

AFRICO RESOURCES LTD.

Condensed Consolidated Interim Financial Statements

For the nine months ended September 30, 2011

Unaudited – Prepared by Management

(Stated in US Dollars)

NOTICE TO READER

The attached condensed consolidated interim financial report has been prepared by the management of Africo Resources Ltd. and has not been reviewed by the auditors of Africo Resources Ltd.

AFRICO RESOURCES LTD.

Condensed Consolidated Interim Statements of Financial Position

Unaudited – Prepared by Management

(Stated in US Dollars)

	As at September 30, 2011	(Note 4) As at December 31, 2010
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 66,965,758	\$ 75,639,235
Short-term investments (Note 6)	7,224,570	4,531,870
Accounts receivable and prepayments	124,844	71,620
	74,315,172	80,242,725
Non-current assets:		
Mineral interests (Note 7)	18,000,578	16,400,578
Total Assets	\$ 92,315,750	\$ 96,643,303
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 716,308	\$ 253,960
Derivative financial liability (Note 10)	26,257	599,751
	742,565	853,711
Non-current liabilities:		
Provision for closure and reclamation (Note 8)	210,876	210,876
Total Liabilities	953,441	1,064,587
Equity:		
Share capital (Note 9a)	130,193,394	130,193,394
Share-based payments reserve	9,717,308	9,007,584
Deficit	(48,548,393)	(43,622,262)
Total Equity	91,362,309	95,578,716
Total Liabilities and Equity	\$ 92,315,750	\$ 96,643,303

Approved by the Board of Directors:

“Matthew Fisher”

Matthew Fisher

Director

“Douglas Ryan”

Douglas Ryan

Director

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

AFRICO RESOURCES LTD.

Condensed Consolidated Interim Statements of Earnings (Loss) and Comprehensive Income (Loss)

*Unaudited – Prepared by Management**(Stated in US Dollars)*

	For the three months ended September 30, 2011	<i>(Note 4)</i> For the three months ended September 30, 2010	For the nine months ended September 30, 2011	<i>(Note 4)</i> For the nine months ended September 30, 2010
Expenses				
Exploration and evaluation expenses	\$ 1,103,990	\$ 204,522	\$ 2,018,370	\$ 728,809
General and administrative costs	207,354	313,620	721,444	1,023,517
Professional fees	34,728	16,663	123,637	70,814
Share-based payments <i>(Note 9b)</i>	239,775	-	709,724	85,702
Stock exchange, filing and transfer agents fees	6,753	18,172	35,624	42,134
Travel	19,010	12,383	79,559	41,359
Loss from operations	(1,611,610)	(565,360)	(3,688,358)	(1,992,335)
Finance Costs:				
Foreign exchange gain (loss)	(4,040,406)	2,655,092	(3,376,661)	1,693,930
Interest and other income	336,863	540,976	1,565,394	890,376
Gain on derivative financial liability <i>(Note 10)</i>	62,551	161,842	573,494	313,051
Net earnings (loss) and comprehensive income (loss) for the period	\$ (5,252,602)	\$ 2,792,550	\$ (4,926,131)	\$ 905,022
Earnings (loss) per common share				
Basic	\$ (0.07)	\$ 0.04	\$ (0.07)	\$ 0.01
Diluted	\$ (0.07)	\$ 0.04	\$ (0.07)	\$ 0.01
Weighted average number of common shares outstanding				
Basic	71,311,278	71,273,178	71,311,278	71,131,342
Diluted	71,311,278	71,273,178	71,597,948	71,209,518

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

AFRICO RESOURCES LTD.

Condensed Consolidated Interim Statements of Cash Flows

Unaudited – Prepared by Management

(Stated in US Dollars)

	For the nine months ended September 30, 2011	For the nine months ended September 30, 2010
Operating Activities		
Net earnings (loss) for the period	\$ (4,926,131)	\$ 905,022
Adjustment for items which do not involve cash:		
Share-based payments	709,724	85,702
Gain on derivative financial liability	(573,494)	(313,051)
Unrealized foreign exchange gain	3,444,922	(1,796,592)
	(1,344,979)	(1,118,919)
Changes in non-cash working capital components:		
Accounts receivable and prepayments	(53,224)	27,896
Accounts payable and accrued liabilities	462,348	(175,635)
Cash used in operating activities	(935,855)	(1,266,658)
Investing Activities		
Short-term investments	(3,012,379)	31,325,906
Mineral interests	(1,600,000)	(1,600,000)
Cash provided by (used in) investing activities	(4,612,379)	29,725,906
Financing Activities		
Common shares and warrants issued for cash – net	-	146,880
Cash provided by financing activities	-	146,880
Effect of exchange rate changes on cash and cash equivalents	(3,125,243)	1,796,592
Net increase (decrease) in cash and cash equivalents for the period	(8,673,477)	30,402,720
Cash and cash equivalents, beginning of the period	75,639,235	49,098,064
Cash and cash equivalents, end of the period	\$ 66,965,758	\$ 79,500,784

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

AFRICO RESOURCES LTD.

