CANAF

INVESTMENTS INC

For the Nine Months Ended July 31, 2025

Management Discussion & Analysis

(Expressed in Canadian dollars)

INTRODUCTION

Date prepared: 17th September 2025

This Management Discussion and Analysis, ("MDA") covers the operations of Canaf Investments Inc. ("Canaf" or the "Corporation") for the nine months ended July 31, 2025 and should be read in conjunction with the unaudited Consolidated Financial Statements for the nine months ended July 31, 2025 and the audited Consolidated Financial Statements for the year ended October 31, 2024 and related notes. The Consolidated Financial Statements are presented in accordance with International Financial Reporting Standards ("IFRS"). Canaf's accounting policies are described in Note 2 of the unaudited Consolidated Financial Statements for the nine months ended July 31, 2025. The consolidated 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 Canadian dollars, the presentation currency of the Corporation, unless otherwise stated. The Corporation's listing on the TSX-V is also quoted in Canadian Dollars. Effective April 21, 2023, the Corporation changed its presentation currency to Canadian dollars (previously US dollars). This change in presentation currency has been applied retrospectively as if the new presentation currency had always been the Corporation's presentation currency.

Additional information relating to the Corporation is available on SEDAR at www.sedarplus.ca or at Corporation's website at www.canafinvestments.com.

DESCRIPTION OF BUSINESS

Canaf is a British Columbia Corporation having continued from 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 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 Ltd owns 100% of Canaf Estate Holdings (Pty) Ltd., ("CEH"), 100% of Canaf Agri (Pty) Ltd., ("Canaf Agri"), and 100% of Canaf Capital (Pty) Ltd., ("Canaf Capital").

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 kiln, at temperatures between 900 and 1100 degrees centigrade; the volatiles are driven off and the effective carbon content increased. Southern Coal supplies world leading steel and ferromanganese producers in South Africa from its operation 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 is projecting to generate net pre-tax returns of approximately 14% per annum.

Canaf Agri – Agriculture Projects, South Africa

Incorporated in 2023, Canaf Agri is exploring investment opportunities in the agriculture sector in South Africa.

Canaf Capital – Short-term Secured Financing

Incorporated in July 2024, Canaf Capital is an investment company focused on providing capital for short-term financing to businesses and entrepreneurs in South Africa.

OVERALL PERFORMANCE AND OUTLOOK

The Corporation reports financial results for the third quarter of fiscal 2025. Sales in Southern Coal were higher than management expectations, and overall margins improved, primarily as a result of operational efficiencies and improved contributions from the Corporation's investment entities, Canaf Estate Holdings ("CEH") and Canaf Capital.

Shareholder equity increased during the quarter to CAN$13.36 million, resulting in a book value of CAN$0.282 per share as at July 31, 2025.

For the nine months ended July 31, 2025, the Corporation recorded total sales of CAN$20.5 million, representing an 18% decrease compared with CAN$25.1 million in the same period in 2024. Despite the reduction in sales, gross margins improved to 13.2% from 10.5% in the prior period. This margin improvement was due to a recovery in Southern Coal's cost structure following the inflationary pressures experienced in early 2024, as well as the strengthening of the South African Rand. Net income attributable to shareholders for the nine-month period was CAN$1,822,482, compared with CAN$1,524,784 for the same period in 2024. Earnings per share were CAN$0.038, compared with CAN$0.032 in 2024.

During the quarter, CEH acquired three additional properties, bringing the total to thirteen, with an estimated combined value of approximately R19.4 million (CAN$1.5 million). CEH expects the portfolio value to increase to approximately R22 million (CAN$1.67 million) by October 31, 2025, following capital improvements and a further planned acquisition.

Canaf Capital increased its investment portfolio from R21.9 million at the beginning of the period to R26.2 million (CAN$2.0 million) as of July 31, 2025. The division is targeting growth to R30 million (CAN$2.3 million) by fiscal year-end, subject to market conditions, with an expected monthly return of between 2.0% and 2.25%. Interest earned is reinvested to support expansion.

The Corporation continued to implement social responsibility initiatives, including learnership programs, enterprise development support, and funding schemes for local communities, suppliers, small businesses, and students. Contributions toward these initiatives for the nine-month period amounted to CAN$60,000.

Management continues to review potential investment opportunities with a view to deploying available cash resources in a manner that enhances shareholder value. During the period, management evaluated several opportunities, including one related to the real estate sector. At this time, no agreements have been finalized, and there can be no assurance that any such opportunities will proceed.

