AFRICO RESOURCES LTD

Interim Consolidated Financial Statements

For the Three Months Ended March 31, 2014

(Unaudited – Prepared by Management)

(Stated in US Dollars Unless Noted Otherwise)

NOTICE TO READER

These condensed interim consolidated financial statements have been prepared by the management of Africo Resources Ltd. and have not been reviewed by the auditors of Africo Resources Ltd.

AFRICO RESOURCES LTD.

Interim Consolidated Statements of Financial Position
(Unaudited – Prepared by Management)
(Stated in US Dollars Unless Noted Otherwise)

	As at March 31, 2014	*(Audited)* As at December 31, 2013
ASSETS		
Current assets:		
Cash and cash equivalents	**$ 35,993,962**	$ 37,418,649
Short-term investments *(Note 4)*	**20,783,898**	21,560,803
Due from related party *(Note 5c)*	**917,337**	942,489
Accounts receivable and prepayments	**75,335**	74,737
	57,770,532	59,996,678
Non-current assets:		
Exploration and evaluation assets *(Note 6)*	**19,600,578**	19,600,578
TOTAL ASSETS	**$ 77,371,110**	$ 79,597,256
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	**$ 1,109,818**	$ 1,065,485
Non-current liabilities:		
Provision for closure and reclamation *(Note 7)*	**210,876**	210,876
TOTAL LIABILITIES	**1,320,694**	1,276,361
Equity:		
Share capital *(Note 8a)*	**130,193,394**	130,193,394
Share-based payments reserve	**10,155,335**	10,155,335
Deficit	**(64,298,313)**	(62,027,834)
TOTAL EQUITY	**76,050,416**	78,320,895
TOTAL LIABILITIES AND EQUITY	**$ 77,371,110**	$ 79,597,256

Commitment *(Note 9)*

Approved by the Board of Directors:

"James Cook"	Director	*"Charles Forster"*	Director
James Cook		Charles Forster	

- *See accompanying notes to the interim consolidated financial statements* -

AFRICO RESOURCES LTD.

Interim Consolidated Statements of Loss and Comprehensive Loss

(Unaudited – Prepared by Management)
(Stated in US Dollars Unless Noted Otherwise)

	For the three months ended March 31, 2014	For the three months ended March 31, 2013
Expenses		
Exploration and evaluation expenditures *(Note 6)*	**$ 551,415**	$ 440,474
Management and consulting fees	**164,371**	173,276
Office expenses	**39,317**	40,716
Professional fees	**1,425**	15,815
Share-based compensation (recovery, net) expense *(Note 8b)*	**-**	(16,238)
Stock exchange, filing and transfer agents fees	**31,594**	32,877
Travel	**15,122**	26,345
Loss from Operations	**(803,244)**	(713,265)
Other Income (Expenses)		
Foreign exchange loss	**(1,645,439)**	(970,434)
Interest and other income	**178,204**	179,672
Net Loss and Comprehensive Loss for the Period	**$ (2,270,479)**	$ (1,504,027)
Loss per Common Share		
Basic	**$ (0.03)**	$ (0.02)
Diluted	**$ (0.03)**	$ (0.02)
Weighted Average Number of Common Shares Outstanding		
Basic	**71,313,127**	71,311,278
Diluted	**71,313,127**	71,311,278

- *See accompanying notes to the interim consolidated financial statements* -

AFRICO RESOURCES LTD.

Interim Consolidated Statements of Cash Flows

(Unaudited – Prepared by Management)
(Stated in US Dollars Unless Noted Otherwise)

	For the three months ended March 31, 2014	For the three months ended March 31, 2013
Operating Activities		
Net loss for the period	**$ (2,270,479)**	$ (1,504,027)
Adjustment for items which do not involve cash:		
Share-based compensation (recovery, net) expense	**-**	(16,238)
Unrealized foreign exchange loss	**1,587,873**	942,801
Changes in non-cash working capital components:		
Accounts receivable and prepayments	**(598)**	(11,502)
Accounts payable and accrued liabilities	**44,333**	(21,383)
Cash used in operating activities	**(638,871)**	(610,349)
Investing Activities		
Short-term investments	**(14,793)**	(149,552)
Due from related party	**25,152**	8,406
Cash provided by (used in) investing activities	**10,359**	(141,146)
Effect of exchange rate changes on cash and cash equivalents	**(796,175)**	(10,782)
Net decrease in cash and cash equivalents during the period	**(1,424,687)**	(762,277)
Cash and cash equivalents, beginning of the period	**37,418,649**	19,843,621
Cash and cash equivalents, end of the period	**$ 35,993,962**	$ 19,081,344
Cash and cash equivalents consist of the following:		
Cash	**$ 35,993,962**	$ 19,081,344
Guaranteed investment certificates	**-**	-
Total cash and cash equivalents	**$ 35,993,962**	$ 19,081,344

- See accompanying notes to the interim consolidated financial statements -

AFRICO RESOURCES LTD.

