CANAF INVESTMENTS INC

For the six months ended April 30, 2022

Management Discussion & Analysis

(Expressed in U.S. dollars)

INTRODUCTION

Date Prepared: 24th June 2022

This Management Discussion and Analysis, ("MDA") covers the operations of Canaf Investments Inc. ("Canaf" or the "Corporation") for the six months ended April 30, 2022 and should be read in conjunction with the unaudited consolidated Financial Statements for the six months ended April 30, 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 April 30, 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.

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-volatised 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's clients are world leaders in steel and ferromanganese production. Southern Coal's three kilns operate 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 R4million, expected to generate net pre-tax returns in excess of 15%.

OVERALL PERFORMANCE AND OUTLOOK

The quarter ending April 30, 2022 reflects a rebound in sales after the temporary reduction in sales, caused by a major shutdown at one of its main customer's sintering facilities in South Africa seen towards the end of Q4 2021, and through in to Q1 2022. The quarter reflects a 54% rise in sales to US$3,572,482, compared to the prior quarter of US$2,326,691, taking the 6-month year-to-date revenues to US$5,899,173. For the six months, the Corporation recorded a net income of US$159,842, 64% behind the same 6-month period last year (2021: US$440,206). The Corporation expects to see Q3 reflect a further improvement in sales of approximately 40% in comparison to Q2 2022, which will further improve gross margin and total profit. During the quarter Southern Coal was affected by rising input costs which reduced its gross margin, however sales price adjustments, effective 01 July 2022 are expected to improve both margins and profit, as sales volumes are expected to continue to stay strong.

The Corporation believes that the prospects for the anthracite beneficiation business in South Africa (Southern Coal) remains strong as it receives increasing interest in its material and explores new opportunities with alternative product lines. Quantum is also investing 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).

CEH has now transferred ownership on three properties in Johannesburg, bringing the total property portfolio value to approximately R4million. Rental income for the latest property will however only be reflected during Q4, 2022. CEH has agreed to purchase a fourth property which should transfer during Q4 2022, bringing the overall portfolio to a value of approximately R6.6million.

The Corporation can confirm that activity has increased around the Corporation's financial claim against Kilembe Mines Limited (KML) in Uganda (see page 6). The Corporation can confirm that the arbitrator and both parties, being the Claimant (Canaf) and the Respondent (KML) have met, and scheduling has been concluded with dates being set for the filing of respective parties' witness statements. The Corporation expects this matter will reach a conclusion in the first half of 2023.

The board is confident that the Corporation continues to be in a very strong financial position 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 sub-Saharan Africa.

As of April 30, 2022, shareholder equity stood at US$5.4m, or CAN$6.8m, which relates to a book value per share of CAN$0.144/share.

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 six months ended April 30, 2022, with a comparison in Canadian Dollars.

		6 Months Ended Apr 30		6 Months Ended Apr 30
	2022	2021	2022	2021
	US$	US$	CAN$	CAN$
Conversion 1.00 US (av. 12 months)			1.267	1.273
Revenue from Sales	5,899,173	6,292,558	7,474,040	8,009,636
Cost of Sales	(5,537,457)	(5,552,670)	(7,015,758)	(7,067,852)
Gross Profit	**361,717**	**739,888**	**458,282**	**941,784**
Expenses	(263,181)	(246,954)	(333,441)	(314,342)
Interest Income	84,816	82,095	107,458	104,497
Other Income	25,234	24,081	31,970	30,652
Gain from Sale of Vehicle	5,141	0	6,513	0
Net Income for the year (before tax)	**213,725**	**599,110**	**270,782**	**762,592**
Income Tax Recovery (Expense)	(53,884)	(158,904)	(68,269)	(202,265)
Net Income for the year	**159,842**	**440,206**	**202,513**	**560,327**
Attributable to the Shareholders	105,375	357,373	133,506	454,891
Attributable to the Non-Controlling Interest	54,467	82,833	69,008	105,436
Adjusted EBITDA	**210,374**	**602,572**	**266,536**	**766,998**

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*

		6 Months Ended Apr 30		6 Months Ended Apr 30
	2022	2021	2022	2021
	US$	US$	CAN$	CAN$
Conversion 1.00 US Dollar Rate			1.267	1.273
Net Income for the year	159,842	440,206	202,513	560,327
Interest Paid	0	0	0	0
Interest Receieved	(84,816)	(82,095)	(107,458)	(104,497)
Foreign Exchange Gain/ (Losses)	3,445	(7,229)	4,365	(9,202)
Depreciation	78,019	92,786	98,847	118,106
Income Taxes	53,884	158,904	68,269	202,265
Adjusted EBITDA	**210,374**	**602,572**	**266,536**	**766,998**

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

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 six months ended April 30, 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.

