CANAF

INVESTMENTS INC

For the Year Ended 31st October 2021

Management Discussion & Analysis

(Expressed in U.S. dollars)

INTRODUCTION

Date Prepared: 24th February 2022

This Management Discussion and Analysis, ("MDA") covers the operations of Canaf Investments Inc. ("Canaf" or the "Corporation") for the twelve months ended October 31, 2021 and should be read in conjunction with the audited consolidated Financial Statements for the twelve months ended October 31, 2021 and related notes. The Financial Statements are presented in accordance with International Financial Reporting Standards ("IFRS"). Canaf's accounting policies are described in Note 2 of the audited Financial Statements for the twelve months ended October 31. The financial statements together with this MDA are intended to provide investors with a reasonable basis for assessing the financial performance of the Corporation.

All dollar amounts are expressed in US dollars, the functional currency of the Corporation, unless otherwise stated. The Corporation's listing on the TSX-V however, is quoted in Canadian Dollars. Additional information relating to the Corporation is available on SEDAR at www.sedar.com. or at Corporation's website at www.canafinvestments.com.

DESCRIPTION OF BUSINESS

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

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

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

Southern Coal – Calcined Anthracite, South Africa

Southern Coal produces calcined anthracite, which is primarily sold as a substitute to coke in sintering processes, by feeding anthracite coal through its rotary kilns, at temperatures between 900 and 1100 degrees centigrade; the volatiles are driven off and the effective carbon content increased.

Southern Coal's clients are world leaders in steel and ferromanganese production. Southern Coal's three kilns operate near Newcastle, KwaZulu Natal.

Canaf Estate Holdings – Property Investments, South Africa

CEH is a property investment company focused on acquiring, redeveloping and renting properties primarily within the suburbs of the old Johannesburg CBD. CEH made its first property acquisition in August 2019 and is on track to own 3 properties, with a total value of approximately R4million by the end Q2, 2022, generating net pre-tax returns in excess of 15%.

OVERALL PERFORMANCE AND OUTLOOK

The year ending October 31, 2021 reflects another strong financial year for the Corporation and demonstrates its ability to generate positive back-to-back year end results. Shareholder equity grew to a record high of US$5.2m, or CAN$6.4m, which relates to a book value per share of CAN$0.135/share.

For the year ended October 31, 2021 the Corporation reports Sales of US$14,204,848 which is 4.9% higher than the year ended October 31, 2020 (US$13,541,667), and net income of US$945,417 (2020: US$897,413) or CAN$1,189,301 (2020: CAN$1,207,548). Gross margins continue to hold strong and currently sit at 11.1% for the year; a decrease of 0.8% from last year. EBITDA for the year was recorded at US$1,291,007 or CAN$1,624,129.

During the year, demand for Southern Coal's products remained strong throughout; indications are for YE2022 to reflect an overall annual increase in sales volumes in excess of 5%. The Corporation does however expect to report a reduced level of sales in Q1, 2022 due to a major shutdown at one of its main customers' sintering facility during the period, which reduced the Q1 sales by approximately 35%. Q2 2022 is expected to see a return to strong levels of sales.

Further to the announcement in June 2021 regarding the securing of further land tenure for Quantum, management can confirm that its formal Environmental Application process, which will include a full Environmental Impact Assessment for the construction of 2 new coal charring plants at a new site, was submitted in February 2022. A decision to the application is expected to be issued by the end of September 2022, at which point the Corporation will announce how it intends to proceed to the next stage of construction.

CEH delivered operating profits of 30% for the year which equates to an 8.5% net pre-tax return on investment; this return on investment will increase quarter on quarter as the portfolio grows, up to forecast net return on investment in excess of 15% by Q3, 2022. During the year, CEH committed to purchase a second property which transferred in Q1, 2022. A third property is expected to transfer during Q2, 2022, which will bring the total property portfolio value to approximately R4 million.

During the year, the Corporation invested US$162,650 in new plant and equipment for Quantum, which included a new crushing plant and conveyors to increase its product sizing capacity.

The Corporation continued to support the local community, businesses and students via various social development programs, learnerships, and enterprise funding schemes for new businesses. Total donations for the year amounted to approximately US$87,775.

