



For the nine months ended July 31, 2022

Management Discussion & Analysis

(Expressed in U.S. dollars)

CANAF INVESTMENTS INC.

Management Discussion and Analysis for the nine months ended July 31, 2022

Expressed in U.S Dollars

INTRODUCTION

Date Prepared: 26th September 2022

This Management Discussion and Analysis, (“MDA”) covers the operations of Canaf Investments Inc. (“Canaf” or the “Corporation”) for the nine months ended July 31, 2022 and should be read in conjunction with the unaudited consolidated Financial Statements for the nine months ended July 31, 2022 and related notes. The Financial Statements are presented in accordance with International Financial Reporting Standards (“IFRS”). Canaf’s accounting policies are described in Note 2 of the unaudited Financial Statements for the six months ended July 31, 2022. 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. The Corporation’s listing on the TSX-V however, is quoted in Canadian Dollars. Additional information relating to the Corporation is available on SEDAR at www.sedar.com. or at Corporation’s website at www.canafinvestments.com.

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DESCRIPTION OF BUSINESS

Canaf is incorporated in the Province of Alberta with two wholly owned subsidiaries in South Africa, Quantum Screening and Crushing (Pty) Limited (“Quantum”), and Canaf Investments (Pty) Ltd, (“Canaf Ltd”).

Quantum, through its 70% owned subsidiary, Southern Coal (Pty) Ltd. (“Southern Coal”), processes anthracite coal into de-volatilised anthracite (calcined anthracite) for sale mostly to steel and ferromanganese manufacturers as a substitute product for coke.

Canaf Investments (Pty) Ltd, incorporated in 2019, acts as Canaf’s South African holding company with the intention of creating a diverse Corporation focused on sustainable and long-term growth sectors within South Africa. Canaf Investments (Pty) Ltd owns 100% of Canaf Estate Holdings (Pty) Ltd., (“CEH”). Canaf Investments (Pty) Ltd. is also exploring new sectors to invest in within South Africa, whilst continuing to develop and expand CEH.

Southern Coal – Calcined Anthracite, South Africa

Southern Coal produces calcined anthracite, which is primarily sold as a substitute to coke in sintering processes, by feeding anthracite coal through its rotary kilns, at temperatures between 900 and 1100 degrees centigrade; the volatiles are driven off and the effective carbon content increased. Southern Coal supplies world leading steel and ferromanganese producers in South Africa from its operations near Newcastle, KwaZulu Natal.

Canaf Estate Holdings – Property Investments, South Africa

CEH is a property investment company focused on acquiring, redeveloping and renting properties primarily within the suburbs of the old Johannesburg CBD. CEH made its first property acquisition in August 2019, and now owns 3 properties, with a total value of approximately R4 million, expected to generate net pre-tax returns in excess of 15%.

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OVERALL PERFORMANCE AND OUTLOOK

The quarter ending July 31, 2022 reflects a significant improvement in sales and net income, in comparison to the previous quarter, driven by an increased demand for Southern Coal's calcined anthracite, as well as an upwards sale price adjustment effected in July.

The quarter reflects a 51% rise in sales, compared to the previous quarter, taking the 9-month year-to-date revenues to US\$11,309,650. In prior quarters Southern Coal was affected by rising input costs which reduced its gross margin, however sale price adjustments, effective 01 July 2022 have improved both margins and profit. For the nine months, the Corporation recorded a net income of US\$668,316, only 18% behind the same 9-month period last year (2021: US\$813,883). The Corporation expects to see Q4 deliver similar sales quantities as Q3, which will further improve net income and margins for the year.

The Corporation believes that the prospects for the anthracite beneficiation business in South Africa (Southern Coal) remains stable as it continues to explore new opportunities with alternative product lines. Since the period-end, Quantum has invested in new crushing equipment that it expects to commission in Q4 2022; this should allow Southern Coal to maintain its maximum sales capacity during the rainy season in KwaZulu-Natal (Oct-Mar).

During the quarter CEH agreed terms to purchase a fourth property which it expects to transfer during Q4 2022. This fourth property will bring the overall portfolio to a value of approximately R6.9million with a target yield of 15% per annum.

The board is confident that the Corporation continues to be in a very strong financial position, with no long-term debt, as it looks to invest in new opportunities both aligned to the existing calcining business, as well as in new sectors. The Corporation remains focused on long-term sustainable, and socially responsible growth, within South Africa.

As of July 31, 2022, shareholder equity stood at US\$5.6m, or CAN\$7.0m, which relates to a book value per share of CAN\$0.147/share.

