Management's Discussion & Analysis

For the Period Ended
April 30, 2017

(Expressed in U.S. Dollar)

INTRODUCTION

Date Prepared: June 16, 2017

This Management Discussion and Analysis ("MDA") covers the operations of Canaf Group Inc. ("Canaf" or the "Corporation") for the period ended April 30, 2017, and should be read in conjunction with the audited consolidated Financial Statements for the year ended October 31, 2016 and related notes and the consolidated interim unaudited financial statements for the six months ended April 30, 2017. The Financial Statements are presented in accordance with International Financial Reporting Standards ("IFRS"). Canaf's accounting policies are described in Note 2 of the Annual Financial Statements for the year ended October 31, 2016. The Financial Statements together with this MDA are intended to provide investors with a reasonable basis for assessing the financial performance of the Corporation.

All dollar amounts are expressed in US dollars, the functional currency of the Corporation, unless otherwise stated. Additional information relating to the Corporation is available on SEDAR at www.sedar.com, or at the Corporation's website at canafgroup.com.

DESCRIPTION OF BUSINESS

Canaf is incorporated in the Province of Alberta and wholly owns a Corporation in South Africa, Quantum Screening and Crushing (Proprietary) Limited ("Quantum"). Quantum, through its wholly owned subsidiary, Southern Coal (Pty) Ltd. ("Southern Coal"), processes anthracite coal into de-volatised (calcined) anthracite for sale mostly to steel and ferromanganese manufacturers as a substitute product for coke; the process is known as "calcining".

Quantum – Calcined Anthracite, South Africa

Quantum produces calcined anthracite, a product used primarily as a substitute to coke in sintering processes. Calcined anthracite is produced by feeding anthracite coal through a rotary kiln, at temperatures between 900 and 1100 degrees centigrade; the volatiles are driven off and the effective carbon content increased.

Quantum's two largest clients are world leaders in steel and ferromanganese production. Quantum has an operation near Newcastle, KwaZulu-Natal, where its three kilns operate. Quantum, through its wholly owned subsidiary Southern Coal, has been profitably carrying on this business since 2004.

OVERALL PERFORMANCE AND OUTLOOK

The Corporation is very pleased to confirm a second consecutive quarter of strong results for the 3-month period ended April 30, 2017. Revenue for the 6-month period increased to $6,482,459 in comparison to $1,780,616 for the same period last fiscal year, and up 16.7% from the previous quarter ended January 31, 2017. For the 6-month period, the Corporation recorded a net income of $429,652 (C$586,240), in comparison to a net loss of $335,864 for the same quarter the previous year. Adjusted EBITDA rose to $679,582 (C$927,257) for the quarter.

Quantum has performed well for the first half of the year, however the Corporation expects to see a period of reduced demand during Q3 and Q4. For Quantum to reach its full potential, the Corporation recognises the need to broaden its customer base. The Corporation can confirm that it has received interest in its product from a new, major ferro-alloy producer in South Africa, which the Corporation hopes to supply from January 2018; discussions are currently ongoing.

The outlook and profitability for the coming years remains dependent on demand for the Corporation's calcine product, which the Corporation believes remains positive for the long-term.

The Corporation intends to continue to generate positive free cash flow during the fiscal year-end 2017 and will focus on increasing shareholders' value, as well as investment to improve the efficiency of its older facilities, or investment into related business opportunities in South Africa.

Selected Financial Information

Due to the fact that the Corporation is listed on the TSX-V and is quoted in Canadian Dollars, the Corporation has prepared some key financial information. The following financial information is derived from the Corporation's interim financial statements for the 6-month ended April 30, 2017, with a comparison in Canadian Dollars.

