Canaf Group Inc.

Interim Consolidated Financial Statements

July 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 nine month periods ended July 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

		July 31, 2008		October 31, 2007
ASSETS				
Current Assets				
Cash and cash equivalent	$	397,514	$	751,677
Restricted cash		4,994		4,994
Account receivable		1,065,436		1,336,836
Inventories		574,132		492,017
		2,042,076		2,585,524
Long Term Investments (Note 4)		510,924		445,863
Property, plant and equipment		1,444,062		2,052,440
Mineral properties (Note 5)		661,310		96,128
Intangible assets (Note 6)		2,017,967		2,023,165
	$	6,676,339	$	7,203,120
LIABILITIES				
Current Liabilities				
Accounts payable and accrued liabilities		1,431,724		1,569,224
Due to related parties (Note 9)		1,427,414		1,093,317
Current portion of long term debt (Note 7)		1,632		6,391
Income tax payable		103,466		37,024
		2,964,236		2,705,956
Long-term debt (Note 7)		705,767		797,216
Future income tax		1,128,189		1,164,000
Non-controlling interest		-		155,808
	$	4,798,192	$	4,822,980
SHAREHOLDERS' EQUITY				
Share capital (Note 8)		7,508,039		7,174,545
Contributed surplus		964,816		685,223
Accumulated other comprehensive loss		(112,729)		-
Deficit		(6,481,979)		(5,479,628)
	$	1,878,147	$	2,380,140
	$	6,676,339	$	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 July 31, 2008	Three Months Period Ended July 31, 2007	Nine Months Period Ended July 31, 2008	Nine Months Period Ended July 31, 2007
Revenue				
Product revenue	$ 1,849,853	$ -	$ 5,894,002	$ -
Manufacturing expenses (Schedule 1)	(1,787,832)	-	(5,553,199)	-
	62,021	-	340,803	-
Expenses				
Accounting and legal fees	35,933	10,382	146,031	5,902
Amortization	98,541	2,014	299,390	14,322
Auto	1,060	15,284	5,793	15,284
Bank charges	1,435	58	2,482	209
Consulting fees	20,920	21,277	87,974	47,091
Directors' fees	15,347	-	67,260	-
Finance fees	21,426	-	63,988	-
Foreign exchanges	7,807	(7,870)	(3,220)	(24,599)
Interest income		(2,581)		(2,581)
Office and sundry	42,951	44,388	80,929	46,794
Office rent	-	1,384	2,368	3,620
Promotion	2,467	2,679	4,736	3,461
Property exploration expenses	-	9,297	-	37,142
Investor relations	-	11,437	-	11,437
Stock-based compensation	15,409	9,263	279,593	141,355
Telephone	6,242	1,240	14,269	3,972
Transfer agent and filing fees	9,937	13,424	23,109	26,574
Travel	56,758	128	69,372	7,538
	(336,233)	(131,804)	(1,144,074)	(337,521)
Loss before other items and income taxes	(274,212)	(131,804)	(803,271)	(337,521)
Other items				
Interest income	2,559	-	11,030	-
Disposal of equipment	4,106	(10,393)	4,106	(10,393)
Write-off of mineral properties	(173,714)	(31,312)	(173,714)	(31,312)
Write of due to related parties	101,760	-	101,760	-
Loss before income taxes	(339,501)	(173,509)	(860,089)	(379,226)
Income taxes	(44,072)	-	(142,262)	-
Net loss for the period	(383,573)	(173,509)	(1,002,351)	(379,226)
Deficit - beginning of period	(6,098,406)	(4,963,880)	(5,479,628)	(4,758,163)
Deficit - end of period	$ (6,481,979)	$ (5,137,389)	$ (6,481,979)	$ (5,137,389)
Loss per share	$ (0.01)	$ (0.01)	$ (0.02)	$ (0.10)
Weighted average number of common shares outstanding	44,140,753	30,205,901	44,019,324	29,536,029

Canaf Group Inc.