Interim Consolidated Statements of Changes in Equity

(Unaudited – Prepared by Management)
(Stated in US Dollars Unless Noted Otherwise)

	SHARE CAPITAL			SHARE-BASED PAYMENTS				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**
Share-based compensation (recovery, net)expense	-		-		(16,238)		-		(16,238)
Net loss for the period	-		-		-		(1,504,027)		(1,504,027)
Balance – March 31. 2013	**71,311,278**	**$**	**130,193,394**	**$**	**10,155,335**	**$**	**(57,637,177)**	**$**	**82,711,552**
Balance – January 1, 2014	**71,313,127**	**$**	**130,193,394**	**$**	**10,155,335**	**$**	**(62,027,834)**	**$**	**78,320,895**
Net loss for the period	-		-		-		(2,270,479)		(2,270,479)
Balance – March 31, 2014	**71,313,127**	**$**	**130,193,394**	**$**	**10,155,335**	**$**	**(64,298,313)**	**$**	**76,050,416**

- *See accompanying notes to the interim consolidated financial statements -*

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 condensed interim consolidated financial statements were prepared in accordance with International Accounting Standards 34, Interim Financial Reporting ("IAS 34"), using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

The accounting policies and methods of application applied by the Company in these condensed interim consolidated financial statements are the same as those applied in the Company's most recent annual consolidated financial statements as at and for the year ended December 31, 2013, except for those policies which have changed as a result of the adoption of new and amended IFRS pronouncements effective January 1, 2014. These condensed interim consolidated financial statements do not include all of the information required for full annual financial statements and therefore should be read in conjunction with the Company's most recent annual consolidated financial statements as at and for the year ended December 31, 2013. The effects of the adoption of new and amended IFRS pronouncements have been disclosed in Note 3 of these condensed interim consolidated financial statements.

(b) Approval of the Financial Statements

The condensed interim consolidated financial statements of Africo Resources Ltd. for the three months ended March 31, 2014 were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on May 13, 2014.

3. ADOPTION OF NEW AND AMENDED IFRS PRONOUNCEMENTS

The following standards have been published and are mandatory for the Company's annual accounting periods beginning on or after January 1, 2014:

IAS 36 – Impairment of Assets

In May 2013, the IASB published a revised version of this standard to reverse the unintended requirement in IFRS 13 '*Fair Value Measurements*' to disclose the recoverable amount of every cash-generating unit to which significant goodwill or indefinite-lived intangible assets have been allocated. Under the amendments, recoverable amount is required to be disclosed only when an impairment loss has been recognized or reversed. The amendments apply retrospectively for annual periods beginning on or after January 1, 2014 and the Company has early adopted the amendments to this standard. There was no impact on these consolidated financial statements as a result of the adoption of this standard.

IFRS 7

Amended to require additional disclosures on transition from IAS 39 and IFRS 9, effective for annual periods beginning on or after January 1, 2018.

IFRS 9 – Financial Instruments: Classification and Measurement

This is the first part of a new standard on classification and measurement of financial assets that will replace IAS 39, '*Financial Instruments: Recognition and Measurement*'. IFRS 9 has two measurement categories: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is recorded at amortized costs only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. Otherwise it is measured at fair value with changes in fair value through profit or loss. In addition, this new standard has been updated to include guidance on financial liabilities and de-recognition of financial instruments. This standard is effective for years beginning on or after January 1, 2018. The Company is currently evaluating the extent of the impact of the adoption of this standard.

IAS 32 (Amendment)

Standard amended to clarify requirements for offsetting financial assets and financial liabilities, effective for annual periods beginning on or after January 1, 2014.

4. SHORT-TERM INVESTMENTS

As of March 31, 2014, the Company had $20,783,898 (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 1.2% to 1.6% and have original maturity dates of greater than three months but not more than one year.

(Stated in US Dollars Unless Noted Otherwise)

5. 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 Transactions
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 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:

	March 31, 2014	**March 31, 2013**
Management fees	$ 102,763	$ 112,505
	$ 102,763	**$ 112,505**

<u>Management Fees</u>

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 three months ended March 31, 2014 was $83,191 (March 31, 2013 - $91,078). 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 three months ended March 31, 2014 was $19,572 (March 31, 2013 - $21,427).

