impairment of Non-Current Assets - *continued*

In calculating the recoverable amount the Company uses discounted cash flow techniques to determine fair value when it is not possible to determine fair value either by quotes from an active market or a binding sales agreement. The determination of discounted cash flows is dependent on a number of factors, including future metal prices, the amount of reserves, the cost of bringing the project into production, production schedules, production costs, sustaining capital expenditures, and site closure, restoration and environmental rehabilitation costs. Additionally, the reviews take into account factors such as political, social and legal and environmental regulations. These factors may change due to changing economic conditions or the accuracy of certain assumptions and, hence, affect the recoverable amount. The Company uses its best efforts to fully understand all of the aforementioned to make an informed decision based upon historical and current facts surrounding the projects. Discounted cash flow techniques often require management to make estimates and assumptions concerning reserves and expected future production revenues and expenses.

(i) Income Taxes

The Company uses the balance sheet method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Deferred income tax assets also result from unused loss carry forwards, resource related pools and other deductions. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(j) Share-based Payments

Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The offset to the recorded cost is to equity reserve. Consideration received on the exercise of stock options is recorded as share capital and the related equity reserve amount is transferred to share capital. At the end of each reporting period, the Company revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. The Company recognizes the impact of the revision to the original estimates, if any, in the statement of income (loss), with a corresponding adjustment to equity.

(k) Share Capital

The Company records proceeds from share issuances net of issue costs and any tax effects. Common shares issued for consideration other than cash, are valued based on their market value at the date the agreement to issue shares was concluded.

AFRICO RESOURCES LTD.

Notes to the Consolidated Financial Statements

(Stated in US Dollars Unless Noted Otherwise)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *continued*

(l) Earnings (Loss) per Share

Basic earnings (loss) per share is calculated by dividing net income (loss) available to common shareholders by the weighted average number of common shares outstanding in the period. Diluted earnings (loss) per share, is calculated by the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted earnings (loss) per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period.

(m) Financial Instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when the obligation specified in the contract is discharged, cancelled or expires.

At initial recognition, the Company classifies its financial instruments in the following categories:

Financial Assets

The Company classifies its financial assets in the following categories: fair value through profit or loss, loans and receivables and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at recognition.

Financial Assets at Fair Value Through Profit or Loss

Financial assets at fair value through profit or loss are initially recognized at fair value with changes in fair value recorded through income.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are classified as current assets or non-current assets based on their maturity date. Loans and receivables are carried at amortized cost less any impairment. Loans and receivables comprise cash and cash equivalents, short-term investments and trade and other receivables.

Available-For-Sale

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or not classified in any of the other financial asset categories. Changes in fair value are recognized in other comprehensive income (loss) and classified as a component of equity. When the financial assets are sold or an impairment write-down is required, the accumulated fair value adjustments in other comprehensive income are included in the statement of income (loss) and are included in other gains or losses. The Company does not have financial assets classified under this category.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

(m) Financial Instruments - continued

Financial Liabilities

The Company classifies its financial liabilities in the following categories: borrowings and other financial liabilities and derivative financial liabilities.

Borrowings and Other Financial Liabilities

Borrowings and other financial liabilities are non-derivatives and are recognized initially at fair value, net of transactions costs incurred and are subsequently stated at amortized cost. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in the statement of income (loss) over the period to maturity using the effective interest method. Borrowings and other financial liabilities are classified as current or non-current based on their maturity date. Financial liabilities include trade accounts payable and accrued liabilities.

Derivative Financial Liabilities

Derivative financial liabilities are initially recognized at their fair value on the date the derivative contract is entered into and are subsequently re-measured at their fair value at each reporting period with changes in the fair value recognized in profit or loss. Derivative financial liabilities include warrants issued by the Company denominated in a currency other than the Company's functional currency.

(n) Impairment of Financial Assets

At each reporting date, the Company assesses whether there is objective evidence that a financial asset (other than a financial asset classified as fair value through profit or loss) is impaired.

