

# CANAF

INVESTMENTS INC

For the nine months ended July 31<sup>st</sup>, 2022

## **Consolidated Financial Statements**

(Expressed in U.S. dollars)

(Unaudited – Prepared by Management)

- Consolidated Statements of Financial Position
- Consolidated Statements of Comprehensive Income
- Consolidated Statements of Changes in Equity
- Consolidated Statements of Cash Flows
- Notes to the Consolidated Financial Statements

# **CANAF INVESTMENTS INC.**

## **Notes to the Consolidated Financial Statements**

For the nine months ended July 31, 2022 and October 31, 2021

(Expressed in U.S. Dollars)

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### **NOTICE OF NO AUDITOR REVIEW OF QUARTELY FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection, 4.3 (3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of Canaf Investments Inc. (“the Company”) have been prepared by and are the responsibility of the Company’s management. The unaudited interim financial statements are prepared in accordance with International Financial Reporting Standards and reflect management’s best estimate and judgements based on information currently available.

The Company’s independent auditor has not performed a review of these interim financial statements in accordance with the standards established by the Canadian Institute of Chartered Professional Accountants for a review on interim financial statements by an entity’s auditor.

# CANAF INVESTMENTS INC.

## Consolidated Statements of Financial Position

As at July 31, 2022 and October 31, 2021

(Expressed in U.S. Dollars)

	Note	Jul 31, 2022 US\$	Oct 31, 2021 US\$
<b>ASSETS</b>			
<b>CURRENT</b>			
Cash		2,598,134	3,053,337
Trade Receivables	15	2,559,027	1,268,049
Inventories	6	1,088,823	703,894
Deposit held for Property		-	57,513
Prepaid Expense and Deposits		17,088	19,292
		<u>6,263,072</u>	<u>5,102,085</u>
<b>NON-CURRENT</b>			
Investment Property	7	234,777	137,599
Property, Plant and Equipment	8	554,864	630,848
Interest Bearing Borrowings	4	1,041,365	1,088,572
Intangible	2(f)	1	1
		<u>1,831,007</u>	<u>1,857,020</u>
		<u>8,094,079</u>	<u>6,959,105</u>
<b>LIABILITIES</b>			
<b>CURRENT</b>			
Trade and Other Payables	9	2,274,087	1,326,340
Sales Tax Payable		32,132	14,435
Income Taxes Payable		166,131	109,955
Current Portion of Lease Liability	18	13,863	15,303
		<u>2,486,213</u>	<u>1,466,033</u>
<b>NON-CURRENT</b>			
Lease Liability	18	41,589	57,387
		<u>41,589</u>	<u>57,387</u>
		<u>2,527,801</u>	<u>1,523,419</u>
<b>SHAREHOLDERS' EQUITY</b>			
Share Capital	10	8,079,463	8,079,463
Additional Paid in Capital	4	1,342,549	1,342,549
Accumulated Other Comprehensive Loss – Foreign Currency Translation Reserve		(2,403,009)	(1,897,294)
Deficit		(1,810,794)	(2,324,770)
Equity Attributable to Canaf Investments Inc. Shareholders		<u>5,208,209</u>	<u>5,199,948</u>
Non-Controlling Interest	4	358,069	235,738
		<u>5,566,279</u>	<u>5,435,686</u>
		<u>8,094,079</u>	<u>6,959,105</u>

Nature of Operations (Note 1)  
Economic Dependence (Note 15)  
Commitments (Note 16)  
Segment Information (Note 17)

The accompanying notes are an integral part of the consolidated financial statements.

Approved on Behalf of the Board:

“Christopher Way”  
Christopher Way, Director

“Rebecca Williams”  
Rebecca Williams, Director

# CANAF INVESTMENTS INC.

## Consolidated Statements of Comprehensive Income

As at July 31, 2022 and October 31, 2021

(Expressed in U.S. Dollars)