(b) Compensation of Key Management Personnel

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

	Note	**March 31, 2014**	**March 31, 2013**
Management and directors' fees	**(i)**	$ 130,852	$ 143,257
Share-based compensation	**(ii)**	-	17,093
		$ 130,852	**$ 160,350**

(i) During the three months ended March 31, 2014, the Company paid or accrued directors' fees totaling $28,089 (March 31, 2013 - $30,752). Also, management and directors' fees include management fees disclosed in Note 5(a).

(Stated in US Dollars Unless Noted Otherwise)

5. RELATED PARTY TRANSACTIONS - *continued*

(b) Compensation of Key Management Personnel - *continued*

(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.

(iii) Amounts due to related parties are unsecured, non-interest bearing and due on demand. Accounts payable and accrued liabilities at March 31, 2014 included $28,089 (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 three months ended March 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 March 31, 2014, the principal amount due plus accrued interest was $917,337 or CDN $1,014,081 (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 since been extended until June 30, 2014.

6. EXPLORATION AND EVALUATION ASSETS AND EXPENDITURES

Details of the Company's mineral interest acquisition costs are as follows:

	Kalukundi (Congo)
Balance, January 1, 2013	$ 19,600,578
Entry payment – GCM (Note 6a)	-
Balance, December 31, 2013 and March 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	434,864	-	5,610	440,474
Balance, March 31, 2013	$ 43,886,924	$ 277,937	$ 19,161	$ 44,184,022
Balance, January 1, 2014	$ 45,872,994	$ 277,937	$ 19,161	$ 46,170,092
Exploration and evaluation expenses	551,415	-	-	551,415
Balance, March 31, 2014	**$ 46,424,409**	**$ 277,937**	**$ 19,161**	**$ 46,721,507**

6. 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 S.P.R.L. ("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.

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

(a) Kalukundi - *continued*

To date, 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 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.

7. 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 March 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).

8. EQUITY

(a) Share Capital

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

Three Months Ended March 31, 2014 and Fiscal Year Ended December 31, 2013

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. As of March 31, 2014, Nil (December 31, 2013 – Nil) shares remain to be issued under the plan.

(b) Share-based Compensation

Three Months Ended March 31, 2014

The Company did not grant any stock options during the three month period ended March 31, 2014.

(Stated in US Dollars Unless Noted Otherwise)

8. EQUITY - *continued*

(b) Share-based Compensation - *continued*

Three Months Ended March 31, 2013

During the three month period ended March 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 three month period ended March 31, 2013. The Company recognized a net recovery of share-based compensation in the amount of $16,238 during the three months ended March 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 period. Share-based compensation for the period related 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	(580,000)	CDN$ 1.17
Outstanding at December 31, 2013 and March 31, 2014	**2,545,000**	**CDN$ 1.15**

At March 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
December 9, 2014	CDN $1.00	1,030,000	0.69	1,030,000
January 11, 2015	CDN $1.00	100,000	0.78	100,000
October 7, 2015	CDN $1.00	325,000	1.52	325,000
April 18, 2016	CDN $1.55	690,000	2.05	690,000
August 10, 2016	CDN $1.00	400,000	2.36	400,000
	CDN $1.15	**2,545,000**	**1.43**	**2,545,000**

9. COMMITMENT

Effective May 1, 2011, the Company entered into a sub-lease agreement for office space at approximately $2,000 per month ($24,000 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.

(Stated in US Dollars Unless Noted Otherwise)

10. 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.

11. FAIR VALUE MEASUREMENTS

Certain of the Company's financial assets and liabilities are measured at fair value on a recurring basis and classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Company does not have any non-financial assets and liabilities measure at fair value on a non-recurring basis. 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 – Quoted Prices in Active Markets for Identical Assets or Liabilities

Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities. Short-term investments are valued using quoted market prices in active markets. Accordingly, these items are included in Level 1 of the fair value hierarchy.

Level 2 – Significant Other Observable Inputs

Quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability. The Company does not have any financial assets or liabilities included in Level 2 of the fair value hierarchy.

Level 3 – Significant Unobservable Inputs

Unobservable (supported by little or no market activity) prices. The Company does not have any financial assets or liabilities included in Level 3 of the fair value hierarchy.

The fair values of the Company's financial assets and liabilities measured at fair value on a recurring basis at March 31, 2014 and December 31, 2013 are summarized in the following table:

	Level	**March 31, 2014**	**December 31, 2013**
Short-term investments	1	$ 20,783,898	$ 21,560,803