	6-month end April 30,		6-month end April 30,	
	2017 US$	2016 US$	2017 CDN$	2016 CDN$
Conversion 1.00 US Dollar Rate			1.364	1.253
Revenue from Sales	6,482,459	1,780,616	8,844,990	2,231,610
Cost of Sales	5,797,554	1,870,713	7,910,470	2,344,530
Gross Profit (Loss)	684,905	(90,097)	934,520	(112,920)
Expenses	(228,107)	(212,977)	(311,241)	(266,920)
Income Tax Expenses	(27,146)	(32,790)	(37,039)	(41,095)
Net Income (Loss) for the period	429,652	(335,864)	586,240	(420,935)
Adjusted EBITDA*	679,582	(97,339)	927,257	(121,997)
Total Assets	4,331,418	2,646,547	5,910,000	3,316,860
Bank Loan	560,280	797,013	764,474	998,880
Total Equity	1,903,908	1,229,253	2,597,790	1,540,600

South African Business Performance – Quantum Screening and Crushing (Pty) Ltd

	3-month end April 30,	
(in South African Rand)	2017 ZAR	2016 ZAR
Sales	46,009,647	11,579,279
Cost of sales	(42,005,982)	(10,967,289)
Gross Profit	4,003,665	611,990
Expenses	(1,698,208)	(1,688,470)
Income tax expense	607,118	321,013
Net income (loss) for the period	2,912,575	(755,467)

The table above clearly shows the turnaround of Quantum from a loss making position last year to a profitable one this fiscal year. The Corporation expects sales tons for Q3 and Q4, to reflect a reduction in comparison to Q1 and Q2, mainly driven by an unforeseen downturn in the local steel market of South Africa. The Corporation is actively working on entering into an agreement with a new major ferro-alloy producer, which is planning to be on line from January 2018.

(Expressed in U.S. Dollar)

Non- GAAP Performance Measures

The Corporation has included additional financial performance measures in this MD&A, such as adjusted EBITDA. The Corporation believes that, in addition to conventional measures prepared in accordance with IFRS, certain investors use this information to evaluate the underlying performance of the Corporation's core operations and its ability to generate cash flow. Accordingly, it is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

**Reconciliation of Adjusted EBITDA and Profit*

	6-month end April 30,		6-month end April 30,	
	2017	2016	2017	2016
	US$	US	CDN$	CDN$
Conversion 1.00 US Dollar Rate			1.364	**1.283**
Net Income (Loss)	429,652	(335,864)	586,240	(420,935)
Financial cost	29,658	38,373	40,467	48,092
Depreciation	193,126	167,362	263,511	209,751
Taxes	27,146	32,790	37,039	41,095
Adjusted EBITDA	679,582	(97,339)	927,257	(121,997)

Adjusted EBITDA represents earnings before interest, taxes, depreciation, amortization, foreign exchange gain (loss) and other revenues (expenses) as historically calculated by the Corporation.

RESULTS OF OPERATIONS

Six Month Period Ending April 30, 2017

For the 6-month period ended April 30, 2017, the Corporation reported a net income of $429,652 (C$586,240) compared to a net loss of $335,864 for the previous year. The increase in net income was directly related to an increase in sales during the period, as well as improved profit margins generated from efficiencies generated from Quantum's new calcining facility.

				April 30,
		2017		2016
Sales	$	6,482,459	$	1,780,616
Cost of sales		(5,797,554)		(1,870,713)
Gross Profit (Loss)		684,905		(90,097)
Expenses		(228,107)		(212,977)
Income tax expense		(27,146)		(32,790)
Net income (loss) for the period	$	429,652	$	(335,864)

Sales

Revenue increased 264% to $6,482,459, from $1,780,616, for the same period last year. The significant increase in sales is due to a combination of unusually low sales during the last fiscal period, compared to a strong demand during the current period, also at increased prices per sales unit. The Corporation expects to report reduced sales for Q3 and Q4 but expects fiscal year end 2018 to reflect increased demand as the Corporation hopes to bring on a new significant customer and also benefit from an improved, and protected, steel market in South Africa.