The criteria used to determine if there is objective evidence of an impairment loss includes:

- significant financial difficulty of the obligor;
- delinquencies in interest or principal payments; and
- it becomes probable that the borrower will enter bankruptcy or other financial reorganization.

For equity securities, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. Significant decline is defined by the Company as volatility of 20% or greater and a prolonged decline is when the carrying value is materially below cost for a period of twelve months or greater.

If such evidence exists, the Company recognizes an impairment loss, as follows:

- (i)** Financial assets carried at amortized cost: The loss is the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account.

AFRICO RESOURCES LTD.
Notes to the Consolidated Financial Statements
(Stated in US Dollars Unless Noted Otherwise)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

(n) Impairment of Financial Assets - continued

- (ii) Available-for-sale financial assets: The impairment loss is the difference between the original cost of the asset and its fair value at the measurement date, less any impairment losses previously recognized in the statement of income. This amount represents the loss in accumulated other comprehensive income that is reclassified to net income.

Impairment losses on financial assets carried at amortized cost and available-for-sale debt instruments are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized. Impairment losses on available-for-sale equity instruments are not reversed.

(o) Application of New and Revised Accounting Standards

The Company has applied the following new and revised IFRSs in these annual consolidated financial statements:

- IFRIC 21 – *Levies* ("IFRIC 21"), an interpretation of IAS 37 – *Provisions, Contingent Liabilities and Contingent Assets* ("IAS 37"), clarifies that the obligating event, as defined by IAS 37, that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. The Company has applied IFRIC 21 on a retrospective basis in compliance with the transitional requirements of IFRIC 21. The application of IFRIC 21, which was effective January 1, 2014, did not result in any adjustments to the Company's consolidated financial statements.

- The IASB made certain amendments to the following IFRSs and IASs effective January 1, 2014:

IFRS 10 – *Consolidated Financial Statements*
IFRS 11 – *Joint Arrangements*
IFRS 12 – *Disclosure of Interests in Other Entities*
IFRS 13 – *Fair Value Measurement*
IAS 27 – *Separate Financial Statements*
IAS 32 – *Financial Instruments: Presentation*
IAS 36 – *Impairment of Assets*
IAS 39 – *Financial Instruments: Recognition and Measurement*

The amendments did not have an impact on the Company's consolidated financial statements. The Company has not early adopted any other amendment, standard or interpretation that has been issued by the IASB but is not yet effective.

AFRICO RESOURCES LTD.

Notes to the Consolidated Financial Statements

(Stated in US Dollars Unless Noted Otherwise)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *continued*

(p) New, Amended and Future IFRS Pronouncements

The following standards have been published and are mandatory for the Company's annual accounting periods beginning on or after January 1, 2015:

IFRS 7

This standard was amended to require additional disclosures on transition from IAS 39 to IFRS 9, effective for annual periods beginning on or after January 1, 2015. The Company is currently evaluating the extent of the impact of the adoption of this standard.

IFRS 9 – Financial Instruments

IFRS 9, Financial Instruments (IFRS 9), addresses the classification, measurement and recognition of financial assets and financial liabilities. The IASB has previously issued versions of IFRS 9 that introduced new classification and measurement requirements (in 2009 and 2010) and a new hedge accounting model (in 2013). The July 2014 publication of IFRS 9 is the completed version of the Standard, replacing earlier versions of IFRS 9 and superseding the guidance relating to the classification and measurement of financial instruments in IAS 39, Financial Instruments: Recognition and Measurement (IAS 39).

IFRS 9 requires financial assets to be classified into three measurement categories on initial recognition: those measured at fair value through profit and loss, those measured at fair value through other comprehensive income and those measured at amortized cost. Investments in equity instruments are required to be measured by default at fair value through profit or loss. However, there is an irrevocable option to present fair value changes in other comprehensive income. Measurement and classification of financial assets is dependent on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change relating to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.