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Selected Financial Information

Due to the Corporation being listed on the TSX-V and its share price being quoted in Canadian Dollars, the Corporation has converted some key financial information included in this report to Canadian Dollars. The following financial information is derived from the Corporation's unaudited financial statements for the nine months ended July 31, 2022, with a comparison in Canadian Dollars.

| | 9 Months Ended | | 9 Months Ended | |
|--|------------------|------------------|------------------|------------------|
| | 2022 | Jul 31 2021 | 2022 | Jul 31 2021 |
| | US\$ | US\$ | CAN\$ | CAN\$ |
| Conversion 1.00 US (av. 12 months) | | | 1.254 | 1.258 |
| Revenue from Sales | 11,309,650 | 10,834,358 | 14,186,269 | 13,632,778 |
| Cost of Sales | (10,156,854) | (9,486,399) | (12,740,259) | (11,936,653) |
| Gross Profit | 1,152,796 | 1,347,959 | 1,446,010 | 1,696,125 |
| Expenses | (439,356) | (375,060) | (551,107) | (471,935) |
| Interest Income | 131,089 | 106,821 | 164,432 | 134,412 |
| Other Income | 67,068 | 32,267 | 84,127 | 40,601 |
| Gain from Sale of Vehicle | 4,519 | 0 | 5,668 | 0 |
| Net Income for the year (before tax) | 916,116 | 1,111,987 | 1,149,130 | 1,399,203 |
| Income Tax Recovery (Expense) | (247,800) | (298,103) | (310,828) | (375,101) |
| Net Income for the year | 668,316 | 813,883 | 838,302 | 1,024,102 |
| Attributable to the Shareholders | 513,976 | 646,812 | 644,706 | 813,878 |
| Attributable to the Non-Controlling Interest | 154,340 | 167,071 | 193,597 | 210,224 |
| Adjusted EBITDA | 792,848 | 1,091,190 | 994,509 | 1,373,035 |

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 Corporation's underlying performance of its 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

| | 9 Months Ended | | 9 Months Ended | |
|---------------------------------|----------------|------------------|----------------|------------------|
| | 2022 | Jul 31 2021 | 2022 | Jul 31 2021 |
| | US\$ | US\$ | CAN\$ | CAN\$ |
| Conversion 1.00 US Dollar Rate | | | 1.254 | 1.258 |
| Net Income for the year | 668,316 | 813,883 | 838,302 | 1,024,102 |
| Interest Paid | 0 | 0 | 0 | 0 |
| Interest received | (131,089) | (106,821) | (164,432) | (134,412) |
| Foreign Exchange Gain/ (Losses) | 7,821 | (6,762) | 9,810 | (8,508) |
| Depreciation | 0 | 92,786 | 0 | 116,752 |
| Income Taxes | 247,800 | 298,103 | 310,828 | 375,101 |
| Adjusted EBITDA | 792,848 | 1,091,190 | 994,509 | 1,373,035 |

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

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BROAD-BASED BLACK ECONOMIC EMPOWERMENT TRANSACTION (B-BBEE)

As part of Southern Coal's B-BBEE transformation program, Amandla Amakhulu (Pty) Ltd, ("AAM"), a 100% black, privately owned, and ringfenced, company incorporated in South Africa, acquired 30% of the issued shares of Southern Coal, from Canaf's wholly owned subsidiary, Quantum, for the value of 18 million Rand. The financial effective date for the transaction is 01 August 2018.

Quantum in return received cumulative, redeemable preference shares in AAM in the amount of the purchase price. These preference shares shall provide preferential dividends, until redeemed by AAM. These dividends will be secured by an irrevocable direction from AAM to Southern Coal to pay Quantum such dividends from any distribution to AAM. No dividends have been paid during the nine months ended July 31, 2022, dividends paid during the year ended 31 October 2021 equated to US\$118,154.

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"), wherein the Corporation seeks general damages, special damages and costs of the Arbitration from KML for breach of contract. In January 2013, the high court of Uganda referred the case back to arbitration for determination.

On May 29, 2013, a preliminary meeting was held between the Corporation, KML and the then arbitrator. After the filing of the Statements of Claim and Defence had been concluded, the Corporation's appointed Ugandan Advocates (MMAKS Advocates) notified the board that the Arbitrator had decided to step down for personal reasons.

MMAKS Advocates and the Government's Solicitor General then agreed to a new Arbitrator, Retired Justice James Ogoola. The parties held a preliminary meeting with the Arbitrator who requested them to provide their fee estimate for the conduct of the Arbitration. The fee was later agreed between the parties and the Arbitrator with MMAKS Advocates disbursing the Corporation's portion of the fee on account. MMAKS Advocates applied for and was granted leave by the Arbitrator to file an Amended Statement of Claim on the Corporation's behalf. The parties then awaited for the matter to be set down for scheduling and hearing by the Arbitrator.

KML subsequently objected to the continuation of the Arbitration with the Arbitrator, Retired Justice James Ogoola. The parties therefore agreed to the appointment of a replacement Arbitrator, Mr. Didas Nkurunziza. The replacement Arbitrator's appointment was confirmed on the 19th April 2022. It was agreed that the Arbitration will be split into two parts, with the first part being a determination of the breach and thereafter if breach is found, an assessment of the quantum of loss. The parties have had two meetings with the Arbitrator. Scheduling has now been concluded and dates have been set for the filing of the respective parties' witness statements. The Arbitrator has additionally tentatively set down dates for cross-examination of the respective witnesses, the filing of the respective parties' submissions and a date for the award.