The board believes the Corporation to be in a very strong financial position as it looks to explore new opportunities both aligned to the existing calcining business, as well as in new sectors. The Corporation remains focused on long-term sustainable, and socially responsible growth, within sub-Saharan Africa.

Selected Financial Information

Due to the Corporation being listed on the TSX-V and its share price being quoted in Canadian Dollars, the Corporation has converted some key financial information included in this report to Canadian Dollars. The following financial information is derived from the Corporation's audited financial statements for the year ended October 31, 2021, with a comparison in Canadian Dollars.

		12 Months Ended Oct 31		12 Months Ended Oct 31
	2021	**2020**	**2021**	**2020**
	US$	**US$**	**CAN$**	**CAN$**
Conversion 1.00 US (av. 12 months)			**1.258**	**1.346**
Revenue from Sales	14,204,848	13,541,667	17,869,197	18,221,503
Cost of Sales	(12,625,631)	(11,931,532)	(15,882,597)	(16,054,926)
Gross Profit	**1,579,218**	**1,610,134**	**1,986,600**	**2,166,577**
Expenses	(515,560)	(536,908)	(648,556)	(722,457)
Interest Income	177,718	151,798	223,563	204,257
Other Income	44,825	23,479	56,388	31,593
Gain from Sale of Vehicle	6,763	0	8,507	0
Net Income for the year (before tax)	**1,292,963**	**1,248,503**	**1,626,502**	**1,679,971**
Income Tax Recovery (Expense)	(347,546)	(351,091)	(437,201)	(472,423)
Net Income for the year	**945,417**	**897,413**	**1,189,301**	**1,207,548**
Attributable to the Shareholders	724,430	680,488	911,307	915,656
Attributable to the Non-Controlling Interest	220,987	216,925	277,994	291,892
Adjusted EBITDA	**1,291,077**	**1,289,442**	**1,624,129**	**1,735,057**
Conversion 1.00 US (Closing position Oct 2021)	**2021**	**2020**	**1.251**	**1.320**
Total Assets	**6,959,105**	**5,580,049**	**8,707,838**	**7,366,960**
Total Equity	**5,435,686**	**4,353,015**	**6,801,604**	**5,101,399**

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*

		12 Months Ended Oct 31		12 Months Ended Oct 31
	2021	**2020**	**2021**	**2020**
	US$	**US$**	**CAN$**	**CAN$**
Conversion 1.00 US Dollar Rate			**1.258**	**1.346**
Net Income for the year	945,417	897,413	1,189,301	1,207,548
Interest Paid	0	0	0	0
Interest Received	(177,718)	(151,798)	(223,563)	(204,257)
Foreign Exchange Gain/ (Losses)	(7,729)	217	(9,723)	291
Depreciation	183,561	192,520	230,913	259,052
Income Taxes	347,546	351,091	437,201	472,423
Adjusted EBITDA	**1,291,077**	**1,289,442**	**1,624,129**	**1,735,057**

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

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

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

Quantum in return received cumulative, redeemable preference shares in AAM in the amount of the purchase price. These preference shares shall provide preferential dividends, until redeemed by AAM. These dividends will be secured by an irrevocable direction from AAM to Southern Coal to pay Quantum such dividends from any distribution to AAM. Dividends paid during the year ended 31 October 2021 equated to US$118,154.

CLAIM AGAINST KILEMBE MINES LIMITED

In August 2006, Canaf, then known as Uganda Gold Mining, announced the termination of any further investment into its Kilembe Copper-Cobalt Project in Uganda. Since 2007, the Corporation has been involved in a legal dispute with Kilembe Mines Limited, ("KML"), wherein the Corporation seeks general damages, special damages and costs of the Arbitration from KML for breach of contract. In January 2013, the high court of Uganda referred the case back to arbitration for determination.

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

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

Expressed in U.S Dollars

RESULTS OF OPERATIONS

TWELVE MONTHS ENDED OCTOBER 31, 2021

The Corporation reports a net income for the twelve months ended October 31 2021 of US$945,417 (2020: US$897,413), and an increase of US$48,004 (5%) on revenues of US$14,204,848 (2020: US$13,541,667).