Condensed Consolidated Interim Statements of Changes in Equity

*Unaudited – Prepared by Management**(Stated in US Dollars)*

	SHARE CAPITAL		SHARE-BASED PAYMENTS		DEFICIT	TOTAL EQUITY
	SHARES	AMOUNT	RESERVE			
Balance – January 1, 2010	70,920,295	\$ 129,874,527	\$ 8,864,106	\$ (44,909,633)	\$ 93,829,000	
Shares issued under plan of arrangement	172,486	-	-	-	-	
Exercise of options	200,000	146,880	-	-	146,880	
Transfer to share capital - exercise of options	-	171,987	(171,987)	-	-	
Share-based payments	-	-	85,702	-	85,702	
Net earnings for the nine months	-	-	-	905,022	905,022	
Balance – September 30, 2010	71,292,781	\$ 130,193,394	\$ 8,777,821	\$ (44,004,611)	\$ 94,966,604	
Balance – January 1, 2011	71,311,278	130,193,394	9,007,584	(43,622,262)	95,578,716	
Share-based payments	-	-	709,724	-	709,724	
Net loss for the nine months	-	-	-	(4,926,131)	(4,926,131)	
Balance – September 30, 2011	71,311,278	\$ 130,193,394	\$ 9,717,308	\$ (48,548,393)	\$ 91,362,309	

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

AFRICO RESOURCES LTD.

Notes to the Condensed Consolidated Interim Financial Statements

Unaudited – Prepared by Management

(Stated in US Dollars)

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 PRESENTATION AND ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRS”)

The Company prepares its financial statements in accordance with Canadian generally accepted accounting principles as set out in the Handbook of the Canadian Institute of Chartered Accountants (“CICA Handbook”). In 2010, the CICA Handbook was revised to incorporate IFRS, and require publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, the Company has commenced reporting on this basis in these condensed consolidated interim financial statements. In these condensed consolidated interim financial statements, the term “Canadian GAAP” refers to Canadian GAAP before the adoption of IFRS.

These condensed consolidated interim financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including IAS 34 and IFRS 1. Subject to certain transition elections disclosed in Note 4, the Company has consistently applied the same accounting policies in its opening IFRS statement of financial position at January 1, 2010 and throughout all periods presented, as if these policies had always been in effect. Note 4 discloses the impact of the transition to IFRS on the Company’s reported financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Company’s consolidated financial statements for the year ended December 31, 2010.

These condensed consolidated interim financial statements follow the same accounting policies and methods of application as the Company’s condensed consolidated interim financial statements for the three months ended March 31, 2011. The policies applied in these condensed consolidated interim financial statements are based on IFRS issued and outstanding as of November 1, 2011, the date the Board of Directors approved the statements. Any subsequent changes to IFRS that are given effect in the Company’s annual consolidated financial statements for the year ending December 31, 2011 could result in restatement of these condensed consolidated interim financial statements, including the transition adjustments recognized on change-over to IFRS.

The condensed consolidated interim financial statements should be read in conjunction with the Company’s Canadian GAAP annual financial statements for the year ended December 31, 2010 and the Company’s condensed consolidated interim financial statements for the three months ended March 31, 2011 prepared in accordance with IFRS applicable to interim financial statements.

AFRICO RESOURCES LTD.

Notes to the Condensed Consolidated Interim Financial Statements

Unaudited – Prepared by Management

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3. NEW IFRS PRONOUNCEMENTS

(a) Financial Instruments

In November 2009, the International Accounting Standards Board (“IASB”) issued IFRS 9, Financial Instruments, which addresses the classification and measurement of financial assets as the first step in its project to replace IAS 39 Financial Instruments: Recognition and Measurement. Requirements for financial liabilities were added in October 2010. IFRS 9 must be applied starting January 1, 2013, with early adoption permitted. The Company has not early adopted IFRS 9 and is currently assessing the expected impact of this standard on its consolidated financial statements.