		9 months ended	
		Jul 31, 2021	
		Jul 31, 2021	
		US\$	
		US\$	
<b>SALES</b>		11,309,650	10,834,358
<b>COST OF SALES</b>	13	(10,156,854)	(9,486,399)
<b>GROSS PROFIT</b>		1,152,796	1,347,959
<b>EXPENSES</b>			
General and Administrative	14	(431,535)	(381,822)
Foreign Exchange Gain		(7,821)	6,762
		(439,356)	(375,060)
<b>INCOME BEFORE OTHER ITEM</b>		713,440	972,899
Interest Income		131,089	106,821
Other Income		67,068	32,267
Gain from Sale of Fixed Asset		4,519	
<b>INCOME BEFORE INCOME TAXES</b>		916,116	1,111,987
Current Income Tax (Expense)		(247,800)	(298,103)
<b>NET INCOME FOR THE PERIOD</b>		<b>668,316</b>	<b>813,883</b>
Attributable to the Parent		513,976	646,812
Attributable to the Non Controlling Interest		154,340	167,071
		<b>668,316</b>	<b>813,883</b>
Foreign Currency Translation (Loss) Gain		(537,724)	472,969
<b>NET COMPREHENSIVE INCOME FOR THE YEAR</b>		130,592	1,286,852
Attributable to the Parent		8,261	1,105,562
Attributable to the Non Controlling Interest		122,331	181,289
<b>BASIC AND DILUTED EARNINGS PER SHARE</b>		0.014	0.017
<b>WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING – BASIC AND DILUTED</b>		47,426,195	47,426,195

The accompanying notes are an integral part of the consolidated financial statements

# CANAF INVESTMENTS INC.

## Consolidated Statements of Change in Equity

As at July 31, 2022 and October 31, 2021

(Expressed in U.S. Dollars)

Note	Number of Common Shares	Share Capital US\$	Additional Paid in Capital US\$	Foreign Currency Translation Reserve US\$	Deficit US\$	Non- Controlling Interest US\$	Total Shareholders' Equity US\$
<b>Balance, October 31, 2020</b>	47,426,195	8,079,463	1,342,549	(2,149,469)	(3,049,200)	129,672	4,353,015
Dividends Paid						(118,154)	(118,154)
Net Income for the Period	-	-		-	724,430	220,987	945,417
Foreign Currency Translation Gain	-	-		252,175	-	3,233	255,408
<b>Balance, October 31, 2021</b>	47,426,195	8,079,463	1,342,549	(1,897,294)	(2,324,770)	235,738	5,435,686
<b>Balance, October 31, 2021</b>	47,426,195	8,079,463	1,342,549	(1,897,294)	(2,324,770)	235,738	5,435,686
Dividends Paid						-	-
Net Income for the Period	-	-		-	513,976	154,340	668,316
Foreign Currency Translation Gain	-	-		(505,715)	-	(32,009)	(537,724)
<b>Balance, July 31, 2022</b>	47,426,195	8,079,463	1,342,549	(2,403,008)	(1,810,794)	358,069	5,566,279

The accompanying notes are an integral part of the consolidated financial statements.

# CANAF INVESTMENTS INC.

## Consolidated Statements of Cash Flows

For the nine months ended July 31, 2022 and October 31, 2021

(Expressed in U.S. Dollars)

	Note	Jul 31 2022 US\$	Oct 31 2021 US\$
<b>CASH PROVIDED BY (USED FOR):</b>			
<b>OPERATING ACTIVITIES</b>			
Net Income for the period		668,316	945,417
Non-Cash Items			
Accretion	18	2,982	1,124
Depreciation – Cost of Sales	8	124,014	187,481
Interest Income		(55,837)	(80,670)
		<u>739,476</u>	<u>1,053,352</u>
Change in Non-Cash Working Capital Accounts	12a	(706,673)	209,966
		<u>32,803</u>	<u>1,263,318</u>
<b>INVESTING ACTIVITY</b>			
Purchase of Property, Plant and Equipment	8	(216,980)	(88,229)
<b>FINANCING ACTIVITY</b>			
Repayment of Lease Liability	18	(13,383)	(5,043)
<b>INCREASE (DECREASE) IN CASH</b>		(197,560)	1,170,046
Effect of Exchange Rate Changes on Cash		(257,643)	(164,483)
Cash, Beginning of the Period		<u>3,053,337</u>	<u>2,047,774</u>
<b>CASH, END OF THE PERIOD</b>		<u>2,598,134</u>	<u>3,053,337</u>

Supplemental Cash Flow Information (Note 13(b))

The accompanying notes are an integral part of the consolidated financial statements.

# CANAF INVESTMENTS INC.

## Notes to the Consolidated Financial Statements

For the nine months ended July 31, 2022 and October 31, 2021

(Expressed in U.S. Dollars)

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### NOTE 1 – NATURE OF OPERATIONS

Canaf Investments Inc. (the “Company”) is incorporated in the Province of Alberta and owns and operates a coal processing business in South Africa which processes coal and coal products into calcine, a coke substitute with a high carbon content. Effective 2019, the Company expanded its business to also acquire, redevelop and rent rental properties in South Africa. The Company is also actively exploring investment opportunities into a new sector as part of its ongoing diversification strategy.

