



**Condensed Consolidated Interim Financial Statements**

**For the Three Months Ended March 31, 2012**

**(Unaudited – Prepared by Management)**

**(Stated in US Dollars Unless Noted Otherwise)**

**NOTICE TO READER**

The attached condensed consolidated interim 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.

## Condensed Consolidated Interim Statements of Financial Position

(Unaudited – Prepared by Management)

(Stated in US Dollars Unless Noted Otherwise)

	As at March 31, 2012	(Audited) As at December 31, 2011
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 33,603,397	\$ 29,379,567
Short-term investments (Note 4)	38,476,340	45,212,710
Accounts receivable and prepayments	75,597	56,832
	<b>72,155,334</b>	<b>74,649,109</b>
<b>Non-current assets:</b>		
Exploration and evaluation assets (Note 5)	19,600,578	18,000,578
<b>TOTAL ASSETS</b>	<b>\$ 91,755,912</b>	<b>\$ 92,649,687</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current liabilities:</b>		
Accounts payable and accrued liabilities	\$ 722,809	\$ 889,889
Derivative financial liability (Note 8)	1,282	6,520
	<b>724,091</b>	<b>896,409</b>
<b>Non-current liabilities:</b>		
Provision for closure and reclamation (Note 6)	210,876	210,876
<b>TOTAL LIABILITIES</b>	<b>934,967</b>	<b>1,107,285</b>
<b>Equity:</b>		
Share capital (Note 7a)	130,193,394	130,193,394
Share-based payments reserve	9,922,226	9,841,986
Deficit	(49,294,675)	(48,492,978)
<b>TOTAL EQUITY</b>	<b>90,820,945</b>	<b>91,542,402</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 91,755,912</b>	<b>\$ 92,649,687</b>

### Commitments (Note 9)

Approved by the Board of Directors:

“Matthew Fisher” Director  
Matthew Fisher

“Douglas Ryan” Director  
Douglas Ryan

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

**AFRICO RESOURCES LTD.****Condensed Consolidated Interim Statements of (Loss) Income and Comprehensive (Loss) Income**

(Unaudited – Prepared by Management)

(Stated in US Dollars Unless Noted Otherwise)

	For the three months ended March 31, 2012	For the three months ended March 31, 2011
<b>Expenses</b>		
Exploration and evaluation expenses	\$ 1,475,084	\$ 371,054
Management and consulting fees	159,770	153,899
Office expenses	49,646	58,189
Professional fees	19,078	74,598
Share-based compensation ( <i>Note 7b</i> )	80,240	-
Stock exchange, filing and transfer agents fees	20,311	24,185
Travel	17,700	26,221
<b>Loss from Operations</b>	<b>(1,821,829)</b>	<b>(708,146)</b>
<b>Finance Income</b>		
Foreign exchange gain	877,939	704,853
Interest and other income	136,955	694,630
Gain on derivative financial liability ( <i>Note 8</i> )	5,238	179,897
<b>Net (Loss) Income and Comprehensive (Loss) Income for the Period</b>	<b>\$ (801,697)</b>	<b>\$ 871,234</b>
<b>(Loss) Earnings per Common Share</b>		
Basic	\$ (0.01)	\$ 0.01
Diluted	\$ (0.01)	\$ 0.01
<b>Weighted Average Number of Common Shares Outstanding</b>		
Basic	71,311,278	71,311,278
Diluted	71,311,278	73,366,278

- 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 Unless Noted Otherwise)