(b) Consolidated Financial Statements

In May 2011, the IASB issued IFRS 10, Consolidated Financial Statements and IFRS 12, Disclosure of Interests in Other Entities. IFRS 10 establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. This IFRS defines the principle of control and establishes control as the basis for determining which entities are consolidated in an entity’s consolidated financial statements. IFRS 10 sets out three elements of control: a) power over the investee; b) exposure, or rights, to variable returns from involvement with the investee; and c) the ability to use power over the investee to affect the amount of the investors return. IFRS 10 sets out the requirements on how to apply the control principle. IFRS 12 outlines disclosure requirements for interests in subsidiaries and other entities to enable users to evaluate the risks associated with interests in other entities and the effects of those interests on an entity’s financial position, financial performance and cash flows. IFRS 10 and IFRS 12 supersede IAS 27, Consolidated and Separate Financial Statements and SIC-12, Consolidation – Special Purpose Entities.

IFRS 10 and IFRS 12 are effective for annual periods beginning on or after January 1, 2013, with earlier application permitted if adopted along with IFRS 11, IFRS 12, IAS 27 (revised) and IAS 28 (revised). The Company has not early adopted IFRS 10 and IFRS 12 and is currently assessing the expected impact of these standards on its consolidated financial statements.

(c) Fair Value Measurement

In May 2011, the IASB issued IFRS 13, Fair Value Measurement. This standard defines fair value, sets out a single IFRS framework for measuring fair value and outlines disclosure requirements about fair value measurements. IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is a market-based measurement, not an entity-specific measurement so assumptions that market participants would use should be applied in measuring fair value.

IFRS 13 is effective for annual periods on or after January 1, 2013, with earlier application permitted. This IFRS is to be applied prospectively as of the beginning of the annual period in which it is initially applied and the disclosure requirements do not need to be applied in comparative periods before initial application. The Company has not early adopted IFRS 13 and is currently assessing the expected impact of this standard on its consolidated financial statements.

AFRICO RESOURCES LTD.

Notes to the Condensed Consolidated Interim Financial Statements

Unaudited – Prepared by Management

(Stated in US Dollars)

4. FIRST TIME ADOPTION OF IFRS

The effect of the Company's transition to IFRS, described in note 2, is summarized in this note as follows:

(a) Mandatory Exemptions and Transition Elections

IFRS 1, which governs the first-time adoption of IFRS, generally requires accounting policies to be applied retrospectively to determine the opening statement of financial position on the Company's transition date of January 1, 2010 (the "Transition Date"), with the application of certain mandatory exemptions and also allows certain exemptions on transition to IFRS. The mandatory exemptions applicable to and the transition elections the Company has chosen, respectively, are as follows:

- (i) **Mandatory Exemptions** - Under IFRS 1, there are four mandatory exemptions from full retrospective application of IFRS. Of these, the only applicable election relates to estimates. An entity's estimates under IFRS at the date of transition to IFRS must be consistent with estimates made for the same date under previous GAAP, unless there is objective evidence that those estimates were in error. The Company's IFRS estimates as at January 1, 2010 are consistent with its previous estimates under Canadian GAAP for the same date.
- (ii) **Business Combinations** – IFRS 1 provides the option to apply IFRS 3R, *Business Combinations*, retrospectively or prospectively from January 1, 2010 ("Transition Date"). The retrospective basis would require the restatement of prior acquisitions that meet the definition of a business combination under IFRS 3R. The Company has elected to not restate previous business combinations and the accounting thereof.
- (iii) **Share-based Payments** – The Company has elected not to apply IFRS 2, *Share-based Payments*, to equity instruments granted after November 7, 2002, that had not vested by the Transition Date. The application of IFRS 2 has had no impact on the Company upon transition as all of the Company's stock options granted prior to the Transition Date and up to March 31, 2011 vested immediately.

(b) Adjustments on Transition to IFRS

(i) **Derivative Financial Liability and Share-based Payments Reserve**

Under Canadian GAAP the Company classified warrants it issued in Canadian dollars to purchase common shares as equity instruments. Under IFRS, warrants issued by the Company to purchase common shares, for a fixed price stated in a currency other than the Company's functional currency and not offered pro-rata to all existing shareholders of the same class at the time of issuance, are considered derivative financial liabilities. Such warrants are required to be measured and recognized at fair value with the changes subsequent to initial recognition charged to income. The Company has determined fair value using the Black-Scholes option pricing model. Under Canadian GAAP the Company recognized the fair value of its stock options granted and vested in contributed surplus. Under IFRS, the Company has reclassified the fair value of these stock options granted and vested to share-based payments reserve for the periods ended September 30, 2010 and December 31, 2010.

AFRICO RESOURCES LTD.