(Expressed in U.S. Dollar)

Expenses

Expenses increased by 7% in comparison to the same period last year; the main reason for this is due to the inflationary increase in general and administrative expenses. Differences in expenses incurred are as follows:

	2017 $	April 30, 2016 $
General and Administrative	207,630	176,677
Interest on Bank Loan	29,658	38,373
Interest Income	(9,181)	(2,073)
	228,107	212,977

General and administrative expenses

	Six Months Ended	
		April 30,
	2017 $	2016 $
Bank Charges and Interest	1,439	1,483
Bad Debts	6,595	-
Consulting Fees	32,984	34,631
Management Fees	62,663	51,096
Office, Insurance and Sundry	30,437	23,096
Professional Fees	41,054	36,760
Promotion	389	325
Telephone	8,106	7,083
Transfer Agent and Filing Fees	6,738	6,028
Travel	17,225	16,175
	207,630	176,677

- Directors and officers of Quantum, a subsidiary of the Corporation in South Africa, billed the Corporation $62,663 (2016-$51,096) for management services.

- The Corporation incurred $32,984 (2016-$34,631) in consulting fees relating to consulting and management services by the President of the Corporation. The President works full-time for the Corporation.

- Professional fees included audit, tax, accounting and legal of $41,054 (2016-$36,760).

- Transfer agent and filing fees of $6,738 (2016-$6,028) consisted of fees paid to regulatory bodies in Canada in connection with routine filings for the period.

- The Corporation incurred $30,437 (2016 - $23,096) in office and administration costs during the period. These costs for both periods included office expenses, licenses and dues, shareholder costs and printing and insurance. These costs were lower for the year due to decreased in administration fees.

- The Corporation incurred $17,225 (2016-$16,175) in travel costs.

(Expressed in U.S. Dollar)

Interest Income

- The Corporation's interest income of $9,181 (2016-$2,073) for the period ended April 30, 2017, was generated from interest earned on cash on hand and interest charges on accounts receivable. The interest income in accounts receivable increased.

Finance Cost

- The bank loan is subject to interest at 9.25% per annum compounded monthly, with $29,658 (2016-$38,373) of interest expense for the period.

Income Taxes

The Corporation reported income taxes of $27,146**,** which reflects 17% decrease compared to the period ended April 30, 2016.

A majority of the future income tax assets originating in Canada include tax losses carried forward for which a valuation allowance has been recorded. The deferred tax liability included in the balance sheet of $47,363 (October 31, 2016-$17,108) was recorded to reflect the temporary difference originated on the value assigned to plant and equipment in South Africa.

Comprehensive Income

The Corporation is not subject to currency fluctuations in its core activities however the Corporation is subject to transactions in various currencies and the volatility in international currency markets does have an impact on some costs and translation into the reporting currency of the Corporation. The current period comprehensive gain on foreign exchange in the amount of $5,282 (2016 Loss - $65,922) is mostly a result of the translation of foreign-currency denominated balances from the functional currency to the reporting currency. As at April 30, 2017, the Corporation has accumulated other comprehensive loss of $1,356,202 (October 31, 2016 - $1,361,484). The Corporation does not hedge net asset translation movements, but where necessary and appropriate hedge currency risk for trading items.

RESULTS OF OPERATIONS

Three Month Period Ending April 30, 2017

For the 3-month period ended April 30, 2017, the Corporation reported a net income of $231,961 compared to a net loss of $41,382 for the previous year. The increase in net income was generated from an increase in sales during the period, which was directly related to an increase in demand of the Corporation's product.

	April 30, 2017 $	April 30, 2016 $
Sales	3,490,753	757,843
Cost of sales	(3,191,729)	(718,730)
Gross Profit	299,024	39,113
Expenses	(113,181)	(101,522)
Income tax expense	46,118	21,027
Net income for the period	231,961	(41,382)

(Expressed in U.S. Dollar)

Sales

For the three-month period ended April 30, 2017, revenue increased 361% to $3,490,753 from $757,843 the same period last year. The increase in Sales was due not only to unprecedented low levels last year but also due to the full production of steel and a lack of coke production at Quantum's main customer's operation.

