Canaf Group Inc.

Interim Consolidated Financial Statements

JANUARY 31, 2008 and 2007

(Expressed in U.S. dollars)

(Unaudited – Prepared by Management)

The accompanying unaudited interim consolidated financial statements of Canaf Group Inc. for the three month periods ended January 31, 2008 have been prepared by management and approved by the Audit Committee and the Board of Directors of the Company. These statements have not been reviewed by the Company's independent auditors.

Canaf Group Inc.

Consolidated Balance Sheets

(Expressed in U.S. Dollars)

Unaudited

	January 31, 2008	October 31, 2007
ASSETS		
Current Assets		
Cash and cash equivalent	$ 518,747	$ 751,677
Restricted cash	4,994	4,994
Account receivable	1,022,963	1,336,836
Inventories	173,573	492,017
Prepaid expenses	14,873	-
	1,735,150	2,585,524
Long Term Investments (Note 4)	443,416	445,863
Property, plant and equipment	1,812,657	2,052,440
Mineral properties (Note 5)	423,483	96,128
Intangible assets (Note 6)	2,274,482	2,023,165
	$ 6,689,188	$ 7,203,120
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	1,101,840	1,569,224
Due to related parties (Note 9)	1,212,361	1,093,317
Current portion of long term debt (Note 7)	5,903	6,391
Income tax payable	49,212	37,024
	2,369,316	2,705,956
Long-term debt (Note 7)	720,606	797,216
Future income tax	1,154,567	1,164,000
Non-controlling interest	-	155,808
	$ 4,244,489	$ 4,822,980
SHAREHOLDERS' EQUITY		
Share capital (Note 8)	7,508,039	7,174,545
Contributed surplus	685,223	685,223
Accumulated other comprehensive loss	(96,837)	-
Deficit	(5,651,726)	(5,479,628)
	$ 2,444,699	$ 2,380,140
	$ 6,689,188	$ 7,203,120

Nature of Operations and Ability to Continue as a Going Concern (Note 1)
Commitments (Notes 8)

Approved by the Directors:

"David Way" ______________________________

"Mike Hopley" ______________________________

Canaf Group Inc.

Consolidated Statements of Operations and Deficit

(Expressed in U.S. Dollars)

(Unaudited)

	Three Months Period Ended January 31, 2008	2007
Revenue		
Product revenue	$ 2,157,332	$ -
Manufacturing expenses (Schedule 1)	(2,026,009)	-
	131,323	-
Expenses		
Accounting and legal fees	27,934	(9,849)
Amortization	122,055	6,154
Auto	1,834	-
Bank charges	472	123
Consulting fees	37,718	-
Directors' fees	27,996	-
Finance fees	20,948	-
Foreign exchanges	5,251	(3,466)
Office and sundry	18,151	532
Office rent	1,510	1,573
Promotion	1,996	357
Property exploration expenses	-	27,845
Stock-based compensation	-	132,092
Telephone	1,529	866
Transfer agent and filing fees	3,015	4,182
Travel	6,123	-
	(276,532)	(160,409)
Loss before other items and income taxes	(145,209)	(160,409)
Other items		
Interest income	5,848	-
Loss before income taxes	(139,361)	(160,409)
Income taxes	(32,737)	
Net loss for the period	(172,098)	(160,409)
Deficit - beginning of period	(5,479,628)	(4,758,163)
Deficit - end of period	$ (5,651,726)	$ (4,4918,572)
Loss per share	$ (0.00)	$ (0.01)
Weighted average number of common shares outstanding	43,140,420	27,623,805

Canaf Group Inc.

Consolidated Statements of Comprehensive Loss

(Expressed in U.S. Dollars)

(Unaudited)

	Three Months Period Ended January 31, 2008	2007
Net loss for the period	$ (172,098)	$ (160,409)
Other comprehensive loss		
Foreign currency translation adjustment	(96,837)	-
Comprehensive loss for the period	$ (268,935)	$ (160,409)

Canaf Group Inc.