Expressed in Canadian Dollars

Selected Financial Information

The following financial information is derived from the Corporation's unaudited consolidated financial statements for the nine months ended July 31, 2025 and 2024.

		9 Months Ended Jul 31
	2025	**2024**
	CAN$	**CAN$**
Revenues	20,505,808	25,095,388
Cost of Sales	(17,802,000)	(22,454,550)
Gross Profit	**2,703,808**	**2,640,838**
Expenses	(732,438)	(669,198)
Interest Income	874,232	516,457
Other Income	11,824	860
Net Income for the year (before tax)	**2,857,426**	**2,488,957**
Income Tax Expense	(766,432)	(710,580)
Net Income for the year	**2,090,994**	**1,778,377**
Attributable to the Shareholders	1,822,482	1,524,784
Attributable to the Non-Controlling Interest	268,512	253,592
Adjusted EBITDA	**2,158,723**	**2,117,495**

	2025	**2024**
Total Assets	**17,046,617**	**15,801,253**
Total Equity	**14,588,410**	**13,196,070**

Non- GAAP Performance Measures

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

**Reconciliation of Adjusted EBITDA and Profit*

		9 Months Ended Jul 31
	2025	**2024**
	CAN$	**CAN$**
Net Income for the year	2,090,994	1,778,377
Interest Received	(874,232)	(516,457)
Foreign Exchange Gain	11	50
Depreciation and Amortization	175,519	144,945
Income Taxes	766,432	710,580
Adjusted EBITDA	**2,158,723**	**2,117,495**

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 R18 million. The financial effective date for the transaction is August 1, 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. Dividends of CAN$228,564 were paid during the nine months ended July 31, 2025. During the year ended October 31, 2024, dividends paid totalled CAN$189,442 (2023: CAN$155,538).

CLAIM AGAINST KILEMBE MINES LIMITED

In August 2006, the Corporation, 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.

After a change of Arbitrators, the parties agreed to the appointment of a replacement Arbitrator, Mr. Didas Nkurunziza. The replacement Arbitrator's appointment was confirmed on the April 19, 2022. It was agreed that the Arbitration bifurcated, with the first part being a determination of the breach and thereafter, if breach is found, an assessment of the quantum of loss.

Following the filing of the respective parties' cases, the Arbitral Tribunal delivered its Award on April, 26 2023 disallowing both Canaf's claim and KML's counterclaim. In disallowing the claims, the Tribunal based on an issue outside the scope of the reference, raised by itself after the conclusion of the arbitration proceedings, with the parties being denied an opportunity to call further evidence to clarify on that issue.

It is on this basis that an application was filed to the Uganda High Court on behalf of Canaf to set aside this Award and refer the dispute back for determination before another arbitrator vide High Court Miscellaneous Application No. 0047 of 2023. On June 10, 2025, Hon. Justice Anna B. Mugenyi ruled in favour of Canaf and set aside the arbitral award dated April, 24 2023 in its entirety and remitted the dispute to a different arbitrator for fresh determination in accordance with the agreement of the parties. The parties are required to re-engage on the appointment of a new arbitrator.

Expressed in Canadian Dollars

RESULTS OF OPERATIONS

NINE MONTHS ENDED JULY 31, 2025

The Corporation reports a net income for the nine months ended July 31, 2025 of CAN$2,090,994 (2024: CAN$1,778,377), which represents a 18% increase compared to the same period in the previous year, on revenues of CAN$20,505,808 (2024: CAN$25,095,388). The increase in net income is due to an increase in net margins underpinned by improved raw material pricing as well as a depressed net margin for the same period in 2024 when Southern Coal absorbed some operational costs. Furthermore, interest income has increased significantly year on year due to increased interest-bearing loans within Canaf Capital.