Expenses

For the three-month period ended April 30, 2017, expenses increased by 24%; the main reason for this is due to the increase in general and administrative expenses as well as fluctuations in exchange rates. Differences in expenses incurred are as follows:

	Three Months Ended April 30,	
	2017	2016
	$	$
Bank Charges and Interest	704	686
Bad Debts	6,595	-
Consulting Fees	16,411	16,888
Management Fees	27,461	22,796
Office, Insurance and Sundry	13,071	9,333
Professional Fees	17,367	16,560
Promotion	225	179
Telephone	3,995	3,902
Transfer Agent and Filing Fees	6,447	5,517
Travel	10,776	7,566
	103,052	83,427

- Directors and officers of Quantum, a subsidiary of the Corporation in South Africa, billed the Corporation $27,461 (2016-$22,796) for management services.

- The Corporation incurred $16,411 (2016-$16,888) in consulting fees relating to consulting and management services by the President of the Corporation. The President works full-time for the Corporation.

- Professional fees included audit, tax, accounting fee and legal of $17,367 (2016-$16,560).

- Transfer agent and filing fees of $6,447 (2016-$5,517) consisted of fees paid to regulatory bodies in Canada in connection with routine filings.

- The Corporation incurred $10,776 (2016-$7,566) in travel costs.

Interest Income

- The Corporation's interest income increased to $4,207 (2016-$638) for the period ended April 30, 2017 due to increase in accounts receivable.

Finance Cost

- The bank loan was subject to interest at 9.25% per annum compounded monthly, with $14,336 (2016-$18,733) of interest expense for the period.

(Expressed in U.S. Dollar)

Income Taxes

For the period ended April 30, 2017, the Corporation reported income taxes of $46,118**,** which reflects 119% increase compared to the period ended April 30, 2016.

SUMMARY OF QUARTERLY REPORTS

The following financial data is derived from the Corporation's financial statements for the past 8 quarters.

	Three Months Ended			
	April 30, 2017 $	January 31, 2017 $	October 31, 2016 $	July 31, 2016 $
Sales	3,490,753	2,991,706	1,796,330	1,126,582
Gross Profit	299,024	385,881	94,196	98,966
Net Income (Loss)	231,961	197,691	136,764	19,945
Basic and diluted loss per share	0.00	0.00	0.00	0.00

	Three Months Ended			
	April 30, 2016 $	January 31, 2016 $	October 31, 2015 $	July 31, 2015 $
Sales	757,843	1,022,773	994,031	2,075,219
Gross Profit	39,113	(129,210)	(10,257)	128,225
Net Income (Loss)	(41,382)	(294,482)	(79,616)	(45,901)
Basic and diluted loss per share	0.00	0.00	0.00	0.00

The summary above demonstrates the steady return of the Corporation from a loss making position last year to healthy profits for the last two quarters. The increase in Sales has been generated by an increase in Quantum's product demand, which was caused by not only a reduction of availability of coke, and coke related products within South Africa, but also due to a slight return to confidence in the local steel and manganese markets. The Corporation expects the manganese market to remain strong for the remainder of the year but can confirm reduced demand in the short term, from steel producers. The Corporation's goal is to broaden its customer base so to reduce volatility of its Sales and ultimately increase overall profits.

Financial position

Revenue from the sale of calcine and coal has historically been derived from two customers and as a result the Corporation is dependent on these customers for its revenue. Quantum however has been actively working on increasing its customer base and has goals to be supplying at least three different facilities by the end of the current fiscal year. Should the Corporation not be successful in increasing its customer base it will continue to solidify and build on its current supply relationships by engaging in secure, long-term supply contracts.

The Corporation earned $9,181 (2016-$2,073) of interest income during the period ended April 30, 2017 on its long-term investment, accounts receivables on sales and cash held in Canadian and South African banking institutions.

The main components making up the balance of $4,331,418 of total assets as at April 30, 2017 are $1,253,497 property, plant and equipment, $2,499,259 in accounts receivable and $541,996 in inventories, comprising mostly of stock on hand.

(Expressed in U.S. Dollar)

LIQUIDITY AND CAPITAL RESOURCES

At April 30, 2017, the Corporation had working capital of $1,104,472. All cash and cash equivalents are deposited in interest accruing accounts.