Expressed in U.S Dollars

RESULTS OF OPERATIONS

SIX MONTHS ENDED APRIL 30, 2022

The Corporation reports a net income for the six months ended April 30, 2022 of US$159,842 (2021: US$440,206), a decrease of US$280,364 (64%) in comparison to the same period the previous year, on revenues of US$5,899,173 (2021: US$6,292,558).

			3 Months Ended April 30, 2022				6 Months Ended Apr 30, 2022	
	2022	2021	Variance		2022	2021	Variance	
	US$	US$	US$	%	US$	US$	US$	%
Sales	3,572,482	3,109,892	462,590	15%	5,899,173	6,292,558	(393,384)	-6%
Cost of Sales	(3,344,903)	(2,702,205)	(642,699)	24%	(5,537,457)	(5,552,670)	15,213	0%
Gross Profit (Loss)	227,579	407,687	(180,109)	-44%	361,717	739,888	(378,171)	51%
Expenses								
General and Administrative	(135,491)	(125,976)	(9,515)	8%	(259,736)	(254,184)	(5,553)	2%
Foreign Exchange Gain	(862)	2,635	(3,497)	133%	(3,445)	7,229	(10,674)	
Total expenses	(136,353)	(123,341)	(13,012)	11%	(263,181)	(246,954)	(16,227)	7%
Interest Income	41,779	41,464	315	1%	84,816	82,095	2,720	3%
Other Income	10,136	22,711	(12,574)	-55%	25,234	24,081	1,153	5%
Gain from Sale of Fixed Asset	4,658		4,658		5,141		5,141	
Income (Loss) Before Income Taxes	147,800	348,521	(200,721)	-58%	213,725	599,110	(385,385)	-64%
Income Tax (Expense) Recovery	(38,840)	(93,437)	54,596	-58%	(53,884)	(158,904)	105,020	-66%
Net Income (Loss) for the period	108,960	255,084	(146,124)	-57%	159,842	440,206	(280,364)	-64%

Sales

Revenues for Q2 2022 reverses the downwards trend seen in Q1 2022, and is an increase of 15% on the same quarter last year, and 53% improvement on the prior quarter (Q1 2022). This is as a result of one of Southern Coal's main customers reducing demand due to a major maintenance shutdown towards the end of Q4 2021 and into Q1 2022 as well as the temporary halting of demand from another customer, due to high stock levels. Q3 is forecast to reflect a continued increase in sales back to capacity quantities, as both of Southern Coal's main customers are forecast to return to levels of strong demand.

CEH now has three properties in its property portfolio, with the third property added in Q2. Rental income for the 6 months was US$18,690 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.

Expressed in U.S Dollars

Cost of Sales

Cost of sales are 19% higher than the same 3-month period last year (2022: US$3,344,903, 2021: US$2,702,205) as the Corporation increased sales. Margin's fell during the quarter to 6.4% versus the same quarter last year of 13.1%, primarily caused by the increase in material costs, transportation, and fuel increases. The Corporation expects to see margins improve in Q3 and then again in to Q4.

	3 Months Ended Apr 30		**6 Months Ended Apr 30**	
	2022	**2021**	**2022**	**2021**
	US$	**US$**	**US$**	**US$**
Inventories, Beginning of the Year	656,433	507,883	703,894	417,400
Analysis Fees	151	0	759	74
Depreciation	37,894	46,048	76,570	91,280
Electricity	15,971	21,229	44,531	43,768
Fuel, Oil and Lubricants	42,177	26,831	73,622	51,583
Professional and Project Management Fee	9,429	5,246	14,178	12,863
Medical Expenses	2,436	3,528	4,335	5,618
Product Purchases	3,013,562	2,248,426	4,814,927	4,834,449
Protective Clothing	3,706	3,075	6,894	6,957
Provident Fund	6,599	5,706	12,986	11,144
Machinery Rental	23,316	16,123	44,820	30,929
Repairs and Maintenance	99,305	68,784	168,088	154,807
Salaries and Benefits	95,778	90,242	184,635	185,012
Transportation	85,494	39,378	134,565	87,080
Inventories, End of the Quarter	(747,348)	(380,294)	(747,348)	(380,294)
	3,344,903	2,702,205	5,537,457	5,552,670