Notes to the Condensed Consolidated Interim Financial Statements
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(Stated in US Dollars)

4. FIRST TIME ADOPTION OF IFRS (continued)

(b) Adjustments on Transition to IFRS (continued)

(i) **Derivative Financial Liability and Share-based Payments Reserve** (continued)

Impact on Consolidated Statements of Financial Position:

	September 30, 2010	December 31, 2010
Derivative financial liability	\$ 680,230	\$ 599,751
Contributed surplus	(18,747,821)	(18,977,584)
Share-based payments reserve	8,777,821	9,007,584
Share purchase warrants	(1,483,983)	(1,483,983)
Adjustment to deficit	\$ (10,773,753)	\$ (10,854,232)

On January 24, 2010, 20,000,000 warrants expired without exercise. As a result, the fair value assigned to the warrants of \$9,970,000 has been reclassified to the deficit.

Impact on Consolidated Statements of Earnings (Loss) and Comprehensive Income (Loss)

	Three Months Ended September 30, 2010	Nine Months Ended September 30, 2010	Year Ended December 31, 2010
Gain on derivative financial liability	\$ 161,842	\$ 313,051	\$ 393,530
Adjustment to net earnings (loss) and comprehensive income (loss)	\$ 161,842	\$ 313,051	\$ 393,530

(ii) **Financial Instruments**

Under IFRS, the Company has elected to re-designate certain financial instruments. On the Transition Date, cash and cash equivalents have been designated as loans and receivables and short-term investments have been designated as financial assets at fair value through profit or loss. Previously under Canadian GAAP, cash and cash equivalents and short-term investments were classified as available-for-sale.

Impact on Consolidated Statements of Financial Position

	September 30, 2010	December 31, 2010
Accumulated other comprehensive income (loss)	\$ 2,178,045	\$ (458,092)
Adjustment to deficit	\$ 2,178,045	\$ (458,092)

AFRICO RESOURCES LTD.

Notes to the Condensed Consolidated Interim Financial Statements
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(Stated in US Dollars)

4. FIRST TIME ADOPTION OF IFRS (continued)

(b) Adjustments on Transition to IFRS (continued)

(ii) **Financial Instruments** (continued)

Impact on Consolidated Statements of Earnings (Loss) and Comprehensive Income (Loss)

	Three Months Ended September 30, 2010	Nine Months Ended September 30, 2010	Year Ended December 31, 2010
Foreign exchange gain	\$ 2,631,466	\$ 1,796,592	\$ 4,432,729
Adjustment to net earnings (loss) and comprehensive income (loss)	\$ 2,631,466	\$ 1,796,592	\$ 4,432,729

(iii) **Reconciliation to Previously Reported Financial Statements**

A reconciliation of the above noted IFRS adjustments on transition are included in these following Statements of Financial Position and Statements of Earnings (Loss) and Comprehensive Income (Loss) for the dates noted below. The effects of transition from Canadian GAAP to IFRS on the Statement of Cash Flows are immaterial. Therefore, a reconciliation of the Statement of Cash Flows has not been presented.

- Condensed Consolidated Interim Statement of Financial Position Reconciliation – September 30, 2010
- Condensed Consolidated Interim Statement of Earnings (Loss) and Comprehensive Income Reconciliation – Three Months Ended September 30, 2010
- Condensed Consolidated Interim Statement of Earnings (Loss) and Comprehensive Income Reconciliation – Nine Months Ended September 30, 2010

AFRICO RESOURCES LTD.

Notes to the Condensed Consolidated Interim Financial Statements
Unaudited – Prepared by Management
(Stated in US Dollars)

4. FIRST TIME ADOPTION OF IFRS (continued)

(b) Adjustments on Transition to IFRS (continued)

(iii) **Reconciliation to Previously Reported Financial Statements** (continued)

The September 30, 2010 Canadian GAAP Condensed Consolidated Interim Statement of Financial Position has been reconciled to IFRS as follows:

		September 30, 2010		
	Note	Canadian GAAP	Effect of Transition to IFRS	IFRS
ASSETS				
Current assets:				
Cash and cash equivalents		\$ 79,500,784	\$ -	\$ 79,500,784
Short-term investments		-	-	-
Accounts receivable and prepayments		62,884	-	62,884
		79,563,668	-	79,563,668
Non-current assets:				
Mineral interests		16,400,578	-	16,400,578
Total Assets		\$ 95,964,246	\$ -	\$ 95,964,246
LIABILITIES AND EQUITY				
Current liabilities:				
Accounts payable and accrued liabilities		\$ 106,536	\$ -	\$ 106,536
Derivative financial liability	4(b)(i)	-	680,230	680,230
	4(b)(i)	106,536	680,230	786,766
Non-current liabilities:				
Provision for closure and reclamation		210,876	-	210,876
Total Liabilities	4(b)(i)	317,412	680,230	997,642
Equity:				
Share capital		130,193,394	-	130,193,394
Contributed surplus	4(b)(i)	18,747,821	(18,747,821)	-
Share-based payments reserve	4(b)(i)	-	8,777,821	8,777,821
Share purchase warrants	4(b)(i)	1,483,983	(1,483,983)	-
Accumulated other comprehensive income (loss)	4(b)(ii)	(2,178,045)	2,178,045	-
Deficit	4(b)(i) - (ii)	(52,600,319)	8,595,708	(44,004,611)
Total Equity	4(b)(i)	95,646,834	(680,230)	94,966,604
Total Liabilities and Equity		\$ 95,964,246	\$ -	\$ 95,964,246

AFRICO RESOURCES LTD.