	For the three months ended March 31, 2012	For the three months ended March 31, 2011
<b>Operating Activities</b>		
Net (loss) income for the period	\$ (801,697)	\$ 871,234
Adjustment for items which do not involve cash:		
Share-based compensation	80,240	-
Gain on derivative financial liability	(5,238)	(179,897)
Unrealized foreign exchange gain	(943,783)	(1,187,627)
	<b>(1,670,478)</b>	<b>(496,290)</b>
Changes in non-cash working capital components:		
Accounts receivable and prepayments	(18,765)	7,585
Accounts payable and accrued liabilities	(167,080)	(22,146)
<b>Cash used in operating activities</b>	<b>(1,856,323)</b>	<b>(510,851)</b>
<b>Investing Activities</b>		
Short-term investments	7,362,801	(3,116,971)
Exploration and evaluation assets	(1,600,000)	(1,600,000)
<b>Cash provided by (used in) investing activities</b>	<b>5,762,801</b>	<b>(4,716,971)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>317,352</b>	<b>1,080,720</b>
<b>Net increase (decrease) in cash and cash equivalents during the period</b>	<b>4,223,830</b>	<b>(4,147,102)</b>
<b>Cash and cash equivalents, beginning of the period</b>	<b>29,379,567</b>	<b>75,639,235</b>
<b>Cash and cash equivalents, end of the period</b>	<b>\$ 33,603,397</b>	<b>\$ 71,492,133</b>

- 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 Unless Noted Otherwise)

	SHARE CAPITAL		SHARE-BASED PAYMENTS		DEFICIT	TOTAL EQUITY
	SHARES	AMOUNT	RESERVE			
<b>Balance – January 1, 2011</b>	<b>71,311,278</b>	<b>\$ 130,193,394</b>	<b>\$ 9,007,584</b>	<b>\$ (43,622,262)</b>	<b>\$ 95,578,716</b>	
Net income for the three months	-	-	-	871,234	871,234	
<b>Balance – March 31, 2011</b>	<b>71,311,278</b>	<b>\$ 130,193,394</b>	<b>\$ 9,007,584</b>	<b>\$ (42,751,028)</b>	<b>\$ 96,449,950</b>	
<b>Balance – January 1, 2012</b>	<b>71,311,278</b>	<b>\$ 130,193,394</b>	<b>\$ 9,841,986</b>	<b>\$ (48,492,978)</b>	<b>\$ 91,542,402</b>	
Share-based compensation	-	-	80,240	-	80,240	
Net loss for the three months	-	-	-	(801,697)	(801,697)	
<b>Balance – March 31, 2012</b>	<b>71,311,278</b>	<b>\$ 130,193,394</b>	<b>\$ 9,922,226</b>	<b>\$ (49,294,675)</b>	<b>\$ 90,820,945</b>	

- 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 Unless Noted Otherwise)

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### 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.

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### 2. BASIS OF PRESENTATION

The Company prepares its financial statements in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). These condensed consolidated interim financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting (“IAS 34”). These condensed consolidated interim financial statements follow the same accounting policies and methods of application as the Company’s most recent annual audited financial statements. Accordingly, they should be read in conjunction with the Company’s most recent annual audited financial statements. The policies applied in these condensed consolidated interim financial statements are based on IFRS issued and outstanding as of May 14, 2012, the date the Board of Directors approved the financial statements.

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### 3. 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 the majority shareholder, a company controlled by the majority shareholder, directors and companies owned by executive officers as follows:

	<b>Nature of Transactions</b>
Camrose Resources Limited *	Majority Shareholder
Oakton Global South Africa (Pty) Ltd.	Consulting
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 50.5%.

# AFRICO RESOURCES LTD.

## Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited – Prepared by Management)

(Stated in US Dollars Unless Noted Otherwise)

### 3. RELATED PARTY TRANSACTIONS - *continued*

#### (a) Trading Transactions - *continued*

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	March 31, 2012	March 31, 2011
Consulting fees	(i)	\$ 60,000	\$ 120,000
Management fees	(ii)	99,150	100,490
		<b>\$ 159,150</b>	<b>\$ 220,490</b>

- (i) The Company had 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 three months ended March 31, 2012 was \$Nil (March 31, 2011 - \$120,000). The agreement with Oakton was terminated on September 30, 2011. Since July 1, 2011, the Company has paid an aggregate of \$180,000 (\$20,000 per month) to Comide S.P.R.L., a private company controlled by the Company’s majority shareholder, to provide administrative and technical consulting services. The total amount paid to Comide S.P.R.L. during the three months ended March 31, 2012 was \$60,000 (March 31, 2011 \$Nil).
- (ii) The Company paid 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 during the three months ended March 31, 2012 was \$81,168 (March 31, 2011 - \$82,265). 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, 2012 was \$17,982 (March 31, 2011 - \$18,225).
- (iii) Amounts due to related parties are unsecured, non-interest bearing and due on demand. Accounts payable at March 31, 2012 included \$43,108 (December 31, 2011 – \$25,320) which was due to directors and a private company controlled by a director of the Company.