IFRS 9 introduces a new three-stage expected credit loss model for calculating impairment for financial assets. IFRS 9 no longer requires a triggering event to have occurred before credit losses are recognized. An entity is required to recognize expected credit losses when financial instruments are initially recognized and to update the amount of expected credit losses recognized at each reporting date to reflect changes in the credit risk of the financial instruments. In addition, IFRS 9 requires additional disclosure requirements about expected credit losses and credit risk.

The completed version of IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company is currently evaluating the extent of the impact of the adoption of this standard and its related amendments on our financial statements.

AFRICO RESOURCES LTD.

Notes to the Consolidated Financial Statements

(Stated in US Dollars Unless Noted Otherwise)

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and expenses. Estimates and judgments are regularly evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. Further information on management's judgments, estimates and assumptions and how they impact the various accounting policies are described below and also in the relevant notes to the consolidated financial statements.

Judgments

In the process of applying the Company's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the consolidated financial statements:

(i) Review of Asset Carrying Values and Impairment Assessment

In accordance with the Company's accounting policy, each asset is evaluated every reporting period to determine whether there are any indications of impairment. If any such indication exists, a formal estimate of the recoverable amount is performed and an impairment loss is recognized to the extent that the carrying amount exceeds the recoverable amount. The recoverable amount of an asset is measured at the higher of value in use and fair value less costs to sell. The most significant assets the Company assesses for impairment are exploration and evaluation assets. Judgements involved in assessing impairment of exploration and evaluation assets are discussed below.

(ii) Exploration and Evaluation Assets and Expenditures

The application of the Company's accounting policy for exploration and evaluation assets and expenditures requires judgment to determine whether future economic benefits are likely, from either future exploitation or sale, or whether activities have not reached a stage that permits a reasonable assessment of the existence of reserves.

Resource exploration is a speculative business and involves a high degree of risk. There is no certainty that the expenditures made by the Company in the exploration of its property interests will result in discoveries of commercial quantities of minerals. Exploration for mineral deposits involves risks which even a combination of professional evaluation and management experience may not eliminate. Significant expenditures are required to locate and estimate ore reserves, and further the development of a property. Capital expenditures to bring a property to a commercial production stage are also significant. There is no assurance the Company has, or will have, commercially viable ore bodies and there is no assurance that the Company will be able to arrange sufficient financing to bring ore bodies into production.

AFRICO RESOURCES LTD.

Notes to the Consolidated Financial Statements

(Stated in US Dollars Unless Noted Otherwise)

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS - *continued*

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its estimates and assumptions on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market change or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

(i) Exploration and Evaluation Assets and Expenditures

In addition to applying judgment to determine whether future economic benefits are likely to arise from the Company's exploration and evaluation assets or whether activities have not reached a stage that permits reasonable assessment of the existence of reserves, the Company has to apply a number of estimates and assumptions. The publication of a resource per National Instrument 43-101, Standards of Disclosure for Mineral Projects ("NI 43-101") technical report, is itself an estimation process that involves varying degrees of uncertainty depending on how the resources are classified (i.e. measured, indicated or inferred).

The estimates directly impact when the Company defers exploration and evaluation assets. Any such estimates and assumptions may change as new information becomes available. If, after deferred acquisition costs are capitalized, information becomes available suggesting the recovery of such costs is unlikely, the relevant capitalized amount is written off in the consolidated statement of loss and comprehensive loss in the period when the information becomes available. Management believes that the estimates involving its exploration and evaluation assets and expenditures are reasonable.

(ii) Decommissioning, Restoration and Similar Liabilities

Decommissioning, restoration and similar liabilities are estimated based on the Company's interpretation of current regulatory requirements, constructive obligations and are measured at the present value of discounted cash flows for the estimated liabilities.

Fair value is determined based on the net present value of estimated future cash expenditures for the settlement of decommissioning, restoration and similar liabilities that may occur upon decommissioning of certain of the Company's assets. Such estimates are subject to change based on changes in laws and regulations and negotiations with regulatory authorities.

5. SHORT-TERM INVESTMENTS

As of December 31, 2014, the Company had \$32,978,000 (December 31, 2013 – \$21,560,803) invested into Guaranteed Investment Certificates ("GICs") with Canadian Financial Institutions. These GICs are yielding interest at rates ranging from 1.21% to 1.75% and have original maturity dates of greater than three months but not more than one year.