Consolidated Statements of Comprehensive Loss

(Expressed in U.S. Dollars)

(Unaudited)

	Three Months Period Ended July 31, 2008	Three Months Period Ended July 31, 2007	Nine Months Period Ended July 31, 2008	Nine Months Period Ended July 31, 2007
Net loss for the period	$ (383,573)	$ (173,509)	$ (1,002,351)	$ (379,226)
Other comprehensive loss				
Foreign currency translation adjustment	30,066	-	(112,729)	-
Comprehensive loss for the period	$ (353,507)	$ (173,509)	$ (1,115,080)	$ (379,226)

Canaf Group Inc.

Consolidated Statements of Cash Flows

(Expressed in U.S. Dollars)

(Unaudited)

	Three Months Period Ended July 31, 2008	Three Months Period Ended July 31, 2007	Nine Months Period Ended July 31, 2008	Nine Months Period Ended July 31, 2007
CASH PROVIDED BY (USED FOR):				
Operating Activities				
Loss for the period	$ (383,573)	$ (173,509)	$ (1,002,351)	$ (379,226)
Items not affecting cash:				
Amortization	314,034	2,014	926,702	14,322
Gain on disposal of equipment	(4,106)	10,393	(4,106)	10,393
Write-off mineral properties	173,714	31,312	173,714	31,312
Write-off due to related parties	(101,760)	-	(101,760)	-
Stock-based compensation	15,409	9,263	279,593	141,355
Changes in non-cash working capital accounts:				
Amounts receivable	(489,995)	385	271,400	45,134
Inventories	(185,549)	-	(82,115)	-
Accounts payable	302,883	505,507	(137,500)	515,431
Income tax payable	40,962	-	30,631	-
Due to related parties	247,484	-	435,857	-
	(70,497)	385,365	790,065	378,721
Financing Activity				
Long term debt	16,436	-	(91,449)	-
Issuance of share capital (net of issue costs)	-	1,125,702	333,494	1,396,293
Net advance from (to) related parties	-	1,796,153	-	1,768,300
	16,436	2,921,855	242,045	3,164,593
Investing Activities				
Long term investments	(52,248)	-	(69,820)	-
Property, plant & equipment	26,587	6,170	(339,169)	6,170
Mineral property exploration costs	(205,976)	(3,377,033)	(738,896)	(3,415,927)
Purchase of Quantum, net of cash acquired	-	-	(238,388)	-
	(231,637)	(3,370,863)	(1,386,273)	(3,409,757)
Net cash provided during the period	(285,698)	(63,643)	(354,163)	133,557
Cash, beginning of period	683,212	208,013	751,677	10,813
Cash, end of period	$ 397,514	$ 144,370	$ 397,514	$ 144,370

Supplementary Disclosure of Non-Cash Investing and Financing Activities:

- *During the period ended July 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 July 31, 2008
(Expressed in U.S. Dollars)
(Unaudited)

	Three Months Period Ended July 31, 2008	Three Months Period Ended July 31, 2007	Nine Months Period Ended July 31, 2008	Nine Months Period Ended July 31, 2007
Direct expenses				
Opening Stock	$ 397,848	$ -	$ 1,010,029	$ -
Analysis fees	11,226	-	24,549	-
Commission	-	-	3,551	-
Amortization	215,493	-	627,312	-
Consultation costs	9,487	-	15,088	-
Electricity	102,261	-	231,636	-
Fuel, oil and lubricants	2,319	-	5,335	-
Professional and project management fee	-	-	1,439	-
Medical expenses	2,557	-	3,321	-
Product purchases	1,355,552	-	3,800,233	-
Site establishment	542	-	1,071	-
Protective clothing	2,289	-	4,757	-
Rent – machinery	38,996	-	87,835	-
– buildings	1,934	-	5,091	-
Repairs and maintenance	83,448	-	225,619	-
Salaries, wages and labour	53,424	-	179,975	-
Transportation	84,588	-	462,646	-
Closing inventory	(574,132)	-	(1,136,288)	-
	$ 1,787,832	$ -	$ 5,553,199	$ -

Canaf Group Inc.