The Company’s shares are listed on the TSX Venture Exchange under the symbol CAF. The head office, principal address, and records office of the Company are located at 1100 – 1111 Melville Street, Vancouver, British Columbia, Canada, V6E 3V6.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) on the basis that the Company is a going concern and will be able to meet its obligations and continue its operations for its next fiscal year.

The Company’s ability to continue as a going concern is dependent upon its ability to generate profitable operations from its coal processing business. The coal processing business sales are substantially derived from a very few customers, and as a result, the Company is economically dependent on these customers (Note 16). The Company is dependent on the operating cash flows from its coal processing business and the financial support of its shareholders and related parties to finance its operations and to discharge liabilities in the normal course of business. Loss of a customer or reduced sales from a customer may have a material adverse effect on the Company’s financial condition.

The Company has working capital of US \$3,776,859 as at July 31, 2022 (October 31, 2021 – US \$3,636,052). Management believes that the Company has sufficient cash resources to meet its obligations for at least 12 months from the end of the reporting period.

### NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

#### a) Statement of Compliance

The consolidated financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

These consolidated financial statements were approved and authorized for issue by the Board of Directors on September 27<sup>th</sup>, 2022.

#### b) Basis of Preparation

These consolidated financial statements have been prepared on a historical cost basis. Cost is the fair value of the consideration given in exchange for net assets.

# CANAF INVESTMENTS INC.

## Notes to the Consolidated Financial Statements

For the nine months ended July 31, 2022 and October 31, 2021

(Expressed in U.S. Dollars)

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### NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### c) Basis of Consolidation

These consolidated financial statements include the accounts of the Company and all its subsidiaries (collectively, the “Company”):

Entity	Country of Incorporation	Holding	Functional Currency
Canaf Investments Inc.	Canada	Parent Company	Canadian Dollar
Quantum Screening and Crushing (Pty) Limited	South Africa	100%	South African Rand
Quantum Newplant Holdings (Pty) Ltd	South Africa	100%	South African Rand
Southern Coal (Pty) Limited	South Africa	70%	South African Rand
Canaf Investments (Pty) Ltd.	South Africa	100%	South African Rand
Canaf Estate Holdings (Pty) Ltd.	South Africa	100%	South African Rand
Nabisoga Mining Ltd.	United States	100%	Canadian Dollar
Rwenzori Cobalt Company Ltd.	United States	100%	Canadian Dollar

Intercompany balances and transactions are eliminated in preparing these consolidated financial statements. The net assets and net profit attributable to outside shareholders are presented as amounts attributable to non-controlling interests in the consolidated statement of financial position and consolidated statement of comprehensive income.

Nabisoga Mining Ltd, and Rwenzori Cobalt Company Ltd. are inactive subsidiaries.

#### d) Functional and Presentation Currency

These consolidated financial statements are presented in U.S. dollars. Each entity determines its own functional currency (Note 2(c)) and items included in the consolidated financial statements of each entity are measured using that functional currency.

##### i) Transactions and Balances in Foreign Currencies

Foreign currency transactions are translated into the functional currency of the respective entity, using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items at year-end exchange rates are recognized immediately in profit or loss.

Non-monetary items measured at historical cost are translated using the exchange rates at the date of the transaction and are not retranslated. Non-monetary items measured at fair value are translated using the exchange rates at the date when fair value was determined.

##### ii) Foreign Operations

On consolidation, the assets and liabilities of foreign operations are translated into U.S. dollars from their functional currency at the exchange rate prevailing at the reporting date and their income statements are translated at the exchange rate prevailing at the dates of the transactions. The exchange differences arising on the translation are recognized in other comprehensive income and accumulated in the foreign currency translation reserve in equity. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognized in earnings as part of the gain or loss on disposal.



# CANAF INVESTMENTS INC.

## Notes to the Consolidated Financial Statements

For the nine months ended July 31, 2022 and October 31, 2021

(Expressed in U.S. Dollars)

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### NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### e) Inventories

Inventories consist of raw materials and finished goods (calcine) and are valued at the lower of cost and estimated net realizable value. Estimated net realizable value is the estimated selling price in the ordinary course of business less any cost of disposal.