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RESULTS OF OPERATIONS

NINE MONTHS ENDED JULY 31, 2022

The Corporation reports a net income for the nine months ended July 31, 2022 of US\$668,316 (2021: US\$813,883), a decrease of US\$145,567 (18%) in comparison to the same period the previous year, but a recovery on profitability of the first two quarters of the year, and a 36% improvement in profitability for the 3 months ended July 21 2022 (Net income of US\$508,474 for Q3 2022, against US\$373,677 for Q3 2021).

| | 3 Months Ended July 31, 2022 | | | | 9 Months Ended Jul 31, 2022 | | | |
|-----------------------------------|---------------------------------|-------------|-----------|------|--------------------------------|-------------|-----------|------|
| | 2022 | 2021 | Variance | | 2022 | 2021 | Variance | |
| | US\$ | US\$ | US\$ | % | US\$ | US\$ | US\$ | % |
| Sales | 5,410,476 | 4,541,800 | 868,676 | 19% | 11,309,650 | 10,834,358 | 475,292 | 4% |
| Cost of Sales | (4,619,397) | (3,933,729) | (685,668) | 17% | (10,156,854) | (9,486,399) | (670,455) | 7% |
| Gross Profit (Loss) | 791,079 | 608,071 | 183,008 | 30% | 1,152,796 | 1,347,959 | (195,163) | -14% |
| Expenses | | | | | | | | |
| General and Administrative | (171,799) | (127,638) | (44,161) | 35% | (431,535) | (381,822) | (49,714) | 13% |
| Interest on Bank Loan | - | - | - | - | - | - | - | - |
| Foreign Exchange Gain | (4,376) | (468) | (3,908) | 836% | (7,821) | 6,762 | (14,583) | - |
| Total expenses | (176,175) | (128,106) | (48,070) | 38% | (439,356) | (375,060) | (64,297) | 17% |
| Interest Income | 46,273 | 24,726 | 21,548 | 87% | 131,089 | 106,821 | 24,268 | 23% |
| Other Income | 41,835 | 8,186 | 33,649 | 411% | 67,068 | 32,267 | 34,802 | 108% |
| Gain from Sale of Fixed Asset | (622) | - | (622) | | 4,519 | - | 4,519 | |
| Income (Loss) Before Income Taxes | 702,390 | 512,877 | 189,513 | 37% | 916,116 | 1,111,987 | (195,871) | -18% |
| Income Tax (Expense) Recovery | (193,916) | (139,200) | (54,716) | 39% | (247,800) | (298,103) | 50,304 | -17% |
| Net Income (Loss) for the period | 508,474 | 373,677 | 134,797 | 36% | 668,316 | 813,883 | (145,567) | -18% |

Sales

Revenue for Q3 2022 reverses the downwards trend seen in the first two quarters of the year and is an increase of 19% on the same quarter last year, and 51% improvement on the prior quarter (Q2 2022). This is a result of sales returning to capacity levels after Southern Coal's main customers reduced demand due to a major maintenance shutdowns towards the end of Q4 2021 and into the early part of 2022. Q4 is forecast to reflect a similar demand for material as Q3.

CEH now has three properties in its portfolio, with the third property added at the end of Q3. Rental income for the 9 months was US\$31,009 derived from the first two properties. CEH hopes to generate a net return on investment in excess of 15% on its portfolio by the end of the current financial year.

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Cost of Sales

Cost of sales are 7% higher than the same 9-month period last year (2022: US\$10,156,854, 2021: US\$9,486,399) as the Corporation increased sales. Margin's fell during the 9 months by 14% primarily caused by the increase in material costs, transportation, and fuel increases.

| | 3 Months Ended | | 9 Months Ended | |
|---|-----------------------|------------------|-----------------------|------------------|
| | Jul 31 | | Jul 31 | |
| | 2022 | 2021 | 2022 | 2021 |
| | US\$ | US\$ | US\$ | US\$ |
| Inventories, Beginning of the Year | 747,348 | 380,294 | 703,894 | 417,400 |
| Analysis Fees | 2,303 | 0 | 3,062 | 74 |
| Depreciation | 25,955 | 48,447 | 102,525 | 139,727 |
| Electricity | 30,227 | 48,606 | 74,759 | 92,374 |
| Fuel, Oil and Lubricants | 57,014 | 33,396 | 130,636 | 84,979 |
| Professional and Project Management Fee | -8,730 | | 5,448 | 12,863 |
| Medical Expenses | 1,867 | 2,243 | 6,202 | 7,861 |
| Product Purchases | 4,573,623 | 3,389,973 | 9,388,550 | 8,224,422 |
| Protective Clothing | 6,277 | 4,544 | 13,171 | 11,501 |
| Provident Fund | 6,447 | 5,799 | 19,433 | 16,943 |
| Machinery Rental | 71,223 | 33,545 | 116,042 | 64,474 |
| Repairs and Maintenance | 75,572 | 89,689 | 243,660 | 244,496 |
| Salaries and Benefits | 101,615 | 113,126 | 286,250 | 298,138 |
| Transportation | 91,497 | 79,315 | 226,063 | 166,395 |
| Inventories, End of the Quarter | (1,162,841) | (295,248) | (1,162,841) | (295,248) |
| | <u>4,619,397</u> | <u>3,933,729</u> | <u>10,156,854</u> | <u>9,486,399</u> |