Consolidated Statements of Cash Flows

(Expressed in U.S. Dollars)

(Unaudited)

	Three Months Period Ended January 31, 2008	2007
CASH PROVIDED BY (USED FOR):		
Operating Activities		
Loss for the period	$ (172,098)	$ (160,409)
Items not affecting cash:		
Amortization	298,861	6,154
Stock-based compensation	-	132,092
Changes in non-cash working capital accounts:		
Amounts receivable	313,873	(1,465)
Prepaid expenses	(14,873)	-
Inventories	318,444	-
Accounts payable	(467,384)	25,330
Income tax payable	2,755	-
Due to related parties	119,044	11,026
	398,622	12,728
Financing Activity		
Long term debt	(76,610)	-
Issuance of share capital (net of issue costs)	333,494	144,189
Loan in advance of private placement	-	85,807
	256,884	229,996
Investing Activities		
Long term investments	1,959	-
Purchase of plant & equipment	(325,652)	-
Mineral property exploration costs	(327,355)	(37,567)
Purchase of Quantum, net of cash acquired	(238,388)	-
	(888,436)	(37,567)
Net cash provided during the period	(232,930)	205,157
Cash, beginning of period	751,677	10,813
Cash, end of period	$ 518,747	$ 215,970

Supplementary Disclosure of Non-Cash Investing and Financing Activities:

- *During the period ended January 31, 2008, the Company issued 1,527,072 common shares valued at $333,494 for the acquisition of Quantum (Note 3)*

Canaf Group Inc.

Schedule of Manufacturing Expenses
for the period ended January 31, 2008
(Expressed in U.S. Dollars)
(Unaudited)

	2008
Direct expenses	
Opening Stock	446,141
Analysis fees	7,535
Amortization	176,806
Consultation costs	5,601
Electricity	66,914
Fuel, oil and lubricants	1,947
Professional and project management fee	19
Medical expenses	154
Product purchases	1,054,582
Protective clothing	1,324
Rent – machinery	32,409
– buildings	1,268
Repairs and maintenance	113,130
Salaries, wages and labour	65,284
Transportation	226,468
Closing inventory	(173,573)
	2,026,009

Canaf Group Inc.

Statements of Deferred Exploration Costs

(Expressed in U.S. Dollars)

(Unaudited)

	October 31, 2007	Net Expenditures (Option proceeds/ Adjustments)	January 31, 2008
British Columbia, Canada			
Bonaparte Property			
Deferred exploration cost			
Company and filed cost	$ 96,128	$ 74,638	$ 170,766
Democratic Republic of Congo (DRC)			
New Stone Mining			
Advance funds for the acquisition of properties		252,717	252,717
Total mineral property costs	$ 96,128	327,355	423,483

1. NATURE OF OPERATIONS AND ABILITY TO CONTINUE AS A GOING CONCERN

Canaf Group Inc. (the "Company") is incorporated in the Province of Alberta and through its subsidiaries, Nabisoga Mining Ltd. ("Nabisoga") and Rwenzori Cobalt Company Ltd. ("Rwenzori"), is engaged in the acquisition and exploration of mineral properties in British Columbia and Uganda, Africa. On March 1, 2007, the Company acquired an 100% interest in Quantum Screening and Crushing (Proprietory) Limited ("Quantum") (Note 3). Quantum is a South African company carrying on the business of processing of coal products into carbon for sales. On May 3, 2007, the Company changed its name from CanAfrican Metals and Mining Group to Canaf Group Inc.

These financial statements have been prepared in accordance with generally accepted accounting principles applicable to a going concern, which assumes that the Company will be able to meet its obligations and continue its operations for its next fiscal year. Realization values may be substantially different from carrying values as shown and these financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. At January 31, 2008, the Company had not yet achieved profitable operations, has accumulated losses of $5,651,726 since inception, has a working capital deficiency of $634,166 and expects to incur further losses in the development of its business, all of which casts substantial doubt about the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent upon its ability to generate future profitable operations and/or obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basic of Presentation

These unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles for interim financial statements. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, the accompanying financial information reflects all adjustments, consisting primarily of normal and recurring adjustments considered necessary for fair presentation of the results for the interim period. Operating results for the three months ended January 31, 2008 are not necessarily indicative of the results that may be expected for the year ending October 31, 2008. These interim consolidated financial statements follow the same accounting policies as the annual financial statements. Accordingly, these financial statements should be read in conjunction with the 2007 annual financial statements and notes thereto.

Principles of Consolidation

The consolidated financial statements are prepared in accordance with generally accepted accounting principles ("GAAP") in Canada and include the accounts of the Company and its wholly-owned subsidiaries Nabisoga and Rwenzori, of Kampala, Uganda and its 85%-owned subsidiary, Quantum.