Cost is determined on the following basis: Raw materials and packing material are valued at average cost. Finished goods are valued at raw material cost plus labour cost and an appropriate portion of the related fixed and variable manufacturing overhead expenses based on normal capacity.

Cost of sales is determined on a weighted average cost basis and includes transportation and handling costs.

#### f) Intangible Assets

Intangible assets represent the identifiable value of customer contracts acquired on the purchase of the South African subsidiary in 2007. On October 31, 2008, the Company wrote down the carrying value of its intangible assets to a nominal amount.

#### g) Property, Plant and Equipment

Property, plant and equipment are recorded at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognized to write off the cost of the property, plant and equipment less their residual values over their useful lives using the straight-line method at the following rates, except in the year of acquisition, when one half of the rates are used:

Computer Equipment	3 Years
Leasehold Improvements	5 Years
Office Equipment	5 Years
Plant and Equipment	5 Years
Vehicles	5 Years

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

#### h) Investment Property

Investment property is property held to earn rental income and/or capital appreciation, and is distinguished from property that is used in the production of supply of goods and services, and for administrative purposes. Investment property is accounted for by using the fair value method. An investment property is initially recognized at cost, including direct transaction costs. Subsequently they are measured at fair value, with gains and losses arising from changes in fair value recognized in profit or loss.

Fair value valuations are done on an open market basis and valued using either the discounted cash flow method or the capitalization of net income method or a combination of both.

#### i) Impairment of Non-Current Assets

At the end of each reporting period, the Company reviews the carrying amounts of its non-current assets to determine whether there is any indication that those assets have suffered an impairment loss. Individual assets are grouped together as a cash generating unit for impairment assessment purposes at the lowest level at which there are identifiable cash flows that are independent from other group assets.

# CANAF INVESTMENTS INC.

## Notes to the Consolidated Financial Statements

For the nine months ended July 31, 2022 and October 31, 2021

(Expressed in U.S. Dollars)

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### NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

If any such indication of impairment exists, the Company makes an estimate of its recoverable amount. The recoverable amount is the higher of fair value less costs to sell and value in use. Where the carrying amount of a cash generating unit exceeds its recoverable amount, the cash generating unit is considered impaired and is written down to its recoverable amount. In assessing the value in use, the estimated future cash flows are adjusted for the risks specific to the cash generating unit and are discounted to their present value with a discount rate that reflects current market indicators.

Where an impairment loss subsequently reverses, the carrying amount of the cash generating unit is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the cash generating unit in prior years. A reversal of an impairment loss is recognized as income immediately.

#### j) Non-Controlling Interest

Non-controlling interest in the Company's residual ownership interest in a controlled subsidiary is classified as a separate component of equity. On initial recognition, non-controlling interest is measured at the fair value of the non-controlling entity's contribution into the related subsidiary. Subsequent to the original transaction date, adjustments are made to the carrying amount of non-controlling interest for the non-controlling interest's share of changes to the subsidiary's equity.

#### k) Revenue Recognition

Pursuant to IFRS 15 Revenue from Contracts with Customers, revenue from the sale of calcine 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.

#### l) Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. As at July 31, 2022, the Company has no material provisions.

#### m) Share Capital

Share capital includes cash consideration received for share issuances, net of commissions and issue costs. Common shares issued for non-monetary consideration are recorded at their fair market value based upon the trading price of the Company's shares on the TSX Venture Exchange on the date of the agreement.

#### n) Share-Based Payments

The fair value method of accounting is used for share-based payment transactions. Under this method, the cost of stock options and other share-based payments is recorded based on the estimated fair value using the Black-Scholes option pricing model at the grant date and is charged to profit over the vesting period. The amount recognized as an expense is adjusted to reflect the number of equity instruments expected to vest.

Upon the exercise of stock options and other share-based payments, consideration received on the exercise of these equity instruments is recorded as share capital and the related share-based payment reserve is transferred to share capital.

# CANAF INVESTMENTS INC.

## Notes to the Consolidated Financial Statements

For the nine months ended July 31, 2022 and October 31, 2021

(Expressed in U.S. Dollars)

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### NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### **o) Earnings per Common Share**

Basic earnings per share is calculated by dividing the net income available to common shareholders by the weighted average number of common shares outstanding during the year. Diluted earnings per share is computed in accordance with the treasury stock method and based on the weighted average number of common shares and dilutive equity instruments. Diluted loss per share is the same as basic loss per share, as the issuance of shares on the exercise of stock options and share purchase warrants is anti-dilutive.