Notes to the Condensed Consolidated Interim Financial Statements
Unaudited – Prepared by Management
(Stated in US Dollars)

4. FIRST TIME ADOPTION OF IFRS (continued)

(b) Adjustments on Transition to IFRS (continued)

(iii) **Reconciliation to Previously Reported Financial Statements** (continued)

The Canadian GAAP Condensed Consolidated Interim Statement of Earnings (Loss) and Comprehensive Income for the three month period ended September 30, 2010 has been reconciled to IFRS as follows:

		Three Months Ended September 30, 2010		
	Note	Canadian GAAP	Effect of Transition to IFRS	IFRS
Expenses				
Exploration and evaluation expenses		\$ 204,522	\$ -	\$ 204,522
General and administrative costs		313,620	-	313,620
Professional fees		16,663	-	16,663
Share-based payments		-	-	-
Stock exchange, filing and transfer agent fees		18,172	-	18,172
Travel		12,383	-	12,383
Loss from operations		(565,360)	-	(565,360)
Finance Costs:				
Foreign exchange gain	4(b)(ii)	23,626	2,631,466	2,655,092
Interest and other income		540,976	-	540,976
Gain on derivative financial liability	4(b)(i)	-	161,842	161,842
Net earnings (loss) for the period	4(b)(i) - (ii)	(758)	2,793,308	2,792,550
Unrealized foreign exchange gain on available-for-sale financial instruments	4(b)(ii)	2,631,466	(2,631,466)	-
Comprehensive income for the period	4(b)(i)	\$ 2,630,708	\$ 161,842	\$ 2,792,550

AFRICO RESOURCES LTD.

Notes to the Condensed Consolidated Interim Financial Statements
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4. FIRST TIME ADOPTION OF IFRS (continued)

(b) Adjustments on Transition to IFRS (continued)

(iii) **Reconciliation to Previously Reported Financial Statements** (continued)

The Canadian GAAP Condensed Consolidated Interim Statement of Earnings (Loss) and Comprehensive Income for the nine month period ended September 30, 2010 has been reconciled to IFRS as follows:

		Nine Months Ended September 30, 2010		
	Note	Canadian GAAP	Effect of Transition to IFRS	IFRS
Expenses				
Exploration and evaluation expenses		\$ 728,809	\$ -	\$ 728,809
General and administrative costs		1,023,517	-	1,023,517
Professional fees		70,814	-	70,814
Share-based payments		85,702	-	85,702
Stock exchange, filing and transfer agent fees		42,134	-	42,134
Travel		41,359	-	41,359
Loss from operations		(1,992,335)	-	(1,992,335)
Finance Costs:				
Foreign exchange gain (loss)	4(b)(ii)	(102,662)	1,796,592	1,693,930
Interest and other income		890,376	-	890,376
Gain on derivative financial liability	4(b)(i)	-	313,051	313,051
Net earnings (loss) for the period	4(b)(i) - (ii)	(1,204,621)	2,109,643	905,022
Unrealized foreign exchange gain on available-for-sale financial instruments	4(b)(ii)	1,796,592	(1,796,592)	-
Comprehensive income for the period	4(b)(i)	\$ 591,971	\$ 313,051	\$ 905,022

AFRICO RESOURCES LTD.

Notes to the Condensed Consolidated Interim Financial Statements
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5. RELATED PARTY TRANSACTIONS

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

(a) Trading Transactions

The Company's related parties consist of a majority shareholder, a company affiliated with a majority shareholder and companies owned by executive officers as follows:

	Nature of Transactions
Camrose Resources Limited	Majority Shareholder
Oakton Global South Africa (Pty) Ltd.	Consulting
L.M. Okada Ltd.	Management
143 Investments Ltd.	Management

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

	Note	September 30, 2011	September 30, 2010
Consulting fees	(i)	\$ 360,000	\$ 370,000
Management fees	(ii)	303,762	274,902
Total Amount Included in General and Administrative Costs		\$ 663,762	\$ 644,902