#### (b) Compensation of Key Management Personnel

The remuneration of directors and other members of key management personnel during the three months ended March 31, 2012 and 2011 were as follows:

	Note	March 31, 2012	March 31, 2011
Management and directors’ fees	(i)	\$ 124,874	\$ 141,749
Share-based compensation	(ii)	62,958	-
		<b>\$ 187,832</b>	<b>\$ 141,749</b>

# AFRICO RESOURCES LTD.

## Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited – Prepared by Management)

(Stated in US Dollars Unless Noted Otherwise)

### 3. RELATED PARTY TRANSACTIONS - continued

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

- (i) Management and directors' fees include management fees disclosed in Note 3(a). During the three months ended March 31, 2012, the Company paid directors' fees totaling \$106,892 (March 31, 2011 - \$123,524).
- (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) Key management personnel were not paid post-employment benefits, termination benefits or other long-term benefits during the three months ended March 31, 2012 and 2011.

### 4. SHORT-TERM INVESTMENTS

As of March 31, 2012, the Company had \$38,476,340 (December 31, 2011 – \$45,212,710) invested into Guaranteed Investment Certificates ("GICs") with Canadian Financial Institutions. These GICs are yielding interest at rates ranging from 1.35% to 1.45% and have original maturity dates of greater than three months but not more than one year.

### 5. EXPLORATION AND EVALUATION ASSETS

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

	<b>Kalukundi (Congo)</b>
Balance, January 1, 2011	\$ 16,400,578
Entry payment – GCM (Note 5a)	1,600,000
Balance, December 31, 2011	18,000,578
Entry payment – GCM (Note 5a)	1,600,000
<b>Balance, March 31, 2012</b>	<b>\$ 19,600,578</b>

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

	<b>Kalukundi (Congo)</b>	<b>Mporokoso (Zambia)</b>	<b>Other Properties (Zambia)</b>	<b>Total</b>
Balance, January 1, 2011	\$ 32,699,402	\$ 277,937	\$ -	\$ 32,977,339
Exploration and evaluation expenses	371,054	-	-	371,054
Balance, March 31, 2011	\$ 33,070,456	\$ 277,937	\$ -	\$ 33,348,393
Balance, January 1, 2012	\$ 35,887,394	\$ 277,937	\$ 13,551	\$ 36,178,882
Exploration and evaluation expenses	1,475,084	-	-	1,475,084
<b>Balance, March 31, 2012</b>	<b>\$ 37,362,478</b>	<b>\$ 277,937</b>	<b>\$ 13,551</b>	<b>\$ 37,653,966</b>

## **AFRICO RESOURCES LTD.**

### **Notes to the Condensed Consolidated Interim Financial Statements**

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#### **5. EXPLORATION AND EVALUATION ASSETS - *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 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 - (*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.

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.

##### **(b) Mporokoso**

The Company acquired an interest in the Mporokoso gold exploration project in Zambia as part of a basket of properties acquired along with the Kalukundi project. However, as significant exploration work was required to be carried out on this project during the year ended December 31, 2011, the Company has allowed the interest in the project to lapse.

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# **AFRICO RESOURCES LTD.**

## **Notes to the Condensed Consolidated Interim Financial Statements**

(Unaudited – Prepared by Management)

(Stated in US Dollars Unless Noted Otherwise)

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### **6. 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, 2012 the Company has used a current cost estimate as the basis for the closure and reclamation provision of \$210,876 (December 31, 2011 - \$210,876).

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### **7. 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, 2012**

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. The Company did not issue any common shares to Rubicon during the three month period ended March 31, 2012 and during the year ended December 31, 2011. As of March 31, 2012, 1,859 (December 31, 2011 – 1,859) shares remain to be issued under the plan.

#### **(b) Share-based Compensation**

#### **Three Months Ended March 31, 2012**

During the three month period ended March 31, 2012, 100,000 incentive stock options with an exercise price of CDN \$2.31, 200,000 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 were forfeited. The Company did not grant any stock options during the three month period ended March 31, 2012.