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6. RELATED PARTY TRANSACTIONS

Details of the transactions between the Company and related parties are disclosed below:

(a) Related Parties

The Company's related parties consist of a majority shareholder, a company controlled by the majority shareholder, directors and companies owned by executive officers. The nature of the Company's relationships with its related parties is as follows:

	Nature of Relationship
Camrose Resources Limited *	Majority Shareholder
Comide S.P.R.L. *	Consulting
Directors	Management
L. M. Okada Ltd.	Management
143 Investments Ltd.	Management

* Companies controlled by Eurasian Resources Group (formerly Eurasian Natural Resources Corporation) as to 100%.

The Company incurred fees and expenses in the normal course of operations in connection with companies owned by key management. Details are as follows:

	Year Ended December 31, 2014	Year Ended December 31, 2013
Management fees	\$ 409,207	\$ 440,494
	\$ 409,207	\$ 440,494

Management Fees

The Company paid or accrued fees to a private company controlled by a director of the Company for management services performed outside of his capacity as a director. The total amount paid or accrued during the year ended December 31, 2014 was \$323,290 (December 31, 2013 - \$356,600). The Company also paid fees to a private company controlled by an officer of the Company for consulting services. The total amount paid during the year ended December 31, 2014 was \$85,917 (December 31, 2013 - \$83,894).

(b) Compensation of Key Management Personnel

The remuneration of directors and members of key management personnel during the years ended December 31, 2014 and 2013 were as follows:

	Note	Year Ended December 31, 2014	Year Ended December 31, 2013
Management and directors' fees	(i)	\$ 524,526	\$ 560,898
Share-based compensation	(ii)	362,822	17,093
		\$ 887,348	\$ 577,991

(i) During the year ended December 31, 2014, the Company paid or accrued directors' fees totaling \$115,319 (December 31, 2013 - \$120,404). Also, management and directors' fees include management fees disclosed in Note 6(a).

(ii) Share-based compensation is the fair value of options granted and vested to key management personnel, translated at the foreign exchange rate over the vesting period.

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6. RELATED PARTY TRANSACTIONS - continued

(b) Compensation of Key Management Personnel - continued

- (iii) Amounts due to related parties are unsecured, non-interest bearing and due on demand. Accounts payable and accrued liabilities at December 31, 2014 included \$34,429 (December 31, 2013 – \$29,146) which was due to directors and a private company controlled by a director of the Company.

Key management personnel were not paid post-employment benefits, termination benefits or other long-term benefits during the years ended December 31, 2014 and 2013.

(c) Loan to Related Party

On October 10, 2012, the Company loaned \$963,203 or CDN \$944,595 to a director and officer of the Company to acquire a block shares from a minority shareholder. As at December 31, 2014, the principal amount due plus accrued interest was \$824,645 or CDN \$956,665 (December 31, 2013 - \$942,489 or CDN \$1,002,435). The loan bears interest at 5% per annum and is secured by the block of shares. This block of shares cannot be sold, exchanged or pledged unless the loan is repaid. The loan was scheduled to be repaid by December 31, 2013 however repayment has been extended until December 31, 2015. On December 22, 2014 interest in the amount of \$79,915 or CDN \$93,000 was repaid.

7. EXPLORATION AND EVALUATION ASSETS AND EXPENDITURES

Details of the Company's exploration and evaluation assets are as follows:

	Kalukundi (Congo)
Balance, December 31, 2012 and 2013	\$ 19,600,578
Acquisition costs during the year	-
Balance, December 31, 2014	\$ 19,600,578

Details of the Company's exploration and evaluation expenses, which have been cumulatively expensed in the consolidated financial statements, are as follows:

	Kalukundi (Congo)	Mporokoso (Zambia)	Other Properties (Zambia)	Total
Balance, January 1, 2013	\$ 43,452,060	\$ 277,937	\$ 13,551	\$ 43,743,548
Exploration and evaluation expenses	2,420,934	-	5,610	2,426,544
Balance, December 31, 2013	\$ 45,872,994	\$ 277,937	\$ 19,161	\$ 46,170,092
Balance, January 1, 2014	\$ 45,872,994	\$ 277,937	\$ 19,161	\$ 46,170,092
Exploration and evaluation expenditures	2,427,981	-	-	2,427,981
Balance, December 31, 2014	\$ 48,300,975	\$ 277,937	\$ 19,161	\$ 48,598,073

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7. EXPLORATION AND EVALUATION ASSETS AND EXPENDITURES - *continued*

(a) Kalukundi

In March 2001, La Générale des Carrières et des Mines (“GCM”), an entity controlled by the Government of the DRC, entered into an agreement with a private company in the DRC to establish a joint venture company and to transfer title to the Kalukundi Property to the DRC joint venture company, which was named Swanmines SAS (“Swanmines”). The property interest is evidenced by an Exploitation Permit which is valid until October 2021. The original agreement with GCM has subsequently been amended by various agreements between May 2003 and January 2009. The material consolidated terms of the original agreement and the amendments are as follows:

Ownership

The Kalukundi Property is owned 100% by Swanmines and Swanmines is owned 75% by the Company and 25% by GCM;

Company Obligations

1. Finance and prepare a feasibility study (*completed*);
2. Secure the necessary financing to commence commercial production, including the building of a metallurgical processing plant;
3. Make an entry payment of \$6,400,000 from 2009 until 2012 in four annual equal instalments - (*All 4 instalments of \$1,600,000 have been made as of January 13, 2012*);
4. Reserve a 2.5% gross turnover royalty to GCM and a 2% Net Smelter Return royalty payable to the Government under the terms of the Mining Code of the DRC; and
5. Reserve an additional royalty to GCM based on \$35 per ton of copper on reserves exceeding 180,000 tons.

GCM has no funding requirements it has to fulfil for the property. The Company will receive 70% of the net revenue (as defined in the agreement) until its advances to Swanmines are reimbursed with 30% of the remaining net revenue to be allocated based on the share structure. Thereafter the net revenue will be split according to the share structure. It should be noted that, pursuant to the Swanmines Creation Agreement, Africo was originally required to organise financing for Kalukundi within 6 months of the provision of the relevant feasibility study, and to begin construction within 6 months thereafter. These deadlines have not been met. Failure by Africo to meet such deadlines may entitle GCM to terminate the Swanmines Creation Agreement, thereby rendering all loans from Africo to Swanmines non-refundable, and transfer Swanmines’ license to GCM without consideration. Although these intended deadlines were not met, to date, GCM has not issued any notices of default. Africo submitted a programme and budget in 2012, including details of the drilling plan, and plan for commencement of operations to GCM.

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7. EXPLORATION AND EVALUATION ASSETS AND EXPENDITURES - *continued*

(a) Kalukundi - *continued*

Africo has not as yet implemented the non-drilling portions of this programme and budget as the Company has deferred the program and budget proposed by MDM Engineering Group Limited (“MDM”) regarding the site establishment of a plant in an effort to try and work out arrangements with Camrose, which is the Company’s majority shareholder, on a potential joint development with their Comide project and the funding of such development. Whilst Africo has no reason to believe that GCM will not remain supportive of Africo’s development of the Kalukundi Project, there can be no assurance that GCM will not, in the future, if Africo does not develop or commence development of the project to GCM’s satisfaction, pursue its rights under the Swanmines Creation Agreement, in which case the Company may risk losing title to the Kalukundi Project without compensation.

8. RECLAMATION DEPOSITS

In accordance with the mining code in the DRC, the Company is required to make annual instalments as a financial guarantee for environmental rehabilitation with respect to its Kalukundi Property (Note 11b). The Company is required to make these instalment payments for reclamation on an annual basis and which are to coincide with the commencement of production. Although the Company has not as yet commenced production as of December 31, 2014, the Company made an initial instalment payment of \$207,834 to cover the period from 2010 to 2014.