- (i) A subsidiary of the Company has appointed Oakton Global South Africa (Pty) Ltd. ("Oakton"), a company affiliated with the majority shareholder, to provide administrative and technical consulting services effective August 1, 2009. The total amount paid to Oakton during the nine months ended September 30, 2011 amounted to \$360,000 (September 30, 2010 - \$370,000) and this has been recorded in general and administrative costs. This technical and services agreement with Oakton was terminated on September 30, 2011.
- (ii) The Company paid fees to a private company controlled by a director of the Company for consulting services performed outside of his capacity as a director. The total amount paid during the nine months ended September 30, 2011 was \$248,671 (September 30, 2010 - \$234,496). 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 nine months ended September 30, 2011 was \$55,091 (September 30, 2010 - \$40,406).
- (iii) Amounts due to related parties are unsecured, non-interest bearing and due on demand. Accounts payable at September 30, 2011 included \$22,404 (December 31, 2010 – \$39,966) which were due to directors and a private company controlled by a director of the Company.

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5. RELATED PARTY TRANSACTIONS (continued)

(b) Compensation of Key Management Personnel

The remuneration of directors and other members of key management personnel during the nine months ended September 30, 2011 and 2010 were as follows:

	Note	September 30, 2011	September 30, 2010
Consulting and directors' fees	(i)	\$ 416,326	\$ 393,155
Share-based payments	(ii)	611,346	42,598
		\$ 1,027,672	\$ 435,753

- (i) Consulting and directors' fees include management fees disclosed in Note 5(a).
- (ii) Share-based payments are the fair value of options granted and vested to key management personnel, translated at the grant date foreign exchange rate.
- (iii) Key management personnel were not paid post-employment benefits, termination benefits or other long-term benefits during the nine months ended September 30, 2011 and 2010.
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6. SHORT-TERM INVESTMENTS

As of September 30, 2011, the Company had \$7,224,570 (December 31, 2010 – \$4,531,870) invested into Guaranteed Investment Certificates ("GICs") with a Canadian Financial Institution. These GICs are yielding interest at 1.3% and mature in 8 months.

7. MINERAL INTERESTS

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

	Kalukundi (Congo)
Balance, December 31, 2008	\$ 13,200,578
Entry payment – GCM (Note 7a)	1,600,000
Balance, December 31, 2009	14,800,578
Entry payment – GCM (Note 7a)	1,600,000
Balance, December 31, 2010	16,400,578
Entry payment – GCM (Note 7a)	1,600,000
Balance, September 30, 2011	\$ 18,000,578

AFRICO RESOURCES LTD.

Notes to the Condensed Consolidated Interim Financial Statements

Unaudited – Prepared by Management

(Stated in US Dollars)

7. MINERAL INTERESTS (continued)

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, December 31, 2008	\$ 27,785,426	\$ 253,546	\$ -	\$ 28,038,972
Exploration and evaluation expenses	3,335,884	18,722	-	3,354,606
Balance, December 31, 2009	31,121,310	272,268	-	31,393,578
Exploration and evaluation expenses	1,578,092	5,669	-	1,583,761
Balance, December 31, 2010	32,699,402	277,937	-	32,977,339
Exploration and evaluation expenses	2,010,314	-	8,056	2,018,370
Balance, September 30, 2011	\$ 34,709,716	\$ 277,937	\$ 8,056	\$ 34,995,709

(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 Exploration and 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 - (*3 instalments of \$1,600,000 have been made in 2009, 2010 and 2011*);
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.

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7. MINERAL INTERESTS *(continued)*

(a) Kalukundi *(continued)*

Profit Sharing

The Company will receive 70% of the tax free profits until its investments (loans and interest) are reimbursed with 30% of remaining profits to be allocated based on ownership.

8. 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, at September 30, 2011 the Company has used a current cost estimate as the basis for the closure and reclamation provision of \$210,876 (December 31, 2010 - \$210,876).

9. SHAREHOLDERS' EQUITY

(a) Share Capital

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

Fiscal Year Ended December 31, 2010

Under the plan of arrangement completed during 2006, the Company has reserved shares for issuance to option and warrant holders of Rubicon Minerals Corp. for no further consideration. During the year ended December 31, 2010, the Company issued a total of 190,983 (December 31, 2009 – 36,123) common shares to Rubicon under the plan of arrangement. As at September 30, 2011, 1,859 (December 31, 2010 – 1,859) shares remain to be issued under the plan.

(b) Share-based Payments

Period ended September 30, 2011 – Grants

- On April 18, 2011, the Company granted 1,010,000 incentive stock options, at an exercise price of CDN \$1.55 per share, to directors, officers and consultants of the Company. These options have a five year term and have vesting criteria as follows: 20% shall vest on the date of grant and 20% shall vest every six months thereafter. Share-based payments expense totaled \$1,157,318 of which \$709,724 has been recorded in operations and credited to share-based payments reserve during the nine months ended September 30, 2011 in respect to those options which have vested and the remainder shall be recorded in future periods. The weighted average exercise price of these options is CDN \$1.55.