#### **p) Leases**

The Company adopted all of the requirements of IFRS 16 Leases, effective January 1, 2019. IFRS 16 specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is twelve months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from the previous accounting policy on leases.

#### **q) Comparative Figures**

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted for the current period. These reclassifications have no effect on the net income for the period ended July 31, 2022.

#### **r) Income Taxes**

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity.

##### **i) Current Income Tax**

Current income tax assets and/or liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting periods that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the consolidated financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

##### **ii) Deferred Income Tax**

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period. Deferred tax liabilities are always provided for in full.

Deferred tax assets are recognized to the extent that it is probable that they will be able to be utilized against future taxable income. Deferred tax assets and liabilities are offset only when the Company has a right and intention to offset current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognized as a component of tax income or expense in profit or loss, except where they relate to items that are recognized in other comprehensive income or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

# CANAF INVESTMENTS INC.

## Notes to the Consolidated Financial Statements

For the nine months ended July 31, 2022 and October 31, 2021

(Expressed in U.S. Dollars)

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### NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### s) Financial Instruments

##### i) Classification

The Company classifies its financial instruments in the following categories: at fair value through profit or loss (“FVTPL”), at fair value through other comprehensive income (loss) (“FVTOCI”) or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company’s business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

##### ii) Measurement

Financial assets and liabilities at FVTOCI or amortized cost are initially recognized at fair value plus or minus transaction costs, respectively. Financial assets and liabilities at FVTOCI are subsequently measured at fair value, with changes in fair value recognized in other comprehensive income (loss). Those at amortized cost are subsequently carried at amortized cost less any impairment using the effective interest rate method. The effective interest rate is the rate that discounts estimated future cash flows over the expected life of the financial instrument, or where appropriate, a shorter period.

Financial assets and liabilities at FVTPL are initially recorded at fair value and transaction costs are expensed in the consolidated statements of comprehensive income. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the consolidated statements of comprehensive income in the period in which they arise.

##### iii) Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the consolidated statements of comprehensive income, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

##### iv) Derecognition

###### Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are recognized in the consolidated statements of comprehensive income.

### NOTE 3 – SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

In the application of the Company’s accounting policies which are described in Note 2, management is required to make judgments, estimates, and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

# CANAF INVESTMENTS INC.

## Notes to the Consolidated Financial Statements

For the nine months ended July 31, 2022 and October 31, 2021

(Expressed in U.S. Dollars)

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### NOTE 3 – SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (Cont.)

Significant judgments, estimates and assumptions that have the most significant effect on the amounts recognized in the consolidated financial statements are described below.

#### a) Useful Lives of Property, Plant and Equipment and Intangible Assets

Management reviews the useful lives of property, plant and equipment and intangible assets at each reporting date, based on the expected utility of these assets to the Company. Actual useful lives of these assets may differ from the estimate.

#### b) Share-based Payments

The fair value of share-based payments is subject to the limitations of the Black-Scholes option pricing model that incorporates market data and involves uncertainty in estimates used by management in the assumptions. Because the Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share prices, changes in subjective input assumptions can materially affect the fair value estimate.

#### c) Impairment of Non-Current Assets

An impairment loss is recognized for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. To determine the recoverable amount, management estimates expected future cash flows from each asset or cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. In the process of measuring expected future cash flows, management makes assumptions about future operating results. These assumptions relate to future events and circumstances. In addition, when determining the applicable discount rate, estimation is involved in determining the appropriate adjustments to market risk and asset-specific risk factors.

Actual results may vary and cause significant adjustments to the Company's assets within the next financial year.

#### d) Deferred Tax Assets

Deferred tax assets, including those arising from un-utilized tax losses, require management to assess the likelihood that the Company will generate sufficient taxable earnings in future periods in order to utilize recognized deferred tax assets. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the reporting date could be impacted.

# CANAF INVESTMENTS INC.

## Notes to the Consolidated Financial Statements

For the nine months ended July 31, 2022 and October 31, 2021

(Expressed in U.S. Dollars)

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### NOTE 4 – DUE FROM NON-CONTROLLING INTEREST

On July 3, 2018, the Company sold a 30% interest of its subsidiary, Southern Coal (Proprietary) Limited (“Southern Coal”), to Amandla Amakhulu (Pty) Ltd. (“AAM”) for the price of 18 million Rand (approximately US\$1.3 million). AAM is a 100% black-owned company incorporated in South Africa, and the sales transaction complies with the Broad-Based Black Economic Empowerment (“BBBEE”) incentive program in South Africa.