Expressed in U.S Dollars

General and Administrative Expenses:

			3 Months Ended April 30 Variance				6 Months Ended April 30 Variance	
	2022	**2021**			**2022**	**2021**		
	US$	**US$**	**US$**	**%**	**US$**	**US$**	**US$**	**%**
Bank Charges and Interest	1,849	1,592	(257)	(16%)	3,604	3,152	(452)	(14%)
Consulting Fees	20,213	20,555	342	2%	40,513	49,285	8,773	18%
Management Fees	11,827	13,709	1,882	14%	26,274	30,090	3,817	13%
Directors Incentives	9,868	10,692	824	8%	19,737	20,407	670	3%
Office, Insurance and Sundry	28,163	15,890	(12,273)	(77%)	54,712	32,351	(22,361)	(69%)
Professional Fees	36,232	23,256	(12,976)	(56%)	57,88	52,441	(5,440)	(10%)
Promotion	82	986	904	92%	361	1,157	796	69%
Telephone	1,991	2,138	147	7%	4,288	4,934	646	13%
Transfer Agent and Filing Fees	6,681	7,762	1,081	14%	7,571	8,500	929	11%
Travel	6,676	3,709	(2,968)	(80%)	14,800	12,624	(2,177)	(17%)
Broad-Based Black Economic Empowerment	11,910	25,688	13,779	54%	29,995	39,243	9,248	24%
	135,491	125,976	(9,515)	(8%)	259,736	254,184	(5,553)	(2%)
Foreign Exchange gain	862	(2,635)	(3,497)	133%	3,445	(7,229)	(10,674)	148%
Finance Costs	-	-	-		-	-	-	-
Expenses	136,353	123,341	(13,012)	(11%)	263,181	246,954	(16,227)	(7%)
Interest Income	(41,779)	(41,464)	315	(1%)	(84,816)	(82,095)	2,720	(3%)
Other Income	(10,136)	(22,711)	(12,574)	55%	(25,234)	(24,081)	1,153	(5%)
Gain from Sale of Fixed Asset	(4,658)		4,658		(5,141)		5,141	
	79,779	59,167	(20,612)	(35%)	147,991	140,778	(7,213)	(5%)

Expenses

Focus continued during the quarter on improving the current Broad-Based Black Economic Empowerment (B-BBEE) rating, with spend of US$11,910, a decrease on the prior year's quarter. Professional fees increased during the quarter caused by fees paid to an environmental consultant to prepare and submit and Environmental Impact Assessment for the new site acquired for the potential expansion of Southern Coal and Quantum's south African's calcining business.

Interest Income

Interest income earned on the loan to AAM, and for cash in hand for the six-month period was US$84,816.

Other Income

The $25,234 of other income mainly relates to an insurance settlement in relation to damage to a company vehicle.

Share Holders Equity and Comprehensive Income

	Apr 30, 2022	**Oct 31, 2021**	**Apr 30, 2022**	**Oct 31, 2021**
SHAREHOLDERS' EQUITY	**US$**	**US$**	**CAN$**	**CAN$**
			1.264	**1.251**
Share Capital	8,079,463	8,079,463	10,209,363	10,109,727
Additional Paid in Capital	1,342,549	1,342,549	1,696,470	1,679,914
Accumulated Other Comprehensive Loss –				
Foreign Currency Translation Reserve	(2,101,809)	(1,897,294)	(2,655,886)	(2,374,059)
Deficit	(2,219,395)	(2,324,770)	(2,804,470)	(2,908,954)
Equity Attributable to Canaf Investments Inc. Shareholder	5,100,808	5,199,948	6,445,477	6,506,628
Non-Controlling Interest	295,889	235,738	373,891	294,976
	5,396,697	5,435,686	6,819,368	6,801,604

Expressed in U.S Dollars

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 6-month comprehensive translation on foreign exchange amounts to a loss of US$198,831 compared to the same time period last year of a gain of US$520,433; this is primarily as a result of the translation into US$ the reporting currency.