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General and Administrative Expenses:

| | 3 Months Ended | | | | 9 Months Ended | | | |
|--|----------------|----------|----------|--------|----------------|-----------|----------|--------|
| | Jul 31 | | | | Jul 31 | | | |
| | 2022 | 2021 | Variance | | 2022 | 2021 | Variance | |
| US\$ | US\$ | US\$ | % | US\$ | US\$ | US\$ | % | |
| Bank Charges and Interest | 1,657 | 1,621 | (36) | (2%) | 5,261 | 4,773 | (488) | (10%) |
| Consulting Fees | 19,560 | 20,985 | 1,426 | 7% | 60,072 | 70,270 | 10,198 | 15% |
| Management Fees | 30,995 | 16,465 | (14,529) | (88%) | 57,268 | 46,556 | (10,713) | (23%) |
| Directors Incentives | 9,716 | 10,172 | 456 | 4% | 29,453 | 30,579 | 1,126 | 4% |
| Office, Insurance and Sundry | 35,373 | 22,752 | (12,622) | (55%) | 90,085 | 55,102 | (34,982) | (63%) |
| Professional Fees | 35,852 | 23,022 | (12,830) | (56%) | 93,733 | 75,463 | (18,270) | (24%) |
| Promotion | 317 | 3,577 | 3,260 | 91% | 678 | 4,735 | 4,056 | 86% |
| Telephone | 2,680 | 2,130 | (550) | (26%) | 6,968 | 7,064 | 96 | 1% |
| Transfer Agent and Filing Fees | 3,752 | 850 | (2,902) | (341%) | 11,323 | 9,350 | (1,973) | (21%) |
| Travel | 11,498 | 6,030 | (5,468) | (91%) | 26,299 | 18,654 | (7,645) | (41%) |
| Bad Debt | - | - | - | - | - | - | - | - |
| Broad-Based Black Economic Empowerment | 20,399 | 20,033 | (366) | (2%) | 50,394 | 59,276 | 8,882 | 15% |
| | 171,799 | 127,638 | (44,161) | (35%) | 431,535 | 381,822 | (49,714) | (13%) |
| Foreign Exchange gain | 4,376 | 468 | (3,908) | (836%) | 7,821 | (6,762) | (14,583) | 216% |
| Finance Costs | - | - | - | - | - | - | - | - |
| Expenses | 176,175 | 128,106 | (48,070) | (38%) | 439,356 | 375,060 | (64,297) | (17%) |
| Interest Income | (46,273) | (24,726) | 21,548 | (87%) | (131,089) | (106,821) | 24,268 | (23%) |
| Other Income | (41,835) | (8,186) | 33,649 | (411%) | (67,068) | (32,267) | 34,802 | (108%) |
| Gain from Sale of Fixed Asset | 622 | - | (622) | - | (4,519) | - | 4,519 | - |
| | 88,689 | 95,194 | 6,505 | 7% | 236,680 | 235,972 | (708) | (0%) |

Expenses

Focus has continued during the year on improving the current Broad-Based Black Economic Empowerment (B-BBEE) rating, with spend of US\$50,394. Professional fees increased during the year as a result of fees paid to an environmental consultant to prepare and submit an Environmental Impact Assessment for the new site acquired for the potential expansion of Southern Coal and Quantum's South African calcining business.

Interest Income

Interest income earned on the loan to AAM, and for cash in hand for the nine-month period was US\$131,089.

Other Income

Other income mainly relates to an insurance settlement in relation to damage to a company vehicle.

Share Holders Equity and Comprehensive Income

| | Jul 31 | Oct 31 | Jul 31 | Oct 31 |
|---|-------------|-------------|-------------|-------------|
| | 2022 | 2021 | 2022 | 2021 |
| SHAREHOLDERS' EQUITY | US\$ | US\$ | CAN\$ | CAN\$ |
| | | | 1.251 | 1.251 |
| Share Capital | 8,079,463 | 8,079,463 | 10,109,727 | 10,109,727 |
| Additional Paid in Capital | 1,342,549 | 1,342,549 | 1,679,914 | 1,679,914 |
| Accumulated Other Comprehensive Loss – | | | | |
| Foreign Currency Translation Reserve | (2,403,009) | (1,897,294) | (3,006,853) | (2,374,059) |
| Deficit | (1,810,794) | (2,324,770) | (2,265,823) | (2,908,954) |
| Equity Attributable to Canaf Investments Inc. Shareholder | 5,208,209 | 5,199,948 | 6,516,965 | 6,506,628 |
| Non-Controlling Interest | 358,069 | 235,738 | 448,047 | 294,976 |
| | 5,566,279 | 5,435,686 | 6,965,012 | 6,801,604 |

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Foreign Currency Translation Reserve

The Corporation is not subject to currency fluctuations within its core business in South Africa 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 the translation into USD, the reporting currency of the Corporation.

The 9-month comprehensive translation on foreign exchange amounts to a loss of US\$537,724 compared to the same time period last year of a gain of US\$472,969; this is primarily as a result of the translation into US\$ the reporting currency.

As of July 31, 2022, the Corporation has accumulated foreign currency other comprehensive loss of US\$2,403,009, (October 31, 2021: US\$1,897,294).