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9. SHAREHOLDERS' EQUITY (continued)

(b) Share-based Payments (continued)

Period ended September 30, 2011 – Grants (continued)

The share-based payments expense for the period was estimated using the Black-Scholes option-pricing model. Assumptions used in the pricing model were as follows:

Dividend yield	:	0%
Risk free interest rate	:	2.38%
Expected volatility	:	124%
Expected life of option	:	5 years

During the nine months ended September 30, 2011, 220,000 incentive stock options with an exercise price of CDN \$2.50 expired without exercise.

Fiscal year ended December 31, 2010 – Grants

- On January 11, 2010, the Company granted 100,000 incentive stock options, at an exercise price of CDN \$1.00 per share, to an officer and a consultant of the Company. These options have a five year term and vested immediately upon grant. Share-based payments expense of \$85,702 has been recorded in operations and credited to share-based payments reserve in respect of the vested options.

The share-based payments expense for the period was estimated using the Black-Scholes option-pricing model. Assumptions used in the pricing model were as follows:

Dividend yield	:	0%
Risk free interest rate	:	2.48%
Expected volatility	:	138%
Expected life of option	:	5 years

- On October 7, 2010, the Company granted 325,000 incentive stock options, at an exercise price of CDN \$1.00 per share, to an officer, an employee and two consultants of the Company. These options have a five year term and vested immediately upon grant. Share-based payments expense of \$229,763 has been recorded in operations and credited to share-based payments reserve in respect of the vested options.

The share-based payments expense for the period was estimated using the Black-Scholes option-pricing model. Assumptions used in the pricing model were as follows:

Dividend yield	:	0%
Risk free interest rate	:	1.79%
Expected volatility	:	130%
Expected life of option	:	5 years

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9. SHAREHOLDERS' EQUITY (continued)

(b) Share-based Payments (continued)

Fiscal year ended December 31, 2010 – Grants (continued)

On June 18, 2010, a total of 200,000 incentive stock options were exercised by an officer of the Company for proceeds of \$146,880. The previously determined fair value of these stock options of \$171,987 has been transferred from share-based payments reserve to share capital.

During the year ended December 31, 2010, a total of 740,000 incentive stock options expired without exercise and 60,000 incentive stock options were cancelled.

A summary of changes to incentive stock options issued are as follows:

Options Outstanding and Exercisable

	Number of Options	Weighted Average Exercise Price
Outstanding at December 31, 2009	3,335,000	CDN\$ 1.38
Granted	425,000	CDN\$ 1.00
Exercised	(200,000)	CDN\$ 0.75
Expired	(740,000)	CDN\$ 1.36
Cancelled	(60,000)	CDN\$ 2.42
Outstanding at December 31, 2010	2,760,000	CDN\$ 1.35
Granted	1,010,000	CDN\$ 1.55
Expired	(220,000)	CDN\$ 2.50
Outstanding at September 30, 2011	3,550,000	CDN\$ 1.34

At September 30, 2011, the following options were outstanding and exercisable:

Expiry Date	Weighted Average Exercise Price	Number of Options Outstanding	Weighted Average Remaining in Years	Options Exercisable
November 18, 2012	CDN \$2.31	485,000	1.14	485,000
December 9, 2014	CDN \$1.00	1,630,000	3.19	1,630,000
January 11, 2015	CDN \$1.00	100,000	3.28	100,000
October 7, 2015	CDN \$1.00	325,000	4.02	325,000
April 18, 2016	CDN \$1.55	1,010,000	4.55	202,000
	CDN \$1.34	3,550,000	3.38	2,742,000

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10. DERIVATIVE FINANCIAL LIABILITY

All of the Company's issued and outstanding common share purchase warrants have exercise prices denominated in Canadian dollars. As the Company's functional currency is the US dollar the amount of cash the Company will receive on exercise of the warrants will vary depending on the exchange rate therefore these warrants have been classified as a derivative liability and recognized at fair value. Changes in the fair value of the warrants are recognized in earnings until such time as the warrants are exercised or expire. The Company recognized a gain of \$573,494 from the change in fair value of the warrants for the nine months ended September 30, 2011 (September 30, 2010 - \$313,051).