The 5% growth in revenues compared to last year is primarily due to a new customer ramping up its own production, which subsequently increased demand of Southern Coal's material.

	3 Months Ended October 31, 2021				12 Months Ended Oct 31, 2021			
	2021 US$	2020 US$	Variance US$	%	2021 US$	2020 US$	Variance US$	%
Sales	3,370,490	4,142,354	(771,864)	-19%	14,204,848	13,541,667	663,182	5%
Cost of Sales	(3,139,232)	(3,576,847)	437,615	-12%	(12,625,631)	(11,931,532)	(694,098)	6%
Gross Profit (Loss)	231,259	565,507	(334,248)	-59%	1,579,218	1,610,134	(30,917)	-2%
Expenses								
General and Administrative	(141,467)	(185,096)	43,628	-24%	(523,289)	(536,691)	13,402	-2%
Interest on Bank Loan	-	-	-		-	-	-	-
Foreign Exchange Gain (Loss)	968	3,327	(2,360)	-71%	7,729	(217)	7,946	-
Total expenses	(140,500)	(181,768)	41,269	-23%	(515,560)	(536,908)	21,348	-4%
Interest Income	70,897	36,353	34,544	95%	177,718	151,798	25,920	17%
Other Income	12,558	9,237	3,321	36%	44,825	23,479	21,346	91%
Gain from Sale of Fixed Asset	6,763	-	6,763		6,763	-	6,763	
Income (Loss) Before Income Taxes	180,977	429,328	(248,352)	-58%	1,292,963	1,248,503	44,460	4%
Income Tax (Expense) Recovery	(49,443)	(68,375)	18,932	-28%	(347,546)	(351,091)	3,544	-1%
Net Income (Loss) for the period	131,534	360,953	(229,419)	-64%	945,417	897,413	48,004	5%

Sales

Revenue for Q4 2021 reflects a reduction of 19% in comparison to the same quarter last year, and 26% down from the previous quarter (Q3, 2021); this is due to one of Southern Coal's main customers reducing demand due to an unscheduled maintenance shutdown towards the end of Q4 2021. Q1 2022 is expected to reflect a further reduction in sales for the same reason as well as the temporary halting of demand from another customer, due to high stock levels. Q2 however is forecast to reflect a return to strong sales as both of Southern Coal's main customers are forecast to require strong orders.

CEH generated rental incomes for the year of US$31,942 generated from its first property. The Corporation can confirm it completed transfer on a second property in Q1 2022 and expects to complete transfer on a third property in Q2 2022. CEH hopes to generate a net return on investment in excess of 15% on its portfolio by the end of the current financial year.

Expressed in U.S Dollars

Cost of Sales

Cost of sales are 12% lower than the same 3-month period last year (2021: US$3,139,232, 2020: US$3,576,847), and 6% higher for the twelve-month period (2021: US$12,625,631, 2020: US$11,931,532), with sales margins slightly down compared to the prior year at 11.1% versus 11.9% for the prior twelve months. Repairs and maintenance have impacted the margin as a result of 2 major shutdowns on the main calciner plant including the replacement of a new section of the main steel tube.

	3 Months Ended	Oct 31	12 Months Ended	Oct 31
	2021	**2020**	**2021**	**2020**
	US$	**US$**	**US$**	**US$**
Inventories, Beginning of the Period	295,248	592,740	417,400	649,498
Analysis Fees	291	-223	365	2,581
Depreciation	40,808	39,883	180,535	189,769
Electricity	13,257	25,311	105,631	74,540
Fuel, Oil and Lubricants	26,006	26,232	110,985	77,308
Professional and Project Management Fee	8,061	4,636	20,924	19,159
Medical Expenses	1,966	2,104	9,827	7,358
Product Purchases	2,966,091	3,047,327	11,190,513	10,286,800
Protective Clothing	4,138	3,110	15,639	11,340
Provident Fund	5,861	3,939	22,804	15,915
Machinery Rental	98,592	20,201	163,066	106,867
Repairs and Maintenance	240,379	61,365	484,875	221,382
Salaries and Benefits	144,518	102,436	442,656	353,755
Transportation	-2,090	65,186	164,305	332,660
Inventories, End of the Period	(703,894)	(417,400)	(703,894)	(417,400)
	3,139,232	3,576,847	12,625,631	11,931,532