The Corporation does not hedge net asset translation movements.

Deficit

During the nine months ended July 31, 2022 the deficit has reduced by US\$513,976, from US\$2,324,770 at the 31st October 2021, to US\$1,810,794.

SUMMARY OF QUARTERLY RESULTS

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

Performance over the last four quarters is in line with management's expectations reflecting a reduction in 12-month EPS compared to the prior 12-month period (US\$0.017/share, and US\$0.025/share respectively) as a result of the effects of a major shutdown from a key customer.

Management expects the remaining quarter of the financial year ending Oct 31, 2022 to reflect a further improvement in income as sales price adjustments are reflected across the whole quarter, which will support margins and EPS.

| | 3 Months Ended | | | |
|--|----------------|--------------|--------------|--------------|
| | Jul 31 2022 | Apr 30 2022 | Jan 31 2022 | Oct 31, 2021 |
| | US\$ | US\$ | US\$ | US\$ |
| Sale | 5,410,476 | 3,572,482 | 2,326,691 | 3,370,490 |
| Gross Profit | 791,079 | 227,579 | 134,138 | 231,259 |
| Net Income (Loss) | 508,474 | 108,960 | 50,882 | 131,534 |
| Net Comprehensive Income (Loss) for the period | 169,581 | (32,584) | (6,406) | (86,026) |
| Basic and diluted earnings (loss) per share | 0.011 | 0.002 | 0.001 | 0.003 |
| | 3 Months Ended | | | |
| | Jul 31, 2021 | Apr 30, 2021 | Jan 31, 2021 | Oct 31, 2020 |
| | US\$ | US\$ | US\$ | US\$ |
| Sale | 4,541,800 | 3,109,892 | 3,182,665 | 4,142,354 |
| Gross Profit | 608,071 | 407,687 | 332,200 | 565,507 |
| Net Income (Loss) | 373,677 | 255,084 | 185,122 | 360,954 |
| Net Comprehensive Income (Loss) for the period | 326,212 | 473,980 | 486,660 | 531,967 |
| Basic and diluted earnings (loss) per share | 0.008 | 0.005 | 0.004 | 0.008 |
| | 47,426,195 | 47,426,195 | 47,426,195 | 47,426,195 |

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SELECTED ANNUAL INFORMATION

The following financial data is derived from the Corporation's audited financial statements for the years ended October 31, 2016 through to year ending October 31, 2021.

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|--------------|--------------|--------------|--------------|-------------|-------------|
| | US\$ | US\$ | US\$ | US\$ | US\$ | US\$ |
| Sales | 14,204,848 | 13,541,667 | 11,750,350 | 14,673,658 | 10,699,11 | 4,703,528 |
| Cost of Sales | (12,625,631) | (11,931,532) | (10,729,419) | (13,502,330) | (9,476,007) | (4,600,463) |
| Gross Profit | 1,579,218 | 1,610,134 | 1,020,931 | 1,171,328 | 1,223,110 | 103,065 |
| Income before income taxes | 1,292,963 | 1,248,503 | 730,337 | 697,267 | 736,284 | (312,218) |
| Income Tax (Expense) Recovery | (347,546) | (351,091) | (191,683) | (73,383) | (194,476) | 133,063 |
| Net income (Loss) for the year | 945,417 | 897,413 | 538,654 | 623,884 | 541,808 | (179,155) |
| Interest Income | 177,718 | 151,798 | 173,085 | 101,284 | 17,962 | 29,280 |
| Bank Loan, including current portion | - | - | - | 78,412 | 416,882 | 702,230 |
| Total Assets | 6,959,105 | 5,580,049 | 5,254,018 | 4,774,437 | 3,315,232 | 2,729,318 |
| Basic and diluted earnings (loss) per share (US\$) | 0.020 | 0.019 | 0.011 | 0.013 | 0.014 | (0.004) |
| Basic and diluted earnings (loss) per share (CAN\$) | 0.025 | 0.025 | 0.015 | 0.017 | 0.018 | (0.005) |

The main components making up the total assets balance as at October, 2021 of \$6,959,105 (October, 2020 of US\$5,580,049) are: US\$1,088,572 (2020: US\$1,055,996) of non-controlling interest borrowings; US\$630,848 (2020: US\$611,252) property, plant and equipment; US\$137,599 (2020: US\$129,152) investment properties; US\$3,053,337 (2020: US\$2,047,774) in cash; US\$1,268,049 (2020: US\$1,296,617) in accounts receivable, and US\$703,894 (2020: US\$417,400) in inventories, comprising mostly of stock on hand.

LIQUIDITY AND CAPITAL RESOURCES

At July 31, 2022, the Corporation had cash of US\$2,598,134 (October 31, 2021: US\$3,053,337) and working capital of US\$3,776,859 (Oct 31, 2021: US\$3,636,052). Surplus cash and cash equivalents are deposited in interest accruing accounts.

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, and income tax payable.