In the event that the cost of rehabilitation work on the property is less than the financial guarantee the Company shall be entitled to a reimbursement of such amount.

9. PROVISION FOR CLOSURE AND RECLAMATION

The Company is obliged under the mining code of the DRC and its environmental policies to rehabilitate the Kalukundi site once it ceases operations. As mining activities have not yet commenced, the rehabilitation activities would be focused on areas impacted by exploration and evaluation activities. In view of the difficulty in assessing the end of mine life given the uncertainty regarding the potential start of mine development, as of December 31, 2014 the Company has used a current cost estimate as the basis for the closure and reclamation provision of \$210,876 (December 31, 2013 - \$210,876).

10. EQUITY

(a) Share Capital

The Company’s authorized share capital consists of an unlimited number of common voting shares without par value.

Under the plan of arrangement completed during 2006, the Company reserved shares for issuance to option and warrant holders of Rubicon Minerals Corp. for no further consideration. During the prior fiscal year ended December 31, 2013, the Company issued 1,849 common shares under this plan of arrangement and all remaining common shares expired on October 20, 2013.

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10. EQUITY – continued

(b) Share-based Compensation

Year Ended December 31, 2014

On December 5, 2014, the Company granted 2,555,000 incentive stock options, at an exercise price of CDN \$0.45 per share, to directors, officers, employees and consultants of the Company. These options have a term of 5 years and vest immediately. The total fair value of these options is \$461,199 and has been recorded in operations and credited to equity reserve during the year ended December 31, 2014.

The corresponding share-based compensation expense has a weighted average fair value of \$0.18 per option and was estimated using the Black-Scholes option-pricing model. Assumptions used in the pricing model were as follows:

Dividend yield and forfeiture rate	:	0%
Risk free interest rate	:	1.48%
Expected volatility	:	73%
Expected life of options	:	5 years

During the year ended December 31, 2014, 1,030,000 incentive stock options with an exercise price of CDN \$1.00 and 90,000 incentive stock options with an exercise price of CDN \$1.55 expired without exercise.

Year Ended December 31, 2013

During the year ended December 31, 2013, 400,000 stock options with an exercise price of CDN \$1.00 and 180,000 stock options with an exercise price of CDN \$1.55 were forfeited. The Company did not grant any stock options during the year ended December 31, 2013. The Company recognized a net recovery of share-based compensation in the amount of \$16,238 during the year ended December 31, 2013. This was due to the forfeiture of 36,000 unvested stock options relating to the 180,000 stock options above. This caused the reversal of \$35,895 previously recognized as share-based compensation which offset share-based compensation of \$19,657 for the current period. Share-based compensation for the current period relates to the vesting of options granted during the fiscal year ended December 31, 2011.

A summary of changes to the Company's incentive stock options are as follows:

Incentive Stock Options	Number of Options	Weighted Average Exercise Price
Outstanding at January 1, 2013	3,125,000	CDN\$ 1.15
Forfeited during the year	(580,000)	CDN\$ 1.17
Outstanding at December 31, 2013	2,545,000	CDN\$ 1.15
Granted during the year	2,555,000	CDN\$ 0.45
Expired during the year	(1,120,000)	CDN\$ 1.04
Outstanding at December 31, 2014	3,980,000	CDN\$ 0.73

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10. EQUITY – continued

(b) Share-based Compensation – continued

At December 31, 2014, the following options were outstanding and exercisable:

Expiry Date	Weighted Average Exercise Price	Number of Options Outstanding	Weighted Average Remaining in Years	Options Exercisable
January 11, 2015	CDN \$1.00	100,000	0.03	100,000
October 7, 2015	CDN \$1.00	325,000	0.77	325,000
April 18, 2016	CDN \$1.55	600,000	1.30	600,000
August 10, 2016	CDN \$1.00	400,000	1.61	400,000
December 5, 2019	CDN \$0.45	2,555,000	4.93	2,555,000
	CDN \$0.73	3,980,000	3.59	3,980,000