Expressed in U.S Dollars

General and Administrative Expenses:

	3 Months Ended Oct 31				12 Months Ended Oct 31			
	2021 US$	**2020 $**	**Variance US$**	**%**	**2021 US$**	**2020 US$**	**Variance US$**	**%**
Bank Charges and Interest	1,828	1,741	(87)	(5%)	6,601	17,230	10,628	62%
Consulting Fees	20,815	58,893	38,078	65%	91,085	139,363	48,278	35%
Management Fees	17,153	11,686	(5,466)	(47%)	63,708	68,915	5,207	8%
Directors Incentives	21,085	22,691	1,607	7%	51,664	39,466	(12,198)	(31%)
Office, Insurance and Sundry	20,289	12,064	(8,225)	(68%)	75,391	54,993	(20,398)	(37%)
Professional Fees	16,175	19,061	2,886	15%	91,638	96,503	4,865	5%
Promotion	-	422	422	100%	4,735	1,107	(3,628)	(328%)
Telephone	2,229	1,859	(370)	(20%)	9,292	8,071	(1,221)	(15%)
Transfer Agent and Filing Fees	3,240	519	(2,721)	(524%)	12,590	9,682	(2,907)	(30%)
Travel	8,287	4,565	(3,721)	(82%)	26,941	22,701	(4,240)	(19%)
Bad Debt	-	(134)	(134)		-	1,068	1,068	
Broad-Based Black Economic Empowerment	30,369	51,729	21,360	41%	89,645	77,593	(12,052)	(16%)
	141,467	185,096	43,628	24%	523,289	536,691	13,402	2%
Foreign Exchange gain	(968)	(3,327)	(2,360)	71%	(7,729)	217	7,946	3669%
Finance Costs	-	-	-		-	-	-	-
Expenses	140,500	181,768	41,269	23%	515,560	536,908	21,348	4%
Interest Income	(70,897)	(36,353)	34,544	(95%)	(177,718)	(151,798)	25,920	(17%)
Other Income	(12,558)	(9,237)	3,321	(36%)	(44,825)	(23,479)	21,346	(91%)
Gain from Sale of Fixed Asset	(6,763)	-	6,763		(6,763)	-	6,763	
	50,282	136,178	85,896	63%	286,254	361,631	75,377	21%

Expenses

Expenses for the year were largely consistent with the prior year US$515,560 (2020: US$536,908). Charges relating to the Broad-Based Black Economic Empowerment (B-BBEE) have increased by 16% across the year as the Corporation seeks to improve its current rating.

Interest Income

Interest income earned on the loan to AAM, and for cash in hand for the twelve-month period was US$177,718.

Other Income

The $44,825 of other income primarily relates to tolling fees charged for the trial of calcining a new product through the kilns as well as income generated from the sale of scrap metal.

Share Holders Equity and Comprehensive Income

SHAREHOLDERS' EQUITY	**Oct 31, 2021 US$**	**Oct 31, 2020 US$**	**Oct 31, 2021 CAN$ 1.251**	**Oct 31, 2020 CAN$ 1.320**
Share Capital	8,079,463	8,079,463	10,109,727	10,666,766
Additional Paid in Capital	1,342,549	1,342,549	1,679,914	1,772,476
Accumulated Other Comprehensive Loss – Foreign Currency Translation Reserve	(1,897,294)	(2,149,469)	(2,374,059)	(2,837,798)
Deficit	(2,324,770)	(3,049,200)	(2,908,954)	(4,025,651)
Equity Attributable to Canaf Shareholders	**5,199,948**	**4,223,343**	**6,506,628**	**5,575,793**
Non-Controlling Interest	235,738	129,672	294,976	171,197
	5,435,686	4,353,015	6,801,604	5,746,990

Expressed in U.S Dollars

Foreign Currency Translation Reserve

The Corporation is not subject to currency fluctuations within its core business in South Africa however the Corporation is subject to transactions in various currencies and the volatility in international currency markets does have an impact on some costs and the translation into USD, the reporting currency of the Corporation.