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

| | 9 Months Ended July 31, 2022 | Year Ended October 31, 2021 |
|---|---------------------------------|--------------------------------|
| | US\$ | US\$ |
| Cash provided by (used) in operating activities | 32,803 | 1,263,318 |
| Cash used in investing activities | (216,980) | (88,229) |
| Cash provided by (used) in financing activities | (13,383) | (5,043) |
| Increase (Decrease) in cash | (197,560) | 1,170,046 |

Operations provided US\$32,803 in cash during the nine months ended July 31, 2022 (October 31, 2021 provided US\$1,263,318) the key variable factor being the timings of supplier and customer payments. Cash used in investing activities relates to the purchase of the new properties, and an additional vehicle.

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. The Corporation does occasionally utilize cash reserves to offer suppliers earlier payment terms in return for more favorable rates.

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ECONOMIC DEPENDENCE

Sales from the Corporation's South African coal processing business are substantially derived from a very few number of 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 July 31, 2022, Southern Coal had trade receivables of US\$2,559,027 (October 31, 2021: US\$1,268,049) due from these customers which were all collected subsequent to the quarter-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. Rental revenue is recognized on a straight-line basis over the term of the lease and collection is reasonably assured. Interest and other income are recognized when earned and collection is reasonably assured.

COMMITMENTS

The Company had an agreement to lease premises for its coal processing plant in South Africa for a term of ten years, expiring on December 31, 2020, with a monthly rent of Rand 35,000 (US\$2,081). After lease expiry on December 31, 2020, the Company is operating under the same terms as the expired lease with an effective notice period of 60 days.

In June 2021, the Company secured a further land tenure for Quantum. The term of the lease was for five years, with a monthly rent of Rand 25,000 per month and with an option to extend for a further four years and nine months. Quantum is now in the process of applying for environmental authorisations which would allow for the construction of further calcining facilities; the overall application process is expected to be completed by September 2022.

| Months | Financial Year | US\$ |
|-----------|----------------|---------------|
| 3 | 2021/22 | 4,460 |
| 12 | 2022/23 | 17,839 |
| 12 | 2023/24 | 17,839 |
| 12 | 2024/25 | 17,839 |
| 9 | 2025/26 | 13,379 |
| <u>48</u> | | <u>71,356</u> |

TRANSACTIONS WITH RELATED PARTIES

At the report date, key management consists of Christopher Way (CEO, President and a Director of the Corporation), Rebecca Williams (CFO and Director), Peter Wassenaar (Chairman and Director), who took over the role of Chairman from the late David Way as at 1st December 2020.

Fees incurred for services by key management personnel during the twelve months ended July 31, 2022 and 2021:

| Services | Party | 9 Months Ended | |
|-----------------------------|--|----------------|----------------|
| | | Jul 31 2022 | Jul 31 2021 |
| | | US\$ | US\$ |
| CFO and Director | Professional fees for financial administration and management services | 19,541 | 19,555 |
| Chairman and Director | Consulting fees for administration and management services | 7,702 | 6,790 |
| President, CEO and Director | President, CEO and director of the Corporation | 60,072 | 61,158 |
| Company Secretary | Professional fees for administration and management services | 4,153 | 4,137 |
| Directors | Directors' fees for administration and management services in relation to the Company's coal processing business in South Africa | 57,268 | 48,336 |
| Director | Consulting fees (Former Chairman and Director) | | 9,112 |
| | | <u>148,736</u> | <u>139,976</u> |

OFF-BALANCE SHEET ARRANGEMENTS

The Corporation has no off-balance sheet arrangements

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CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The details of Canaf's accounting policies are presented in Note 2 of the unaudited Financial Statements for the nine months ended July 31, 2022. These policies are considered by management to be essential to understanding the processes and reasoning that go into the preparation of the Corporation's financial statements and the uncertainties that could have a bearing on its financial results.

MANAGEMENT OF FINANCIAL RISKS

The Corporation is exposed to various risks in relation to financial instruments. The Corporation's financial assets and liabilities by category are summarized in Note 2(s) of the consolidated financial statements. The Corporation's risk management is coordinated by the board of directors and focuses on actively securing the Corporation's short to medium-term cash flows and raising finances for the Corporation's capital expenditure program. The Corporation does not actively engage in the trading of financial assets for speculative purposes. The most significant financial risks to which the Corporation is exposed are described below.

Foreign Currency Risk

Foreign exchange risk arises because of fluctuations in exchange rates. The Corporation conducts a significant portion of its business activities in foreign currencies. The Corporation's subsidiaries, principally located in South Africa, routinely transact in the local currency, exposing the Corporation to potential foreign exchange risk in its financial position and cash flows.

The assets, liabilities, revenue and expenses that are denominated in foreign currencies will be affected by changes in the exchange rate between the United States dollar and these foreign currencies. The Corporation does not currently use financial instruments to mitigate this risk.

Credit Risk

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. The Corporation limits its exposure to credit loss for cash by placing its cash with high quality financial institutions and for trade receivable by performing standard credit checks. The credit risk for cash and trade receivables is considered negligible since the counterparties are reputable banks with high quality external credit ratings and customers with no history of default.

The Corporation has a credit risk exposure related to its economic dependence on a very few customers for its calcine sales. The Corporation has assessed its exposure to credit risk and has determined that no significant risk exists from these concentrations of credit.