11. COMMITMENTS

- (a) Effective May 1, 2011, the Company entered into a sub-lease agreement for office space at approximately CDN \$3,300 per month (CDN \$39,600 annually). The sub-lease is effectively a month to month lease however, should the Company wish to discontinue use of the premises, 12 months written notice must be provided. Further, the lessor for the office space has the right to assign the head-lease to the Company at the lessor’s cost for the office space, subject to the Company accepting such assignment. The head-lease expires on April 30, 2016.
- (b) In accordance with the mining code in the DRC, the Company is required to provide a financial guarantee in connection with the future environmental rehabilitation of its Kalukundi Property (Note 8). The financial guarantee is to be provided by making annual instalments in the form of cash. GCM has accepted the following payment plan and the Company is required to make the following remaining payments:

2015	\$ 91,810
2016	\$ 107,952
2017	\$ 125,104
2018	\$ 142,255
2019	\$ 158,397
2020	\$ 175,549

In the event that the cost of rehabilitation work on the property is less than the financial guarantee the Company shall be entitled to a reimbursement of such amount.

12. SEGMENTED INFORMATION

The Company conducts its business in a single operating segment being the mining business in Africa. All mineral properties and equipment are situated in Africa. Investment revenues were earned principally from Canadian sources.

AFRICO RESOURCES LTD.

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13. FAIR VALUE MEASUREMENT

There are three levels of the fair value hierarchy that prioritize the inputs to valuation techniques used to measure fair value, with Level 1 inputs having the highest priority. The levels and the valuation techniques used to value our financial assets and liabilities are described below:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 – Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability; and

Level 3 – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

The Company does not have any financial assets and liabilities that are measured at fair value on a recurring basis and also does not have any non-financial assets and liabilities measured at fair value on a non-recurring basis.

14. MANAGEMENT OF CAPITAL

In the management of capital, the Company considers shareholders' equity. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the exploration and development of mineral properties. The Board of Directors has not established quantitative capital structure criteria for management, but will review on a regular basis the capital structure of the Company to ensure its appropriateness to the stage of development of the business.

The Company's objectives when managing capital are:

- To maintain and safeguard its accumulated capital in order to provide an adequate return to shareholders by maintaining a sufficient level of funds, to support continued evaluation and maintenance at the Company's existing properties, and to acquire, explore, and develop other precious and base metal deposits.
- To invest cash on hand in highly liquid and highly rated financial instruments with high credit quality issuers, thereby minimizing the risk and loss of principal.
- To obtain the necessary financing to complete exploration and development of its properties, if and when it is required.

The property in which the Company currently has a 75% interest is in the development stage and the Company is dependent on external financing to take the project into development. In order to carry out planned exploration and development and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

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14. MANAGEMENT OF CAPITAL – *continued*

In order to facilitate the management of capital and development of its principal mineral property, the Company prepares annual expenditure budgets, which are updated as necessary and are reviewed and approved by the Company's Board of Directors. In addition, the Company may issue new equity, incur debt, option its principal mineral property for cash and/or expenditure commitments from optionees, enter into joint venture arrangements, or dispose of certain assets. The Company's investment policy is to hold cash in interest bearing accounts at high credit quality financial institutions to maximize liquidity. In order to maximize ongoing development efforts, the Company does not pay dividends. The Company expects to continue to raise funds, from time to time, to continue meeting its capital management objectives.

There were no changes in the Company's approach to capital management during the year ended December 31, 2014 as compared to the year ended December 31, 2013. The Company is not subject to externally imposed capital requirements.

15. FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks including credit risk, liquidity risk, interest rate risk and currency 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. The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the maximum exposure to credit risk.

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 attempts to manage liquidity risk by maintaining sufficient cash and cash equivalent balances. Liquidity requirements are managed based on expected cash flows to ensure that there is sufficient capital in order to meet short-term obligations. As of December 31, 2014, the Company had cash and cash equivalents of \$19,500,905 (December 31, 2013 - \$37,418,649) and short-term investments of \$32,978,000 (December 31, 2013 - \$21,560,803) to settle accounts payable and accrued liabilities of \$1,014,863 (December 31, 2013 - \$1,065,485).