The 12 months comprehensive gain on foreign exchange amounts to US$255,408 compared to the same time period last year of a loss of US$274,761 and is primarily as a result of the translation into US$ the reporting currency.

As of October 31, 2021, the Corporation has accumulated foreign currency other comprehensive loss of US$1,897,294, (October 31, 2020: US$2,149,469).

The Corporation does not hedge net asset translation movements.

Deficit

During the twelve months ended October 31, 2021 the deficit has reduced by US$724,430, from US$3,049,200 at the 31st October 2020, to US$2,324,770.

SUMMARY OF QUARTERLY RESULTS

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

Performance over the last year is in line with managements expectations and shows a slight improvement in EPS for the 12 months ended 31st October 2021 at US$0.020/share (US$0.019/share for the 12 months ended 31st October 2020).

Management expects the financial year ending Oct 31, 2022 to reflect continued strong sales with an estimated 5% increase in annual sales volumes, despite Q1 2022 expected to reflect a reduction in sales in comparison to Q4, 2021 due to the effects of a major shutdown from a major customer.

	Three Months Ended			
	Oct 31, 2021	**Jul 31, 2021**	**Apr 30, 2021**	**Jan 31, 2021**
	US$	**US$**	**US$**	**US$**
Sale	3,370,490	4,541,800	3,109,892	3,182,665
Gross Profit	231,259	608,071	407,687	332,200
Net Income (Loss)	131,534	373,677	255,084	185,122
Net Comprehensive Income (Loss) for the period	(86,026)	326,212	473,980	486,660
Basic and diluted earnings (loss) per share	0.003	0.008	0.005	0.004
	Three Months Ended			
	Oct 31, 2020	**Jul 31, 2020**	**Apr 30, 2020**	**Jan 31, 2020**
	US$	**US$**	**US$**	**US$**
Sale	4,142,354	3,908,330	2,824,252	2,666,730
Gross Profit	565,507	475,638	269,303	299,687
Net Income (Loss)	360,954	250,775	136,246	149,438
Net Comprehensive Income (Loss) for the period	531,967	537,288	(620,497)	173,893
Basic and diluted earnings (loss) per share	0.008	0.005	0.003	0.003

Expressed in U.S Dollars

SELECTED ANNUAL INFORMATION

The following financial data is derived from the Corporation's audited financial statements for the years ended October 31, 2015 through to year ending October 31, 2020.

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

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

LIQUIDITY AND CAPITAL RESOURCES

At October 31, 2021, the Corporation had cash of US$3,053,337 (October 31, 2020: US$2,047,774) and working capital of US$3,636,052 (Oct 31, 2020: US$2,556,615). Surplus cash and cash equivalents are deposited in interest accruing accounts.

Working capital components include cash in current or interest-bearing accounts, trade and other receivables, sales tax receivable, inventories and prepaid expenses and deposits, trade and other payables, sales tax payable, and income tax payable.

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

	Year Ended Oct 31, 2021 US$	Year Ended Oct 31, 2020 US$
Cash provided by in operating activities	1,263,318	2,366,657
Cash used in investing activities	(88,229)	(334,391)
Cash used in financing activities	(5,043)	-
Increase in cash	1,170,046	2,032,266

Operations provided US$1,263,318 in cash during the twelve months ended October 31, 2021 (October 31, 2020 provided US$2,366,657) the reduction from prior years largely due to timing of supplier payments and tightening of payment terms with customers in the year ended 2020.

The Corporation's management is not aware of any other trends or other expected fluctuations in its liquidity that would create any deficiencies. The Corporation's management believes that its cash balances will be sufficient to meet the Corporation's short-term and long-term requirements for ongoing operations and planned growth. The Corporation does occasionally utilize cash reserves to offer suppliers earlier payment terms in return for more favorable rates.

Expressed in U.S Dollars

ECONOMIC DEPENDENCE

Sales from the Corporation's South African coal processing business are substantially derived from a very few number of customers and as a result, the Corporation is economically dependent on these customers. The Corporation's exposure to credit risk is limited to the carrying value of its accounts receivable. As at October 31, 2021, Southern Coal had trade receivables of US$1,268,049 (October 31, 2020: US$1,296,617) due from these customers and were collected subsequent to the quarter-end.