The following table presents the fair value reconciliation of the fair value of the warrants:

	For the Nine Months Ended September 30, 2011	For the Nine Months Ended September 30, 2010	For the Year Ended December 31, 2010
Balance, beginning of the period	\$ 599,751	\$ 993,281	\$ 993,281
Gain on derivative financial liability	(573,494)	(313,051)	(393,530)
Balance, end of the period	\$ 26,257	\$ 680,230	\$ 599,751

These common share purchase warrants do not trade in an active securities market, and as such, the Company has estimated the fair value of these warrants using the Black-Scholes option pricing model using the following assumptions at September 30, 2011, September 30, 2010 and December 31, 2010:

September 30, 2011

Dividend yield	:	0%
Risk free interest rate	:	1.06%
Expected volatility	:	68.83%
Expected life of option	:	1.17 years

September 30, 2010

Dividend yield	:	0%
Risk free interest rate	:	1.06%
Expected volatility	:	135.20%
Expected life of option	:	2.17 years

December 31, 2010

Dividend yield	:	0%
Risk free interest rate	:	1.06%
Expected volatility	:	92.64%
Expected life of option	:	1.92 years

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Notes to the Condensed Consolidated Interim Financial Statements

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10. DERIVATIVE FINANCIAL LIABILITY (continued)

The fair value estimates are classified as level 2 in the fair value hierarchy – 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.

A summary of changes to common share purchase warrants issued are as follows:

	Number of warrants outstanding	Weighted average exercise price
Outstanding at December 31, 2008	21,880,093	CDN\$ 3.45
Expired	(148,491)	CDN\$ 2.89
Outstanding at December 31, 2009	21,731,602	CDN\$ 3.45
Expired	(20,000,000)	CDN\$ 3.50
Outstanding at December 31, 2010 and September 30, 2011	1,731,602	CDN\$ 2.89

The outstanding warrants of 1,731,602 as of September 30, 2011 expire on November 27, 2012.

11. CAPITAL DISCLOSURE

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 in 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.

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Notes to the Condensed Consolidated Interim Financial Statements

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11. CAPITAL DISCLOSURE *(continued)*

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

In order to facilitate the management of capital and development of its mineral properties, 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 mineral properties 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 nine months ended September 30, 2011 as compared to the year ended December 31, 2010. The Company is not subject to externally imposed capital requirements.

12. FINANCIAL INSTRUMENTS

Fair Value

The Company has classified its cash and cash equivalents and accounts receivable and prepayments as loans and receivables. Short-term investments are classified as fair value through profit or loss and accounts payable and accrued liabilities are classified as borrowings and other financial liabilities. Outstanding common share purchase warrants having exercise prices denominated in Canadian dollars are classified as derivative financial liabilities. As of September 30, 2011, the statement of financial position carrying amounts of these financial instruments closely approximate their fair values.

The Company classifies financial instruments recognized at fair value in accordance with a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy 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).

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Notes to the Condensed Consolidated Interim Financial Statements

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12. FINANCIAL INSTRUMENTS (continued)

The following provides a comparison of carrying values of each classification of financial instruments as at September 30, 2011 and December 31, 2010:

		September 30, 2011		December 31, 2010
Loans and receivables	\$	67,090,602	\$	75,710,855
Fair value through profit or loss	\$	7,224,570	\$	4,531,870
Borrowings and other financial liabilities	\$	716,308	\$	253,960
Derivative financial liabilities	\$	26,257	\$	599,751

Financial risk management

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

Currency risk

The Company operates in the DRC and Canada and has a functional currency of US dollars. It is therefore exposed to foreign exchange risk arising from transactions denominated in a foreign currency. Africo's cash and cash equivalents, short-term investments, accounts receivable and accounts payable and accrued liabilities are held in either Canadian or US dollars and are therefore subject to fluctuations in exchange rates.

The Company had the following balances in Canadian dollars as at September 30, 2011:

	Canadian Dollars
Cash and cash equivalents	\$ 40,036,273
Short-term investments	7,572,925
Net balance	\$ 47,609,198
Equivalent in US dollars	\$ 45,419,175
US dollars held by the Company and its wholly owned subsidiaries	28,771,153
Total cash and cash equivalents and short-term investments	\$ 74,190,328

As at September 30, 2011, 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 \$476,000 with respect to the net balance of \$47,609,198 above.

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12. FINANCIAL INSTRUMENTS *(continued)*

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Cash and cash equivalents and short-term investments include deposits which are at variable interest rates. For the nine months ended September 30, 2011, 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 \$238,000 with respect to the net balance of \$47,609,198 above.

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 September 30, 2011, the Company had cash and cash equivalents of \$66,965,758 (December 31, 2010 - \$75,639,235) and short-term investments of \$7,224,570 (December 31, 2010 - \$4,531,870) to settle accounts payable and accrued liabilities of \$716,308 (December 31, 2010 - \$253,960).

13. 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.