Interest Rate Risk

Interest rate risk is the risk that the fair value or 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. For the year ended December 31, 2014, 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 CDN \$224,500 with respect to the net balance of CDN \$44,898,191 above.

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15. FINANCIAL RISK MANAGEMENT – *continued*

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. Some of Africo’s cash and cash equivalents, short-term investments, accounts receivable and accounts payable and accrued liabilities are held in Canadian dollars and are therefore subject to fluctuation against the US dollar.

The Company had the following balances in Canadian dollars as at December 31, 2014:

	December 31, 2014
Cash and cash equivalents	\$ 6,640,413
Short-term investments	38,257,778
Net balance in CDN dollars	\$ 44,898,191
Equivalent in US dollars	\$ 38,702,240
US dollar denominated cash and cash equivalents held by the Company and its wholly owned subsidiaries	13,776,665
Total cash and cash equivalents and short-term investments in US dollars	\$ 52,478,905

As of December 31, 2014, a 1% increase (decrease) in the US to Canadian exchange rates on that date would have resulted in a decrease (increase) to the net loss of approximately CDN \$449,000 with respect to the net balance of CDN \$44,898,191 above.

16. INCOME TAXES

a) Income Tax Provision

The income tax provision for the year differs from the amount obtained by applying the statutory Canadian federal and provincial income tax rates as follows:

	For the Year Ended December 31, 2014	For the Year Ended December 31, 2013
Income (loss) before income taxes	\$ (6,805,704)	\$ (5,894,684)
Statutory Canadian federal and provincial tax rates	26.00%	25.75%
Expected tax payable (recovery)	(1,769,483)	(1,517,881)
Adjustments:		
Non-deductible expenses	1,057,211	772,637
Statutory tax rate difference	2,596,170	(291,507)
Change in unrecognized deferred tax asset	(1,883,898)	1,036,751
Income tax expense (recovery)	\$ -	\$ -

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16. INCOME TAXES – continued

b) Deferred Income Tax Asset (Liability)

The components of the deferred income tax asset (liability) balances by tax jurisdiction are as follows:

Canada

	December 31, 2014	December 31, 2013
Deferred income tax assets:		
Non-capital loss carry-forwards	\$ 3,775,160	\$ 3,976,260
Other temporary differences	177,489	180,801
Unrecognized deferred tax asset	(3,952,649)	(4,157,061)
Deferred income tax asset	\$ -	\$ -

The effective income tax rate is the rate that is estimated to be applicable when timing differences reverse. As at December 31, 2014, the future enacted rate in Canada is 26% (2013 – 26%).

The Company has non-capital losses which may be applied to reduce future years' taxable income. At December 31, 2014, the non-capital losses amounted to \$14,519,847 (2013 – \$15,293,307) and which will expire between the years 2015 and 2034.

There are no income taxes owing by Africo at December 31, 2014.

Democratic Republic of Congo (“DRC”)

	December 31, 2014	December 31, 2013
Deferred income tax assets:		
Non-capital loss carry-forwards	\$ 42,862	\$ 44,393
Mineral property costs - Exploration	17,302,096	18,980,051
Unrecognized deferred tax asset	(17,344,958)	(19,024,444)
Deferred income tax asset	\$ -	\$ -

The effective income tax rate is the rate that is estimated to be applicable when timing differences reverse. As at December 31, 2014, the future enacted rate in the DRC is 35% (2013 – 40%).

The Company has non-capital losses which may be applied to reduce future years' taxable income. At December 31, 2014, the non-capital losses amounted to \$109,564 (2013 – \$110,983) and which will expire between the years 2015 and 2019.

There are no income taxes owing by Africo at December 31, 2014.

17. SUBSEQUENT EVENT

On January 11, 2015, 100,000 incentive stock options with an exercise price of CDN \$1.00 expired without exercise.