As of April 30, 2022, the Corporation has accumulated foreign currency other comprehensive loss of US$2,101,809, (October 31, 2021: US$1,897,294).

The Corporation does not hedge net asset translation movements.

Deficit

During the six months ended April 30, 2022 the deficit has reduced by US$105,375, from US$2,324,770 at the 31st October 2021, to US$2,219,395.

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 managements expectations reflecting a reduction in 12-month EPS compared to the prior 12-month period (US$0.014/share, and US$0.022/share respectively) as a result of the effects of a major shutdown from a key customer.

Management expects the remaining quarters of the financial year ending Oct 31, 2022 to reflect a significant improvement in sales with Q3 and Q4 2022 expected to reflect near capacity sales as well as a sales price adjustment being implemented from 01 July 2022, both of which will bolster revenue, margins and EPS.

	Three Months Ended			
	Apr 30, 2022 US$	**Jan 31, 2022 US$**	**Oct 31, 2021 US$**	**Jul 31, 2021 US$**
Sale	3,572,482	2,326,691	3,370,490	4,541,800
Gross Profit	227,579	134,138	231,259	608,071
Net Income (Loss)	108,960	50,882	131,534	373,677
Net Comprehensive Income (Loss) for the period	(32,584)	(6,406)	(86,026)	326,212
Basic and diluted earnings (loss) per share	0.002	0.001	0.003	0.008
	Three Months Ended			
	Apr 30, 2021 US$	**Jan 31, 2021 US$**	**Oct 31, 2020 US$**	**Jul 31, 2020 US$**
Sale	3,109,892	3,182,665	4,142,354	3,908,330
Gross Profit	407,687	332,200	565,507	475,638
Net Income (Loss)	255,084	185,122	360,954	250,775
Net Comprehensive Income (Loss) for the period	473,980	486,660	531,967	537,288
Basic and diluted earnings (loss) per share	0.005	0.004	0.008	0.005

Expressed in U.S Dollars

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 US$	2020 US$	2019 US$	2018 US$	2017 US$	2016 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 April 30, 2022, the Corporation had cash of US$2,241,404 (October 31, 2021: US$3,053,337) and working capital of US$3,559,129 (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.

	6 Months Ended April 30, 2022 US$	Year Ended October 31, 2021 US$
Cash provided by (used) in operating activities	(575,643)	1,263,318
Cash used in investing activities	(145,393)	(88,229)
Cash provided by (used) in financing activities	(9,846)	(5,043)
Increase (Decrease) in cash	(730,883)	1,170,046

Operations provided US$-575,643in cash during the six months ended April 30, 2022 (October 31, 2021 provided US$1,263,318) the negative position being as a result of timings of supplier payments. Cash used in investing activities relates to the purchase of the two 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.

Expressed in U.S Dollars

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 April 30, 2022, Southern Coal had trade receivables of US$1,615,365.99 (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$2,297). 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$
6	2021/22	9.846
12	2022/23	19,692
12	2023/24	19,692
12	2024/25	19,692
9	2025/26	14,769
		83,692

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 April 30, 2022 and 2021:

		6 Months Ended	
		Apr 30 2022	Apr 30 2021
Services	**Party**	**US$**	**US$**
CFO and Director	Professional fees for financial administration and management services	13,247	12,773
Chairman and Director	Consulting fees for administration and management services	5,183	4,077
President, CEO and Director	President, CEO and director of the Corporation	40,513	40,173
Company Secretary	Professional fees for administration and management services	2,689	2,673
Directors	Directors fees for administration and management services in relation to the Company's coal processing business in South Africa	26,274	35,509
Director	Consulting fees (Former Chairman and Director)		9,112

OFF-BALANCE SHEET ARRANGEMENTS

The Corporation has no off-balance sheet arrangements

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The details of Canaf's accounting policies are presented in Note 2 of the unaudited Financial Statements for the six months ended April 30, 2020. 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$3,559,129 as at April 30, 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 during the six months ended April 30, 2022. The carrying values of the Corporation's financial assets and liabilities approximate their fair values as at April 30, 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 April 30, 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 six months ended April 30, 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 minimise 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.

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.

CAUTIONARY STATEMENTS ON FORWARD-LOOKING INFORMATION

This MD&A together with the Corporation's consolidated financial statements for the six months ended April 30, 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.

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