All significant intercompany transactions and balances have been eliminated on consolidation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Translation of Foreign Currency

The Company translates its foreign operations into U.S. dollars on the following basis: monetary assets and liabilities are translated at the rate of exchange in effect at the balance sheet date and non-monetary assets and liabilities are translated at the historical rates. Revenues and expenses are translated at rates prevailing at the date of the transaction, except for amortization which is translated at the historical rate. Foreign exchange gains and losses from the translation of foreign operations are recognized in the statement of operations for the period in which they occurred, or are included in deferred exploration costs.

Inventory

Inventories are valued at the lower of cost or estimated net realizable value. Estimated net realizable value is the estimated selling price in the ordinary course of business less any cost of disposal. Cost is determined on the following basis:

Raw materials and packing material are valued at average cost.

Finished goods are valued at raw material cost plus labour cost and an appropriate portion of related fixed and variable manufacturing overhead expenses based on normal capacity.

Revenue Recognition

Revenue, net of trade discounts and excluding value added tax, comprises the total invoice value of goods, services, co-marketing fees and royalties. Revenue from the sale of Calcine (carbon) is recognized upon transfer of title which is completed when the physical product is delivered to customers, the amount of revenue is fixed or determinable, invoiced and collectibility is reasonably assured.

Interest income is recognized on a time proportion basis, taking account of the principal outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to the Company. Dividends are recognized when the right to receive payment is established.

Intangible Assets

Intangible assets represent the value of customer contracts acquired on the purchase of Quantum (Note 3). Intangible assets are amortized straight line over the length of the contract terms of five years.

3. ACQUISITION OF QUANTUM SCREENING AND CRUSHING (PROPRIETARY) LIMITED

On March 1, 2007, the Company completed its acquisition of 85% of the outstanding share capital of Quantum, a private South African company, pursuant to an agreement dated January 30, 2007 in exchange for the issuance of 5,929,876 common shares of the Company valued at $1,125,702 (based on the quoted market price of the Company's share on the date of the agreement) and cash of $2,222,339 to certain existing shareholders of Quantum.

The acquisition has been accounted for using the purchase method of accounting and the consolidated financial statements include 85% of the operations of Quantum from March 1, 2007, the acquisition date.

(Expressed in U.S. Dollars) - 3

3. ACQUISITION OF QUANTUM SCREENING AND CRUSHING (PROPRIETARY) LIMITED *(continued)*

On November 1, 2007, the Company acquired the remaining 15% of the outstanding shares of Quantum, increasing its ownership of Quantum from 85% to 100% as follows:

- 5% for $143,142 (R1,000,000) by the issuance of 573,000 common shares (issued) at a deemed price of $0.25
- 10% for $190,352 (R2,777,778) by the issuance of 953,472 common shares (issued) at a deemed price of $0.20 and $190,352 (1,388,889) in cash.

The allocation of the purchase price for the step-by-step acquisitions is summarized in the following table.

	Acquisition 85%	Acquisition 15%
Assets		
Current assets	$ 1,676,414	$ 25,491
Investments	330,802	115,061
Plant and equipment	2,614,541	-
Intangible asset	2,334,421	383,294
	6,956,178	523,846
Liabilities		
Current liabilities	1,376,295	-
Long-term debt	807,605	-
Future income tax liability	1,316,239	-
Non-controlling interest	107,998	-
	3,608,137	-
Total consideration	$ 3,348,041	$ 523,846
Consideration		
Common shares	$ 1,125,702	$ 333,494
Cash	2,222,339	190,352
	$ 3,348,041	$ 523,846

4. LONG-TERM INVESTMENT, AT COST

A monthly investment of $14,383 is made to provide for the capital repayment of $793,637 due on July 1, 2010 to settle a loan agreement from a financial institution. This long-term investment is classified as held to maturity (Refer to Note 7).

(Expressed in U.S. Dollars) - 4

5. MINERAL PROPERTIES AND DEFERRED EXPLORATION COSTS

British Columbia, Canada

Bonaparte Property

The Company owns six mining claims located approximately 45 kilometres west of the Thompson River in the Kamloops Mining Division.

Alaska, USA

Bowser Creek Property

The Company signed an option agreement dated November 15, 2006 to earn up to 75% interest in the Bowser Creek property located in Alaska. In order for the Company to earn a 50% interest it must spend CDN$1,500,000 (US$1,571,700) in exploration expenditures and a further CDN$1,000,000 (US$1,047,800) in exploration expenditures to earn the remaining 25%. During the year ended October 31, 2007, the Company terminated the agreement and, therefore, previously capitalized mineral and deferred explorations costs totalling $31,312 have been charged to operations.