	3 Months Ended Jul 31				9 Months Ended Jul 31			
	2025	2024	Variance		2025	2024	Variance	
	CAN$	CAN$	CAN$	%	CAN$	CAN$	CAN$	%
Sales	6,728,512	9,276,338	(2,547,826)	(27%)	20,505,808	25,095,388	(4,589,581)	(18%)
Cost of Sales	(5,591,403)	(7,995,851)	2,404,447	(30%)	(17,802,000)	(22,454,550)	4,652,550	(21%)
Gross Profit (Loss)	1,137,109	1,280,487	(143,378)	(11%)	2,703,808	2,640,838	62,969	2%
Expenses								
General and Administrative	(243,357)	(200,353)	(43,004)	21%	(732,427)	(669,148)	(63,279)	9%
Foreign Exchange Gain	-	11	(11)	(100%)	(11)	(50)	38	(77%)
Total expenses	(243,357)	(200,342)	(43,015)	21%	(732,438)	(669,198)	(63,240)	9%
Interest Income	295,140	182,291	112,849	62%	874,232	516,457	357,775	69%
Other Income	544	523	21	4%	11,824	860	10,965	1,275%
Income (Loss) Before Income Taxes	1,189,435	1,262,958	(73,523)	(6%)	2,857,426	2,488,957	368,469	15%
Income Tax Recovery (Expense)	(319,585)	(338,767)	19,182	(6%)	(766,432)	(710,580)	(55,851)	8%
Net Income (Loss) for the period	869,850	924,191	(54,341)	(6%)	2,090,994	1,778,377	312,617	18%
Net Income (Loss) for the period Attributable to the Parent	740,327	744,378	(4,052)	(1%)	1,822,482	1,524,784	297,698	20%

Sales

Sales decline during the nine months totalled 18%, with sales achieved of CAN$20,505,808, compared with CAN$25,095,388 for the nine months ended July 31, 2024. The decrease in sales is due a reduction in demand from a major customer of Southern Coal, finished goods price reductions as well as the closing down of Southern Coal's smallest customer (Assmang), which accounted for about 8% of Southern Coal's order book.

As at July 31, 2025, CEH owned thirteen investment properties. Rental income for the nine months was CAN$233,672 across the portfolio.

Expressed in Canadian Dollars

Cost of Sales

Cost of sales have reduced by 21% compared to the same 9-month period last year (2025: CAN$17,802,000; 2024: CAN$22,454,550), slightly greater than the reduction in sales, which decreased by 18%. Gross margins subsequently increased by 2.7% year on year (2025: 13.2%; 2024: 10.5%), primarily as a result of Southern Coal recovering the impact of absorbing some of the increases seen in operational costs back in the early part of 2024, coupled with a slight fall in price of local raw materials.

	3 Months Ended Jul 31		**9 Months Ended Jul 31**	
	2025	**2024**	**2025**	**2024**
	CAN$	**CAN$**	**CAN$**	**CAN$**
Inventories, Beginning of the Year	1,109,223	1,746,440	1,216,545	1,533,269
Analysis Fees	2,583	3,591	10,817	12,931
Depreciation	47,515	50,520	162,059	132,189
Electricity	63,944	98,437	176,357	152,812
Fuel, Oil and Lubricants	43,716	55,054	134,714	179,518
Professional and Project Management Fee	15,442	14,355	46,598	34,965
Medical Expenses	2,567	2,137	7,513	6,174
Product Purchases	4,933,857	7,027,685	16,047,830	20,707,993
Protective Clothing	6,136	6,296	16,686	18,267
Provident Fund	11,574	10,085	34,813	29,477
Machinery Rental	35,258	70,522	106,087	217,200
Repairs and Maintenance	79,306	138,508	285,975	337,683
Salaries and Benefits	162,938	158,658	477,514	433,164
Transportation	(2)	7,079	1,144	52,424
Inventories, End of the Quarter	(922,653)	(1,393,515)	(922,653)	(1,393,515)
	5,591,403	7,995,851	17,802,000	22,454,550

Expressed in Canadian Dollars

General and Administrative Expenses:

				3 Months Ended Jul 31				**9 Months Ended Jul 31**
	2025	**2024**		**Variance**	**2025**	**2024**		**Variance**
	CAN$	**CAN$**	**CAN$**	**%**	**CAN$**	**CAN$**	**CAN$**	**%**
Bank Charges and Interest	2,328	1,847	(482)	(26%)	7,179	5,541	(1,638)	(30%)
Management and Consulting Fees	52,371	58,504	6,133	10%	185,011	171,975	(13,036)	(8%)
Directors Incentives	20,000	21,000	1,000	5%	61,888	62,000	112	%
Office, Insurance and Sundry	43,161	11,582	(31,580)	(273%)	125,002	98,066	(26,936)	(27%)
Staff Welfare and Transport	15,309	1,345	(13,965)	(1,039%)	23,097	4,139	(18,958)	(458%)
Security	7,467	3,844	(3,623)	(94%)	20,943	12,273	(8,670)	(71%)
Environmental and Surveys	13,149	8,106	(5,043)	(62%)	42,403	21,626	(20,777)	(96%)
New Ventures	1,367	110	(1,257)	(1,138%)	1,367	9,948	8,581	86%
Professional Fees	50,623	50,680	57	0%	138,366	158,626	20,260	13%
Promotion	-	920	920	100%	962	1,633	671	41%
Telephone	2,940	3,942	1,002	25%	9,981	9,888	(93)	(1%)
Transfer Agent and Filing Fees	3,772	3,304	(468)	(14%)	17,919	17,020	(899)	(5%)
Travel	11,496	20,828	9,332	45%	39,214	34,416	(4,799)	(14%)
Broad-Based Black Economic Empowerment	19,374	14,343	(5,031)	(35%)	59,094	61,997	2,903	5%
	243,357	200,353	(43,004)	(21%)	732,427	669,148	(63,279)	(9%)
Foreign Exchange Gain	-	(11)	(11)	100%	11	50	38	77%
Expenses	243,357	200,342	(43,015)	(21%)	732,438	669,198	(63,240)	(9%)
Interest Income	(295,140)	(182,291)	112,849	(62%)	(874,232)	(516,457)	357,775	(69%)
Other Income	(544)	(523)	21	(4%)	(11,824)	(860)	10,965	(1,275%)
	(52,326)	17,529	69,855	399%	(153,618)	151,881	305,499	201%

Expenses

General and administrative expenses have increased by 9% compared to the same nine months of the previous year (2025: CAN$732,427; 2024: CAN$669,148). Increased sundry expenditure reflects investments in staff welfare and staff transportation, enhanced site security, and environmental initiatives as the Company continues to adopt new technologies and improve reporting.

Interest Income

Interest income for cash in hand, amounts earned on the loan to AAM, and interest earned via Canaf Capital resulted in interest yields of 69% higher compared to the same 9-month period in the previous year (2025: CAN$874,232; 2024: CAN$516,457). This is as a result of active management of excess cash balances over and above those needed to manage the working capital position of the trading entities.

Other Income

Other income primarily relates to rental income generated from property held outside of CEH's portfolio.

Expressed in Canadian Dollars

NINE MONTHS ENDED JULY 31, 2025: BY SECTOR

				3 Months Ended July 31, 2025				**9 Months Ended July 31, 2025**
	Quantum[1]	**Canaf Investments[2]**	**Other**	**Total**	**Quantum**	**Canaf Investments[2]**	**Other**	**Total**
	CAN$	**CAN$**	**CAN$**	**CAN$**	**CAN$**	**CAN$**	**CAN$**	**CAN$**
Sales	12,001,345	160,253	-	12,161,598	20,272,228	233,580	-	20,505,808
Cost of Sales	(10,373,360)	(80,335)	-	(10,453,695)	(17,689,076)	(112,924)	-	(17,802,000)
Gross Profit (Loss)	1,627,985	79,918	-	1,707,903	2,583,151	120,656	-	2,703,808
Gross Margin	14%	50%		14%	13%	52%		13%
Expenses								
General and Administrative	(254,808)	(24,905)	(227,185)	(243,357)	(377,990)	(36,720)	(317,716)	(732,427)
Foreign Exchange Loss	-	-	(11)	-	-	-	(11)	(11)
Total expenses	(254,808)	(24,905)	(227,196)	(243,357)	(377,990)	(36,720)	(317,728)	(732,438)
Interest Income	367,822	215,585	6,633	295,140	567,442	299,136	7,653	874,232
Other Income	7,591	-	-	544	11,824	-	-	11,824
Income (Loss) Before Income Taxes	1,748,590	270,597	(220,563)	1,189,435	2,784,428	383,072	(310,074)	2,857,426

(1) Quantum relates to Quantum and its 70% owned anthracite calcining business (Southern Coal).
(2) Canaf Investments relates to its wholly owned subsidiaries, Canaf Estates Holdings, Canaf Capital and Canaf Agri (yet to generate income).