	April 30, 2017 $	October 31, 2016 $
Current assets	3,077,920	1,472,626
Plant and Equipment	1,253,497	1,256,691
Intangible Assets	1	1
Total Assets	4,331,418	2,729,318
Current Liabilities	1,973,448	839,250
Bank Loan	406,699	403,986
Deferred Tax Liability	47,363	17,108
Total Liabilities	2,427,510	1,260,344
Shareholders' Equity	1,903,908	1,468,974
Working Capital	1,104,472	633,376

Significant working capital components include cash in current or interest bearing accounts, trade and other receivables, sales tax receivable, inventories and prepaid expenses and deposits, trade and other payables, sales tax payable, income tax payable, and current portion of long-term debt.

Trade receivables and trade payables are expected to increase or decrease as sales volumes change.

	2017 $	April 30, 2016 $
Cash used in operating activities	(60,535)	80,871
Cash used in investing activities	(141,950)	19,822
Cash provided by financing activities	(189,932)	(153,124)
Change in cash	(392,417)	(52,431)

Operations utilized $60,535 in cash compared to $80,871 generated during the period ended April 30, 2017. The decrease in cash utilized from operations in 2017 as compared to 2016 is mainly due to a fluctuation in trade receivables and trade payables due to the purchase of equipment and inventories in our subsidiaries in South Africa.

Except as described above, the Corporation's management is not aware of any other trends or other expected fluctuations in its liquidity that would create any deficiencies. The Corporation's management believes that its cash balances will be sufficient to meet the Corporation's short-term and long-term requirements for ongoing operations and planned growth.

(Expressed in U.S. Dollar)

ECONOMIC DEPENDENCE

Sales from the Corporation's South African coal processing business are substantially derived from two customers and as a result, the Corporation is economically dependent on these customers. The Corporation's exposure to credit risk is limited to the carrying value of its accounts receivable. As at April 30, 2017, trade receivables of $2,499,259 were due from these customers and were collected subsequent to period-end.

REVENUE RECOGNITION

Revenue from the sale of calcined anthracite is recognized upon transfer of title, which is completed when the physical product is delivered to customers and collection is reasonably assured. Interest and other income are recognized when earned and collection is reasonably assured.

COMMITMENT

The Corporation has an agreement to lease premises for its coal processing plant in South Africa for a term of ten years, expiring on December 31, 2020. The agreement offers the Corporation, in lieu of rent, feedstock coal to be delivered to its adjacent premises, which it purchases at market price. Should the Corporation decide to purchase feedstock coal from an alternative supplier which the lessor is otherwise able to provide, then a monthly rent of Rand 200,000 ($14,846) is payable. To date, the Corporation has not been required to pay any rent for the premises as it has continued to purchase feedstock coal from the landlord.

CONTRACTUAL OBLIGATIONS

	April 30, 2017 $	October 31, 2016 $
Bank Loan	560,280	702,230
Less: Current Portion	(153,581)	(298,244)
	406,699	403,986

The bank loan bears interest at 9.25% per annum, matures on January 7, 2019, and is secured by the Corporation's furnace acquired with the proceeds from the loan. The bank loan is repayable over 42 months in blended monthly payments of Rand 393,779 ($29,230 translated at October 31, 2016 exchange rate). During the period ended April 30, 2017, the Corporation incurred interest expense totaling $29,658 (October 31, 2017 – $71,721).

(Expressed in U.S. Dollar)

TRANSACTIONS WITH RELATED PARTIES

At the report date, key management consists of Christopher Way (CEO, President and a Director of the Corporation), Zeny Manalo (CFO and a Director of the Corporation); David Way (Chairman of the Board and Director of the Corporation) and Kevin Corrigan (Independent Director of the Corporation).