#### **Fiscal Year Ended December 31, 2011**

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. The total fair value of these options totaled \$1,157,318. This amount has been reduced by \$61,876 due to the forfeiture of 54,000 unvested incentive stock options at the date of forfeiture. For those options which have vested, \$834,402 has been recorded in operations and credited to share-based payments reserve during the year ended December 31, 2011 and \$80,240 has been recorded in operations and credited to share-based payments reserve during the three months ended March 31, 2012. Share-based compensation expense for the remaining unvested options will be recorded in future periods.

## AFRICO RESOURCES LTD.

### Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited – Prepared by Management)

(Stated in US Dollars Unless Noted Otherwise)

#### 7. EQUITY - continued

##### (b) Share-based Compensation - continued

Share-based compensation expense for this grant 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	:	2.38%
Expected volatility	:	124%
Expected life of options	:	5 years

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

<b>Incentive Stock Options</b>	<b>Number of Options</b>	<b>Weighted Average Exercise Price</b>
Outstanding at January 1, 2011 and March 31, 2011	2,760,000	CDN\$ 1.35
Granted	1,010,000	CDN\$ 1.55
Expired	(220,000)	CDN\$ 2.50
Outstanding at December 31, 2011	3,550,000	CDN\$ 1.34
Forfeited	(390,000)	CDN\$ 1.46
<b>Outstanding at March 31, 2012</b>	<b>3,160,000</b>	<b>CDN\$ 1.32</b>

*At March 31, 2012, the following options were outstanding and exercisable:*

<b>Expiry Date</b>	<b>Weighted Average Exercise Price</b>	<b>Number of Options Outstanding</b>	<b>Weighted Average Remaining in Years</b>	<b>Options Exercisable</b>
November 18, 2012	CDN \$2.31	385,000	0.64	385,000
December 9, 2014	CDN \$1.00	1,430,000	2.69	1,430,000
January 11, 2015	CDN \$1.00	100,000	2.78	100,000
October 7, 2015	CDN \$1.00	325,000	3.52	325,000
April 18, 2016	CDN \$1.55	920,000	4.05	368,000
	<b>CDN \$1.32</b>	<b>3,160,000</b>	<b>2.93</b>	<b>2,608,000</b>

#### 8. 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. 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 \$5,238 from the change in fair value of the warrants for the three months ended March 31, 2012 (March 31, 2011 - \$179,897).

## AFRICO RESOURCES LTD.

### Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited – Prepared by Management)

(Stated in US Dollars Unless Noted Otherwise)

#### 8. DERIVATIVE FINANCIAL LIABILITY - *continued*

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

	For the Three Months Ended March 31, 2012	For the Three Months Ended March 31, 2011	For the Year Ended December 31, 2011
Balance, beginning of the period	\$ 6,520	\$ 599,751	\$ 599,751
Gain on derivative financial liability	(5,238)	(179,897)	(593,231)
<b>Balance, end of the period</b>	<b>\$ 1,282</b>	<b>\$ 419,854</b>	<b>\$ 6,520</b>

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 March 31, 2012, March 31, 2011 and December 31, 2011:

#### March 31, 2012

Dividend yield	:	0%
Risk free interest rate	:	1.12%
Expected volatility	:	65.18%
Expected life of warrants	:	0.67 years

#### March 31, 2011

Dividend yield	:	0%
Risk free interest rate	:	1.06%
Expected volatility	:	78.51%
Expected life of warrants	:	1.67 years

#### December 31, 2011

Dividend yield	:	0%
Risk free interest rate	:	1.01%
Expected volatility	:	67.74%
Expected life of warrants	:	0.92 years

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.

At March 31, 2012, March 31, 2011 and December 31, 2011, there were 1,731,602 warrants outstanding with a weighted average exercise price of CDN \$2.89. All of these warrants expire on November 27, 2012.

## **AFRICO RESOURCES LTD.**

### **Notes to the Condensed Consolidated Interim Financial Statements**

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#### **9. COMMITMENTS**

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 then cost for the office space. The head-lease has an expiry date of April 30, 2016.

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#### **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.

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