Expressed in Canadian Dollars

SHAREHOLDS EQUITY AND COMPREHENSIVE INCOME

SHAREHOLDERS' EQUITY	Jul 31, 2025 CAN$	Oct 31, 2024 CAN$
Share Capital	9,833,684	9,833,684
Additional Paid in Capital	1,725,311	1,725,311
Accumulated Other Comprehensive Loss –		
Foreign Currency Translation Reserve	(2,480,923)	(2,056,626)
Retained Earnings	4,278,970	2,456,487
Equity Attributable to Canaf Shareholders	**13,357,040**	**11,958,856**
Non-Controlling Interest	1,231,370	1,237,215
	14,588,410	13,196,071

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 Canadian dollars, the reporting currency of the Corporation.

The 9-month comprehensive translation on foreign exchange amounts to a loss of CAN$470,090 compared to a gain of CAN$302,362 in the previous year. This is due to fluctuations in exchange rates.

As at July 31, 2025, the Corporation has accumulated foreign currency other comprehensive loss of CAN$2,480,923 (October 31, 2024: CAN$2,056,626).

The Corporation does not hedge net asset translation movements.

Retained Earnings

During the nine months ended July 31, 2025 the surplus increased by CAN$1,822,482 from CAN$2,456,487 at October 31, 2024 to CAN$4,278,970.

Expressed in Canadian Dollars

SUMMARY OF QUARTERLY RESULTS

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

Performance over the last four quarters is in line with management's expectations and reflects a growth in the 12-month EPS compared to the prior 12-month period (July 31, 2025 at CAN$0.052 per share, and July 31, 2024 at CAN$0.050 per share respectively). The past eight quarters represent a total EPS of CAN$0.102 per share. Management expects Q4 2025 to reflect a similar level of sales to Q3 2025.

	3 Months Ended			
	Jul 31, 2025 CAN$	**Apr 30, 2025 CAN$**	**Jan 31, 2025 CAN$**	**Oct 31, 2024 CAN$**
Sales	6,728,512	5,433,086	8,344,209	7,625,892
Gross Profit	1,137,109	570,794	995,904	891,834
Net Income	869,850	439,940	781,204	710,579
Net Income (Attributable to the Shareholders)	740,327	405,598	676,557	636,494
Net Comprehensive Income for the period	1,220,129	(155,695)	556,470	1,210,494
Net Comprehensive Income (Attributable to the Shareholder)	1,056,528	(131,830)	473,487	1,082,967
Basic and diluted earnings per share (CAN$)	0.016	0.009	0.014	0.013
	3 Months Ended			
	Jul 31, 2024 CAN$	**Apr 30, 2024 CAN$**	**Jan 31, 2024 CAN$**	**Oct 31, 2023 CAN$**
Sales	9,276,338	6,202,779	9,616,272	10,936,886
Gross Profit	1,280,487	668,018	692,333	1,435,666
Net Income	924,191	377,376	476,810	1,161,436
Net Income (Attributable to the Shareholder)	744,378	337,749	442,657	856,056
Net Comprehensive Income (Loss) for the period	1,020,041	896,256	164,441	1,222,346
Net Comprehensive Income (Attributable to the Shareholder)	792,668	836,907	162,344	910,303
Basic and diluted earnings (loss) per share (CAN$)	0.016	0.007	0.009	0.018

SELECTED ANNUAL INFORMATION

The following financial data is derived from the Corporation's audited consolidated financial statements for the years ended October 31, 2022 through to year ending October 31, 2024.

	2024 CAN$	**2023 CAN$**	**2022 CAN$**
Sales	32,721,280	32,326,207	22,196,734
Cost of Sales	(29,188,608)	(28,381,465)	(19,846,211)
Gross Profit	3,532,672	3,944,742	2,350,523
Income before income taxes	3,373,244	3,558,347	1,958,901
Income Tax Expense	(884,288)	(621,665)	(568,661)
Net income for the year	2,488,956	2,936,682	1,390,239
Net income attributable to the Shareholders	2,161,279	2,238,300	1,029,580
Interest Income	757,432	522,503	256,562
Total Assets	15,801,252	13,618,505	10,581,416
Basic and diluted earnings per share	0.046	0.047	0.022

The main components making up the total assets balance as at October 31, 2024 of CAN$15,801,252 (October 31, 2023 of $13,618,505) are: CAN$1,223,348 (2023: CAN$1,182,502) of non-controlling interest borrowings; CAN$716,316 (2023: CAN$605,795) property, plant and equipment; CAN$1,253,855 (2023: CAN$676,450) investment properties; CAN$7,634,628 (2023: CAN$5,300,956) in cash; CAN$3,033,922 (2023: CAN$4,053,347) in accounts receivable, and CAN$1,216,545 (2023: CAN$1,533,269) in inventories, comprising of stock on hand. Total accumulated earnings per share during the past 3 fiscal years amount to CAN$0.114.