Fees incurred for services by key management personnel during the 6-month period ended April 30, 2017 and 2016 were as follows:

Services	Party	2017 $	April 30, 2016 $
Consulting Fees	Charges by the President, CEO and director of the Corporation	32,984	34,631
Professional Fees	Charges by the CFO and director of the Corporation	20,282	20,202
Management Fees	Charges by the President and a director of the Corporation in relation with coal processing business in South Africa	62,663	51,096

Other related party:

Management Fee of $12,431 (2016-$10,514) charged by P. Cronje, a Director of the Corporation's South African subsidiary, Quantum.

OFF-BALANCE SHEET ARRANGEMENTS

The Corporation has no off-balance sheet arrangements

CHANGE IN ACCOUNTING POLICIES

In preparing these interim financial statements as at April 30, 2017, the significant judgments made by management in applying the Corporation's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements for the year ended October 31, 2016.

RISKS AND UNCERTAINTIES

There are no significant changes relating to the risk factors since the filing of the annual MD&A of October 31, 2016.

UPDATE ON UGANDAN CLAIM AGAINST KILEMBE MINES LIMITED

In August 2006, Canaf, then known as Uganda Gold Mining, announced the termination of any further investment into its Kilembe Copper-Cobalt Project in Uganda. Since 2007, the Corporation has been involved in a legal dispute with Kilembe Mines Limited, ("KML"). In January 2013, the High Court of Uganda referred the case back to arbitration for settlement.

On May 29, 2013, a preliminary meeting was held between the Corporation, KML and the arbitrator. The Corporation can confirm that further meetings were scheduled for August 2013, after filings of amended statements of defence and claims had been submitted. Since the initial meeting however the Government has awarded a deal to a Chinese Consortium to manage and operate KML. The Corporation's appointed Ugandan Advocates have notified the board that the Arbitrator has stepped down for personal reasons. The Corporation's Uganda Advocates and the Government's Solicitor General have agreed to a new Arbitrator, Retired Justice James Ogoola. The parties held a preliminary meeting with the Arbitrator who requested them to provide him with their fee estimate for the conduct of the Arbitration. The estimate has since been provided to the Arbitrator who is yet to confirm whether or not he is agreeable to it.

(Expressed in U.S. Dollar)

In the meantime the Corporation appointed SRK Consultants to prepare a brief document to quantify the 'lost opportunity' value of the termination of the Kilembe Project. During the current financial year the Corporation will utilize this document to assist in the submission of a revised claim against KML.

The Corporation has received no new information since 2014, and the Corporation remains unable to give an indication of either the quantum or any likely date by which a settlement will or will not be reached. The original claim, before costs, is for a money sum of US$10,370,368 as at January 24, 2007.

FORWARD-LOOKING STATEMENTS

Information contained in this MDA that is not historical fact may be considered "forward looking statements". These forward looking statements sometimes include words to the effect that management believes or expects a stated condition or result. All estimates and statements that describe the Corporation's objectives, goals or plans are forward looking statements. Since forward looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors, including such variables as new information regarding changes in demand for and commodity prices, legislative, environmental and other regulatory or political changes, competition in areas where the Corporation operates, and other factors discussed herein. Although the Corporation believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results may differ materially from Corporation's projections or expectations.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

In connection with National Instrument ("NI") 52-109 (Certification of Disclosure in Issuer's Annual and Interim Filings) adopted in December 2008 by each of the securities commissions across Canada, the Chief Executive Officer and Chief Financial Officer of the Corporation will file a Venture Issuer Basic Certificate with respect to the financial information contained in the unaudited interim financial statements and the audited annual financial statements and respective accompanying Management's Discussion and Analysis.

The Venture Issuer Basic Certification does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109.

ADDITIONAL INFORMATION IN RELATION TO THE CORPORATION

Additional information relating to the Corporation is available:

(a) On SEDAR at www.sedar.com
(b) On the Corporation's website at www.canafgroup.com
(c) In the Corporation's annual audited financial statements for the year ended October 30, 2016.

OUSTANDING SHARES

Authorized:	Unlimited number of common shares without par value.
Common shares outstanding:	47,426,195
Options:	Nil
Warrants:	Nil
Fully Diluted:	47,426,195