Liquidity Risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations when they become due. The Corporation ensures, as far as reasonably possible, that it will have sufficient capital in order to meet short-term business requirements, after taking into account cash flows from operations and the Corporation's holdings of cash. The Corporation has a working capital of US\$3,776,859 as at July 31, 2022. There can be no assurance that the Corporation will be successful with generating and maintaining profitable operations or will be able to secure future debt or equity financing for its working capital and expansion activities.

Commodity Price Risk

The Corporation's revenues, earnings and cash flows are directly related to the volume and price of calcine sold and are sensitive to changes in market prices over which it has little or no control. The Corporation has the ability to address its price-related exposures through the use of sales contracts.

Fair Value

The Corporation uses the following hierarchy for determining fair value measurements:

- Level 1: Quoted prices in active markets for identical assets or liabilities.
- Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
- Level 3: Techniques which use inputs that have a significant effect on the recorded fair value that is not based on observable market data.

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

The Corporation's financial assets measured at fair value through profit or loss use Level 1 valuation techniques

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during the nine months ended July 31, 2022. The carrying values of the Corporation's financial assets and liabilities approximate their fair values as at July 31, 2022.

CAPITAL RISK MANAGEMENT

The Corporation's objectives in managing its capital are to ensure adequate resources are available to fund its coal processing business in South Africa, to seek out and acquire new projects of merit, and to safeguard its ability to continue as a going concern. The Corporation manages its share capital as capital, which as of July 31, 2022 totaled US\$8,079,463 (October 31, 2021: US\$8,079,463).

The Corporation manages its capital structure in a manner that provides sufficient funding for operational and capital expenditure activities. Funds are secured through the sale of calcine in South Africa and, when necessary, through debt funding or equity capital raised by means of private placements. There can be no assurances that the Corporation will be able to obtain debt or equity capital in the case of operating cash deficits.

The Corporation may, from time to time, invest capital that is surplus to immediate operational needs in short-term, liquid, and highly rated financial instruments held with major financial institutions, or in marketable securities. The Corporation may also, from time to time, enter into forward foreign exchange and commodity price contracts to hedge a portion of its exposure to movements in foreign exchange and commodity prices.

The Corporation has no externally imposed capital requirements and has not paid or declared any dividends since the date of incorporation, nor are any contemplated in the foreseeable future. There were no changes in the Corporation's approach to capital management during the nine months ended July 31, 2022.

RISKS AND UNCERTAINTIES

The Corporation is subject to a number of risk factors due to the nature of the mining business in which it is engaged, including movements in commodity prices, which are difficult to forecast. The Corporation seeks to counter these risks as far as possible by selecting exploration areas on the basis of their recognized geological potential to host economic deposits.

The Corporation's assets are of indeterminate value. For further particulars see the financial statements filed on www.sedar.com.

Covid-19 Pandemic

The ongoing pandemic scene globally could have negative consequences for all operations. Sickness as a result of the virus could impact sales, ability to service sales, rent collection, and general management. The board has put contingency plans in place to support with continuing the Southern Coal (South African) operations and manage any care and maintenance measures that need to be implemented.

During periods of travel restrictions, the financial performance has demonstrated that remote working has not had any adverse effects on the performance of the Corporation. The operations of the board, senior management and administration, given its already remote working structure, should not therefore be adversely affected by any future necessary measures to minimize the risks and effects of the virus, should they be re-introduced.

Exploration and Development

The Corporation is not currently engaged in any exploration or development projects.

Operating Hazards and Risks

Operations in which the Corporation has a direct or indirect interest will be subject to all the hazards and risks normally incidental to exploration, development and production of resources, any of which could result in work stoppages, damage to persons or property and possible environmental damage. Although the Corporation has or will obtain liability insurance in an amount which it considers adequate, the nature of these risks is such that liabilities might exceed policy limits, the liabilities and hazards might not be insurable, or the Corporation might not elect to insure itself against such liabilities due to high premium costs or other reasons, in which event the Corporation could incur significant costs that could have a material adverse effect upon its financial condition.

Metal and Mineral Prices

Factors beyond the control of the Corporation affect the price and marketability of gold and other metals and minerals. Metal and mineral prices have fluctuated widely, particularly in recent years and are affected by numerous factors including international, economic and political trends, expectations of inflation, currency exchange fluctuations, interest rates, global or regional consumption patterns, speculative activities and worldwide production levels. The effect of these factors on the Corporation's future prospects cannot accurately be predicted.

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Political Risk

Quantum and Canaf Investments is located in South Africa and consequently the Corporation will be subject to certain risks, including currency fluctuations, electricity outages and possible political or economic instability, and exploration and production activities may be affected in varying degrees by political stability and government regulations relating to the industry. Any changes in regulations or shifts in political attitudes are beyond the control of the Corporation and may adversely affect its business. Exploration may be affected in varying degrees by government regulations with respect to restrictions on future exploitation and production, price controls, export controls, foreign exchange controls, income taxes, expropriation of property, environmental legislation and site safety.

Environmental Factors

All phases of the Corporation's operations will be subject to environmental regulation in South Africa.

Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. In addition, certain types of operations require the submission and approval of environmental impact assessments. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers and employees. The cost of compliance with changes in governmental regulations has a potential to reduce the profitability of operations. The exploration, development and production activities of the Corporation will require certain permits and licenses from various governmental authorities and such operations are and will be governed by laws and regulations governing exploration, development and production, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection, safety and other matters. Companies engaged in exploration activities generally experience increased costs and delays as a result of the need to comply with applicable laws, regulations and permits. There can be no assurance that all licenses and permits which the Corporation may require to carry out exploration and development of its projects will be obtainable on reasonable terms or on a timely basis, or that such laws and regulations would not have an adverse effect on any project that the Corporation may undertake.

Cash Flows and Additional Funding Requirements

The Corporation has significant revenues from operations and produces positive cashflow. The Corporation intends to expand organically using available cash and local debt financing, when required.

Should the Corporation decide to develop or acquire a relatively large asset or opportunity, the majority of sources of funds will in large portion be derived from the issuance of equity or project finance debt. Although the Corporation presently has sufficient financial resources and has been successful in the past in obtaining equity and debt financing to undertake its currently planned exploration and development programs, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Corporation.

Enforcement of Civil Liabilities

Substantially all of the assets of the Corporation will be located outside of Canada, with the directors and officers of the Corporation being resident outside of Canada also. As a result, it may be difficult or impossible to enforce judgments granted by a court in Canada against the assets of the Corporation or the directors and officers of the Corporation residing outside of Canada.

Management

The Corporation is dependent on a relatively small number of key employees, the loss of any of whom could have an adverse effect on the Corporation.

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CAUTIONARY STATEMENTS ON FORWARD-LOOKING INFORMATION

This MD&A together with the Corporation's consolidated financial statements for the nine months ended July 31, 2022 contain certain statements that may be deemed "forward-looking statements". All statements in this MD&A, other than statements of historical fact, that address exploration drilling, exploitation activities and events or developments that the Corporation expects to occur, are forward looking statements. Forward looking statements in this document are statements that are not historical facts and are generally, but not always, identified by the words "expects", "plans", "anticipates", "believes", "intends", "estimates", "projects", "potential" and similar expressions, or that events or conditions "will", "would", "may", "could" or "should" occur. Information inferred from the interpretation of drilling results and information concerning resource estimates may also be deemed to be forward looking statements, as it constitutes a prediction of what might be found to be present when and if a project is actually developed. 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 those in the forward-looking statements.

Inherent in forward-looking statements are risks and uncertainties beyond the Corporation's ability to predict or control, including risks that may affect the Corporation's operating or capital plans, including risks generally encountered in the exploration and development of natural resource properties, such as unusual or unexpected geological formations, unanticipated metallurgical difficulties, ground control problems, process upsets and equipment malfunctions; risks associated with labour and unavailability of skilled labour; fluctuations in the market prices of the Corporation's principal products, which are cyclical and subject to substantial price fluctuations; risks created through competition for natural resource properties; risks associated with lack of access to markets; risks associated with mineral and resource estimates, including the risk of errors in assumptions or methodologies; risks posed by fluctuations in exchange rates and interest rates, as well as general economic conditions; risks associated with environmental compliance and permitting, including those created by changes in environmental legislation and regulation; risks associated with the Corporation's dependence on third parties in the provision of transportation and other critical services; risks associated with aboriginal title claims and other title risks; social and political risks associated with operations in foreign countries; and risks associated with legal proceedings.

Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this MD&A. Such statements are based on a number of assumptions which may prove to be incorrect, including, but not limited to, the following assumptions: that there is no material deterioration in general business and economic conditions; that there is no unanticipated fluctuation of interest rates and foreign exchange rates; that the supply and demand for, deliveries of, and the level and volatility of commodity prices develop as expected; that the Corporation receives regulatory and governmental approvals as are necessary on a timely basis; that the Corporation is able to obtain financing as necessary on reasonable terms; that there is no unforeseen deterioration in the Corporation's activity costs; that the Corporation is able to continue to secure adequate transportation as necessary for its exploration activities; that the Corporation is able to procure equipment and supplies, as necessary, in sufficient quantities and on a timely basis; that exploration activity timetables and capital costs for the Corporation's planned projects are not incorrectly estimated or affected by unforeseen circumstances; that costs of closure of various operations are accurately estimated; that there are no unanticipated changes to market competition; that the Corporation's estimates in relation to its natural resource interests are within reasonable bounds of accuracy (including with respect to size, grade and recoverability of mineral projects) and that the geological, operational and price assumptions on which these are based are reasonable; that no environmental and other proceedings or disputes arise; and that the Corporation maintains its ongoing relations with its employees, consultants and advisors.

Readers are cautioned that the foregoing list of important factors and assumptions is not exhaustive. Forward-looking statements are not guarantees of future performance. Events or circumstances could cause the Corporation's actual results to differ materially from those estimated or projected and expressed in, or implied by, these forward-looking statements. The Corporation undertakes no obligation to update publicly or otherwise revise any forward-looking statements or the foregoing list of factors, whether as a result of new information or future events or otherwise, except as may be required under applicable laws.

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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 Consolidated 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.

OUTSTANDING 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 |