REVENUE RECOGNITION

Revenue from the sale of calcined anthracite is recognized upon transfer of title, which is completed when the physical product is delivered to customers and collection is reasonably assured. Rental revenue is recognized on a straight-line basis over the term of the lease and collection is reasonably assured. Interest and other income are recognized when earned and collection is reasonably assured.

COMMITMENTS

The Company had an agreement to lease premises for its coal processing plant in South Africa for a term of ten years, expiring on December 31, 2020, with a monthly rent of Rand 35,000 (US$2,156). After lease expiry on December 31, 2020, the Company is operating under the same terms as the expired lease with an effective notice period of 60 days.

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

Months	Financial Year	US$
12	2022/23	19,692
12	2023/24	19,692
12	2024/25	19,692
12	2025/26	19,692
9	2026/27	14,769
		93,537

TRANSACTIONS WITH RELATED PARTIES

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

Fees incurred for services by key management personnel during the twelve months ended October 31, 2021 and 2020:

Related Party	Services	2021 US$	2020 US$
CFO and Director	Professional fees for administration and management services	41,763	33,522
Former Chairman and Director	Consulting fees for administration and management services	9,112	44,936
President, CEO and Director	Consulting fees for administration and management services	108,473	116,393
Director	Professional fees for administration and management services	8,570	-
Directors	Directors fees for administration and management services in relation to the Company's coal processing business in South Africa	63,708	73,521
Director	Consulting fees	18,435	13,028
		250,061	281,400

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 audited Financial Statements for the year ended October 31, 2021. These policies are considered by management to be essential to understanding the processes and reasoning that go into the preparation of the Corporation's financial statements and the uncertainties that could have a bearing on its financial results.

MANAGEMENT OF FINANCIAL RISKS

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

Foreign Currency Risk

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

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

Credit Risk

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

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

Liquidity Risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations when they become due. The Corporation ensures, as far as reasonably possible, that it will have sufficient capital in order to meet short-term business requirements, after taking into account cash flows from operations and the Corporation's holdings of cash. The Corporation has a working capital of US$3,636,052 as at October 31, 2021. There can be no assurance that the Corporation will be successful with generating and maintaining profitable operations or will be able to secure future debt or equity financing for its working capital and expansion activities.

Commodity Price Risk

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

Fair Value

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

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: Techniques which use inputs that have a significant effect on the recorded fair value that is not based on observable market data.

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

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

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 October 31, 2021 totaled US$8,079,463 (October 31, 2020: US$8,079,463).

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

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

The Corporation has no externally imposed capital requirements and has not paid or declared any dividends since the date of incorporation, nor are any contemplated in the foreseeable future. There were no changes in the Corporation's approach to capital management during the year ended October 31, 2021.

RISKS AND UNCERTAINTIES

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

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

Covid-19 Pandemic

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

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

Exploration and Development

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

Operating Hazards and Risks

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

Metal and Mineral Prices

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

Political Risk

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

Environmental Factors

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

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

Cash Flows and Additional Funding Requirements

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

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

Enforcement of Civil Liabilities

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

Management

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

CAUTIONARY STATEMENTS ON FORWARD-LOOKING INFORMATION

This MD&A together with the Corporation's consolidated financial statements for the twelve months ended October 31, 2021 contain certain statements that may be deemed "forward-looking statements". All statements in this MD&A, other than statements of historical fact, that address exploration drilling, exploitation activities and events or developments that the Corporation expects to occur, are forward looking statements. Forward looking statements in this document are statements that are not historical facts and are generally, but not always, identified by the words "expects", "plans", "anticipates", "believes", "intends", "estimates", "projects", "potential" and similar expressions, or that events or conditions "will", "would", "may", "could" or "should" occur. Information inferred from the interpretation of drilling results and information concerning resource estimates may also be deemed to be forward looking statements, as it constitutes a prediction of what might be found to be present when and if a project is actually developed. Although the Corporation believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results may differ materially from those in the forward-looking statements.

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

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

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

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

OUTSTANDING SHARES

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