The sales proceeds are in the form of cumulative, redeemable preference shares of AAM in the amount of the purchase price, 18 million Rand (approximately \$1.3 million). These preference shares provide preferential dividends, until fully redeemed by AAM, with the dividends secured by an irrevocable direction from AAM to Southern Coal to pay the Company such dividends from any Southern Coal dividend distribution to AAM.

The dilution gain recorded on the sale of the 30% interest in Southern Coal was in the amount of US\$1,342,549. As there was no change in control of the Company’s subsidiary, the dilution gain was recorded as additional paid-in capital.

Dividends paid during 2021 totalled US\$118,154 (2020 – US\$107,923). No further dividends have been paid during the nine months ended July 31, 2022.

The due from non-controlling interest amount as of the balance sheet date is US\$1,041,365 (translated at July 31, 2022 exchange rate).

### NOTE 5 – SALES TAX RECEIVABLE (PAYABLE)

	<b>Jul 31, 2022</b>	<b>Oct 31, 2021</b>
	<b>US\$</b>	<b>US\$</b>
South African Value-Added Tax Receivable (Payable)	(34,377)	(14,669)
Canadian Goods and Services Tax Receivable	2,245	234
	<u>(32,132)</u>	<u>(14,435)</u>

### NOTE 6 – INVENTORIES

Raw Materials	234,172	342,938
Finished Goods – Calcine	854,651	360,956
	<u>1,088,823</u>	<u>703,894</u>

### NOTE 7 – INVESTMENT PROPERTY

Beginning Balance	137,599	129,152
Additions	118,776	
Foreign Currency Translation	(21,597)	8,447
	<u>234,777</u>	<u>137,599</u>

# CANAF INVESTMENTS INC.

## Notes to the Consolidated Financial Statements

For the nine months ended July 31, 2022 and October 31, 2021

(Expressed in U.S. Dollars)

### NOTE 8 – PROPERTY, PLANT AND EQUIPMENT

COST	Land	Right- of-use Assets	Building	Computer Equipment	Leaseholds Improvements	Office Equipment	Plant & Equipment	Vehicles	Total
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
<b>Balance, October 31, 2020</b>	6,640		132,010	14,764	141,825	14,969	4,836,041	121,524	5,267,774
Additions/ (Disposals)		78,377					88,229		166,606
Foreign Currency Translation		(1,861)	9,067	966	9,275	978	197,946	5,039	221,410
<b>Balance, Oct 31, 2021</b>	6,640	76,516	132,010	14,764	141,825	14,969	4,836,041	121,524	5,267,774
Additions/ (Disposals)		-					76,281	21,923	98,204
Foreign Currency Translation		(7,201)	(4,834)	(515)	(4,945)	(522)	(28,616)	(2,686)	(49,319)
<b>Balance, Jul 31F, 2022</b>	6,640	69,315	127,176	14,249	136,880	14,447	4,883,705	140,762	5,393,174
<b>ACCUMULATED DEPRECIATION</b>									
<b>Balance, October 31, 2020</b>	-		13,895	14,679	141,825	12,345	4,367,741	106,037	4,656,522
Depreciation		3,919	3,026	93	-	788	170,408	9,247	187,480
Additions/ (Disposals)									-
Foreign Currency Translation		(93)	837	958	9,275	788	165,367	3,806	180,939
<b>Balance, Oct 31, 2021</b>	-	3,826	17,758	15,730	151,100	13,921	4,703,516	119,090	5,024,941
Depreciation		11,104	10,386	0	-	637	94,823	7,064	124,014
Additions/ (Disposals)									-
Foreign Currency Translation		(1,067)	(10,033)	(1,481)	(14,220)	(1,310)	(275,514)	(7,022)	(310,646)
<b>Balance, Jul 31, 2022</b>	-	13,863	18,110	14,249	136,880	13,248	4,522,826	119,133	4,838,309
<b>NET BOOK VALUE</b>									
<b>October 31, 2021</b>	<b>6,640</b>	<b>72,690</b>	<b>123,320</b>	<b>-</b>	<b>-</b>	<b>2,026</b>	<b>418,700</b>	<b>7,473</b>	<b>630,848</b>
<b>July 31, 2022</b>	<b>6,640</b>	<b>55,452</b>	<b>109,066</b>	<b>-</b>	<b>-</b>	<b>1,199</b>	<b>360,879</b>	<b>21,629</b>	<b>554,864</b>

# CANAF INVESTMENTS INC.

## Notes to the Consolidated Financial Statements

For the nine months ended July 31, 2022 and October 31, 2021

(Expressed in U.S. Dollars)

### NOTE 9 – TRADE AND OTHER PAYABLES

	Jul 31, 2022	Oct 31, 2021
	US\$	US\$
Trade Payables	2,223,059	1,207,235
Payroll Payable	0	38,249
Accrued Liability	51,028	80,856
	<u>2,274,087</u>	<u>1,326,340</u>

### NOTE 10 – SHARE CAPITAL

The Company is authorized to issue an unlimited number of common shares without par value.