6. INTANGIBLE ASSETS

Intangible assets acquired represent the value of customer contracts acquired on the purchase of Quantum valued at $2,717,716 net of amortization of $427,977.

These intangible assets are amortized straight line over the customer contract term of five years.

7. LONG-TERM DEBT

	Current	Long-term	Total
a) Ford Ranger – Ford Credit			
Instalments payable	$ 3,126	$ -	$ 3,126
Less: finance charges	(214)	-	(214)
	2,912	-	2,912
b) Coal Devolatising Plant – Standard Bank			
Instalments payable	84,447	810,671	895,118
Less: finance charges	(81,456)	(90,065)	(171,521)
	2,991	720,606	723,597
	$ 5,903	$ 720,606	$ 726,509

The above debts are secured with an investment at Liberty Life made to provide for the capital repayable on July 1, 2010 (Refer to Note 4)

(Expressed in U.S. Dollars) - 5

8. SHARE CAPITAL

a) Authorized: an unlimited number of common and preferred shares without par value

b) Issued:

	Shares		Amount
Issued – October 31, 2007	43,006,681	$	7,174,545
Shares issued for: Acquisition of subsidiary (Note 3)	1,527,072		333,494
Issued – January 31, 2008	44,533,753	$	7,508,039

c) The continuity of stock options is as follows:

	Number of Shares	CDN Weighted Price
Balance, October 31, 2007 and January 31, 2008	2,952,200	0.18
Weighted remaining life in years		2.98
Range of exercise prices		$0.10-$0.28

d) The continuity of share purchase warrants is as follows:

	Number of Shares	CDN Weighted Price
Balance, October 31, 2007 and January 31, 2008	6,758,260	0.27
Weighted remaining life in years		0.79
Range of exercise prices		$0.15-$35

e) Shares in escrow:

The Company does not have any shares held in escrow.

(Expressed in U.S. Dollars) - 6

9. RELATED PARTY TRANSACTIONS

	January 31, 2007	October 31, 2007
Due to a company controlled by a President of the Company, unsecured, interest at 7% per annum and no specific terms of repayment. The amount includes accrued interest of $70,025 (2007 - $Nil).	$ 919,943	$ 723,111
Due to a company controlled by a former director of the Company.	-	19,197*
Due to a director of the Company.	292,418*	282,418*
Due to former directors of the Company.	-	68,591*
Included in due to related parties	**$ 1,212,361**	**$ 1,093,317**

* Amounts are unsecured, non-interest bearing and have no specific terms for repayment.

During the period ended January 31, 2008, the Company entered into the following transactions with related parties:

a) Paid consulting fees of $7,500 (2006 - $41,310) to a director of the Company.

b) Paid directors' fees of $27,996 to the directors of a subsidiary of the Company.

These expenditures were measured by the exchange amount which is the amount agreed upon by the transacting parties.

10. INVENTORIES

Inventory consists of anthracite coal and calcine.

11. PRODUCT REVENUE

Product revenue includes $37,117 received as a Small and Medium Enterprises Development Program subsidy. This subsidy is received from the South Africa Department of Trade and Industry and is only recorded upon receipt.

12. ECONOMIC DEPENDENCE

The Company's revenue is derived from two customers and as a result is dependent on these two contracts for its revenue.

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13. SEGMENTED INFORMATION

The Company operates in two reportable operating segments, one being the exploration of mineral resource properties in Canada and Uganda. The other segment relates to the production and sale of Calcine (carbon) in South Africa. Information from South Africa included below were from March 1, 2007, date of acquisition.

	Canada	Uganda	South Africa	Total
Period ended January 31, 2008				
Net loss (income)	$ 287,174	$ 2,143	$ (117,219)	$ 172,098
Current assets	$ 43,047	$ -	$ 1,692,103	$ 1,735,150
Long term investments			443,416	443,416
Equipment	1,432	6,285	1,804,940	1,812,657
Mineral properties	423,483	-	-	423,483
Intangible assets	-	-	2,274,482	2274,482
Total Assets	$ 467,962	6,285	6,214,941	$ 6,689,188

14. COMPARATIVE FIGURES

The comparative financial statements have been reclassified from statements to conform to the presentation of the January 31, 2008 unaudited financial statements.