Expressed in Canadian Dollars

LIQUIDITY AND CAPITAL RESOURCES

At July 31, 2025, the Corporation had cash of CAN$7,949,150 (October 31, 2024: CAN$7,634,628) and working capital of CAN$11,468,763 (October 31, 2024: CAN$10,011,192). 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, income tax payable and current portion of lease liability.

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

	9 Months Ended Jul 31, 2025 CAN$	Year Ended Oct 31, 2024 CAN$
Cash provided by operating activities	2,142,999	3,341,191
Cash used in investing activities	(2,127,339)	(1,056,700)
Cash provided used in financing activities	(17,142)	(23,680)
(Decrease) Increase in cash	(1,483)	2,260,811

Operations provided CAN$2,142,999 in cash during the nine months ended July 31, 2025 (twelve months ended October 31, 2024: CAN$3,341,191) the key variable factor being the timings of supplier and customer payments. Cash used in investing activities relates to investments in and upgrades to the new properties.

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 Canadian 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 July 31, 2025, Southern Coal had trade receivables of CAN$3,034,396 (October 31, 2024: CAN$2,788,677) due from these customers which were all collected subsequent to the period end.

REVENUE RECOGNITION

Revenue from the sale of calcined anthracite is generally earned at a point in time and 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 contracts at fixed price with no variable consideration and collection is reasonably assured. Interest and other income are recognized when earned and collection is reasonably assured.

COMMITMENTS

The Corporation 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 (CAN$2,596). After lease expiry on December 31, 2020, the Corporation is operating under the same terms as the expired lease with an effective notice period of 60 days.

In June 2021, the Corporation 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. In 2022 Quantum received an Environmental Authorisation permitting it to construct 2 further coal and anthracite devolatilization facilities. The Corporation advises that, after careful consideration of prevailing market conditions and the assessment of potential new opportunities in alternative sectors, management does not expect to pursue an extension of the lease for additional coal processing facilities.

Months	**Financial Year**	**CAN$**
3	2024/25	5,714
9	2025/26	17,142
12		22,856

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) and Monita Faris (Company Secretary and Director).

Fees incurred for services by related parties during the nine months ended July 31, 2025 and 2024:

	9 Months Ended	
	Jul 31 2025	**Jul 31 2024**
	CAN$	**CAN$**
Management and Consulting fees	147,584	133,003
Accounting and Administration fees	37,793	34,588
Director fees	27,810	22,425
	213,187	190,015

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 Consolidated Financial Statements for the nine months ended July 31, 2025. These policies are considered by management to be essential to understanding the processes and reasoning that go into the preparation of the Corporation's consolidated 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(r) 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 Canadian 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 CAN$11,468,763 as at July 31, 2025. 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 exposure 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 nine months ended July 31, 2025. The carrying values of the Corporation's financial assets and liabilities approximate their fair values as at July 31, 2025.

CAPITAL RISK MANAGEMENT

The Corporation's objectives in managing its capital are to ensure adequate resources are available to fund its coal processing business in South Africa, to seek out and acquire new projects of merit, and to safeguard its ability to continue as a going concern. The Corporation manages its share capital as capital, which as of July 31, 2025 totaled CAN$9,833,684 (2024: CAN$9,833,684).

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 assurance that the Corporation will be able to obtain debt or equity capital in the case of operating cash deficits.

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

The Corporation has no externally imposed capital requirements and has not paid or declared any dividends since the date of incorporation, nor are any contemplated in the foreseeable future. There were no changes in the Corporation's approach to capital management during the nine months ended July 31, 2025.

RISKS AND UNCERTAINTIES

The Corporation is subject to a number of risk factors due to the nature of the business in which it is engaged, particularly including movements in commodity prices which can have significant effects on its customers business as well as its own feedstock costs, which are difficult to forecast. The Corporation seeks to counter these risks as far as possible by building a diversified organization which it has commenced by investing in a property division.

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 bulk processing of coals and use of heavy machinery, 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 manganese and steel, the markets in which the Corporation's main customers operate. 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 government regulations has the potential to reduce the profitability of operations. The exploration, development and production activities of the Corporation will require certain permits and licenses from various government 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 past 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 nine months ended July 31, 2025 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.

MANAGEMENAT'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 consolidated 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