As at July 31, 2022, the Company had 47,426,195 common shares issued and outstanding as presented in the consolidated statements of changes in shareholders' equity.

There are no stock options and share purchase warrants outstanding as at July 31, 2022.

### NOTE 11 – RELATED PARTY TRANSACTIONS

In addition to those transactions disclosed elsewhere in these consolidated financial statements, the Company incurred expenses to the following related parties:

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>

All related party transactions were in the normal course of operations and were measured at the exchange value, which represented the amount of consideration established and agreed to by the related parties.



# CANAF INVESTMENTS INC.

## Notes to the Consolidated Financial Statements

For the nine months ended July 31, 2022 and October 31, 2021

(Expressed in U.S. Dollars)

### NOTE 12 – SUPPLEMENTAL CASH FLOW INFORMATION

#### a) Change in Non-Cash Working Capital Accounts

	Jul 31, 2022	Oct 31, 2021
	US\$	US\$
Trade Receivables	(1,551,652)	116,125
Inventories	(483,381)	365
Prepaid Expense and Deposits	52,905	(55,163)
Trade and Other Payables	1,181,102	111,944
Sales Tax Receivable/ (Payable)	20,733	(59,260)
Income Taxes Payable	73,620	95,955
	<u>(706,673)</u>	<u>209,966</u>

#### b) Other Items

Interest Received	75,252	97,048
Income Tax Paid	178,584	251,592

### NOTE 13 – COST OF SALES

	9 Months Ended Jul 31	
	2022	2021
	US\$	US\$
Inventories, Beginning of the Year	703,894	417,400
Analysis Fees	3,062	74
Depreciation	102,525	139,727
Electricity	74,759	92,374
Fuel, Oil and Lubricants	130,636	84,979
Professional and Project Management Fee	5,448	12,863
Medical Expenses	6,202	7,861
Product Purchases	9,388,550	8,224,422
Protective Clothing	13,171	11,501
Provident Fund	19,433	16,943
Machinery Rental	116,042	64,474
Repairs and Maintenance	243,660	244,496
Salaries and Benefits	286,250	298,138
Transportation	226,063	166,395
Inventories, End of the Quarter	<u>(1,162,841)</u>	<u>(295,248)</u>
	<u>10,156,854</u>	<u>9,486,399</u>

# CANAF INVESTMENTS INC.

## Notes to the Consolidated Financial Statements

For the nine months ended July 31, 2022 and October 31, 2021

(Expressed in U.S. Dollars)

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### NOTE 14 – GENERAL AND ADMINISTRATIVE EXPENSES

	9 Months Ended	
	July 31	
	2022	2021
	US\$	US\$
Bank Charges and Interest	5,261	4,773
Consulting Fees	60,072	70,270
Management Fees	57,268	46,556
Directors Incentives	29,453	30,579
Office, Insurance and Sundry	90,085	55,102
Professional Fees	93,733	75,463
Promotion	678	4,735
Telephone	6,968	7,064
Transfer Agent and Filing Fees	11,323	9,350
Travel	26,299	18,654
Bad Debt	-	-
Broad-Based Black Economic Empowerment	50,394	59,276
	<u>431,535</u>	<u>381,822</u>

### NOTE 15 – ECONOMIC DEPENDENCE

Sales from the Company's South African coal processing business are substantially derived from a very few customers and as a result, the Company is economically dependent on these customers. The Company's exposure to credit risk is limited to the carrying value of its accounts receivable. As at July 31, 2022, trade receivables of US\$2,559,027 were due from these customers and were collected subsequent to the period end.

### NOTE 16 – COMMITMENTS

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 successfully received environmental authorization in September 2022 to construct further calcining facilities. The Environmental Authorisation is valid for a period of five years from the date of issue, within which commencement must occur.