Statements of Deferred Exploration Costs

(Expressed in U.S. Dollars)

(Unaudited)

	October 31, 2007	Net Expenditures	Net Write-off	July 31, 2008
British Columbia, Canada				
Bonaparte Property				
Deferred exploration cost				
Company and filed cost	$ 96,128	$ 77,586	$ 173,714	$ -
Democratic Republic of Congo (DRC)				
New Stone Mining				
Advance funds for the acquisition of properties		661,310		661,310
Total mineral property costs	$ 96,128	$ 738,896	$ 173,714	$ 661,310

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 July 31, 2008, the Company had not yet achieved profitable operations, has accumulated losses of $6,481,979 since inception, has a working capital deficiency of $922,160 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 interim financial statements have been prepared in accordance with Canadian generally accepted accounting principles for interim financial information. Accordingly, they do not include all of the information and notes to the financial statements required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for fair presentation have been included. The results for the nine month period ended July 31, 2008 are not necessarily indicative of the results that may be expected for the year ended October 31, 2007 The balance sheet at October 31, 2007 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements.

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 100%-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	
Assets	85%	15%
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 $12,773 is made to provide for the capital repayment of $629,887 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. The Company decided that it will not invest further in this property and therefore capitalized costs totalling $173,714 associated with this project have been charges to operation.

Congo, Democratic Republic of the Congo

New Stone Mining

The Company , has purchased 51% of New Stone Mining SPRL, a privately-owned mining company registered in the Democratic Republic of the Congo (DRC). New Stone Mining currently has four mining concessions in the DRC .

Under the purchase agreement, Canaf will acquire 51% of the outstanding share capital of New Stone Mining. The total purchase price for this share will be dependent on the performance of New Stone Mining's operations. The Company must pay a deposit of US$1,000,000, comprising US$75,000 (paid) on signing of the agreement, US$300,000 during the month of January 2008 and thereafter monthly payments of US$70,000 until the full deposit has been paid. The acquisition will still be subject to financing and regulatory approval.

For the period ended July 30, 2008, exploration and acquisition cost incurred total $661,310.

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 $699,749.

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	$ 1,524	$ -	$ 1,524
Less: finance charges	(56)	-	(56)
	1,468	-	1,468
b) Coal Devolatising Plant – Standard Bank			
Instalments payable	36,540	793,978	830,518
Less: finance charges	(36,376)	(88,211)	(124,587)
	164	705,767	705,931
	$ 1,632	$ 705,767	$ 707,399

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 – July 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	2,952,000	0.32
Cancelled	245,000	0.26
Balance, July 31, 2008	2,707,000	0.31
Weighted remaining life in years		2.57
Range of exercise prices		$0.10-$0.32
Exercisable	2,707,000	

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

	Number of Shares	CDN Weighted Price
Balance, October 31, 2007 and July 30, 2008	6,758,260	0.31
Weighted remaining life in years		0.29
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

	July 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 $97,452 (2007 - $43,331).	$ 1,194,434	$ 723,111
Due to a director of the Company.	135,524*	
Due to a company controlled by a former director of the Company.	-	19,197*
Due to a former director of the Company.	97,456*	282,418*
Due to former directors of the Company.	-	68,591*
Included in due to related parties	**$ 1,427,414**	**$ 1,093,317**

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

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

a) Paid consulting fees of $45,000 (2007 - $62,902) to a former director of the Company.

b) Paid directors' fees of $67,260 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.

(Expressed in U.S. Dollars) - 7

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	Congo	South Africa	Total
Period ended July 31, 2008					
Net loss (income)	$ 1,395,157	$ (69,332)	$ -	$ (323,474)	$ 1,002,351
Current assets	$ 20,924	$ -	$ -	$ 2,021,152	$ 2,042,076
Long term investments	-	-	-	510,924	510,924
Equipment	1,221	-	-	1,442,841	1,444,062
Mineral properties	-	-	661,310	-	661,310
Intangible assets	-	-		2,017,967	2,017,967
Total Assets	$ 22,145	-	$ 661,310	$ 5,992,884	$ 6,676,339

14. COMPARATIVE FIGURES

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

15. SUBSEQUENT EVENT

Subsequent to the period ended July 31, 2008, the Company proposed to settle an aggregate of $723,111of debt owing to related parties by the issuance of 2,892,442 common shares at $0.25 per share, subject to regulatory approval.