Months	Financial Year	US\$
3	2021/2022	4,460
12	2022/2023	17,839
12	2023/2024	17,839
12	2024/2025	17,839
9	2025/2026	13,379
		<u>71,356</u>

# CANAF INVESTMENTS INC.

## Notes to the Consolidated Financial Statements

For the nine months ended July 31, 2022 and October 31, 2021

(Expressed in U.S. Dollars)

### NOTE 17 – SEGMENT INFORMATION

The Company operates in two reportable operating segments: the head office operations in Canada and the coal processing business in South Africa.

	Canada US\$	South Africa US\$	Total US\$
<b>July 31 2022</b>			
Net (Loss) Income for the Period	(191,859)	860,175	668,316
Revenues (Note 16)	-	11,309,650	11,309,650
Gross Profit	-	1,152,796	1,152,796
Depreciation	-	124,014	124,014
Interest Expense	-	-	-
Current Income Tax Expense	-	247,800	247,800
Current Assets	207,983	6,055,089	6,263,072
Investment Properties	-	234,777	234,777
Property, Plant and Equipment (Note 7)	-	554,864	554,864
Interest Bearing Borrowings	-	1,041,365	1,041,365
Intangible Assets	-	1	1
Total Assets	207,983	7,886,096	8,094,079
<b>October 31 2021</b>			
Net (Loss) Income for the Year	(240,397)	1,185,814	945,417
Revenues (Note 16)	-	14,204,848	14,204,848
Gross Profit	-	1,579,217	1,579,217
Depreciation – Cost of Sales	-	180,535	180,535
Current Income Tax Expense (Note 12(a))	-	347,546	347,546
Current Assets	198,568	4,903,517	5,102,085
Investment Property (Note 7)	-	137,599	137,599
Property, Plant and Equipment (Note 8)	-	630,848	630,848
Due from Non-Controlling Interest (Note 4)	-	1,088,572	1,088,572
Intangible Assets	-	1	1
Total Assets	198,568	6,760,537	6,959,105

# CANAF INVESTMENTS INC.

## Notes to the Consolidated Financial Statements

For the nine months ended July 31, 2022 and October 31, 2021

(Expressed in U.S. Dollars)

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### NOTE 18 – LEASE LIABILITY

	US\$
<b>As at October 31, 2021</b>	<b>72,689</b>
Cash principal and interest payments	(13,383)
Accretion	2,982
Foreign exchange	(6,836)
<b>As at July 31, 2022</b>	<b>55,452</b>
Less: current portion	13,863
	<u>41,589</u>

### NOTE 19 – CAPITAL RISK MANAGEMENT

The Company'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 Company manages its share capital as capital, which as at Jul 31, 2022, totaled US\$8,079,463 (2021 – US\$8,079,463).

The Company 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 Company will be able to obtain debt or equity capital in the case of operating cash deficits.

The Company 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 Company 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 Company 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 Company's approach to capital management during the nine months ended Jul 31, 2022.

### NOTE 20 – FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

#### a) Foreign Currency Risk

Foreign exchange risk arises because of fluctuations in exchange rates. The Company conducts a significant portion of its business activities in foreign currencies. The Company's subsidiaries, principally located in South Africa, routinely transact in the local currency, exposing the Company 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 Company has outstanding debt obligations that are payable in South African Rand. The Company does not currently use financial instruments to mitigate this risk.

# CANAF INVESTMENTS INC.

## Notes to the Consolidated Financial Statements

For the nine months ended July 31, 2022 and October 31, 2021

(Expressed in U.S. Dollars)

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### c) Credit Risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company limits its exposure to credit loss for cash by placing its cash with high quality financial institutions and for trade receivables 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 Company has credit risk exposure related to its economic dependence on a very few customers for its calcine sales (Note 15). The Company has assessed its exposure to credit risk and has determined that no significant risk exists from these concentrations of credit.

## NOTE 20 – FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

### c) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations when they become due. The Company 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 Company's holdings of cash. The Company has working capital of US \$3,776,859 as at July 31, 2022 (October 31, 2021 – US \$3,636,052). There can be no assurance that the Company will continue to 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.

### d) Commodity Price Risk

The Company'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 Company has the ability to address its price-related exposure through the use of sales contracts.

### e) Fair Value

The Company 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 are 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 Company's financial assets measured at fair value through profit or loss use Level 1 valuation techniques during the years ended October 31, 2021. The carrying values of the Company's financial assets and liabilities approximate their fair values as at July 31, 2022.