



For the nine months ended July 31, 2023

Management Discussion & Analysis

(Expressed in Canadian dollars)

CANAF INVESTMENTS INC.

Management Discussion and Analysis for the nine months ended July 31, 2023

Expressed in Canadian Dollars

INTRODUCTION

Date Prepared: 25th September 2023.

This Management Discussion and Analysis, (“MDA”) covers the operations of Canaf Investments Inc. (“Canaf” or the “Corporation”) for the nine months ended July 31, 2023 and should be read in conjunction with the unaudited consolidated Financial Statements for the nine months ended July 31, 2023 and related notes. The Financial Statements are presented in accordance with International Financial Reporting Standards (“IFRS”). Canaf’s accounting policies are described in Note 2 of the unaudited Financial Statements for the nine months ended July 31, 2023. 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 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 21st April 2023 the Company 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 Company'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.

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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-volatilised anthracite (calcined anthracite) for sale mostly to steel and ferromanganese manufacturers as a substitute product for coke.

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

Southern Coal – Calcined Anthracite, South Africa

Southern Coal produces calcined anthracite, which is primarily sold as a substitute to coke in sintering processes, by feeding anthracite coal through its rotary 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 as at July 31, 2023 owned 5 properties, with a total value of approximately R8.1 million. The CEH property portfolio is projecting to generate net pre-tax returns of approximately 15%.

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OVERALL PERFORMANCE AND OUTLOOK

The quarter ending July 31, 2023 continues the favorable trend seen in the previous two quarters, and shows a significant improvement in performance compared to the same nine months in the previous year. Sales for the quarter increased to CAN\$8,413,522, a 20% improvement on Q3 2022, with year-to-date sales of CAN\$21,389,321 (2022: CAN\$14,528,400), representing a year-on-year increase of 47%. Net income for the nine months has doubled compared to the same period in the previous year, increasing to CAN\$1,775,246 (2022: CAN\$870,433). Q4 2023 is expected to reflect a further increase in sales compared to Q3 2023 as forecasted demand remains strong. The past four quarters reflect earnings per share of CAN\$0.048/share.

The Corporation's property investment division CEH remained at 5 properties during the quarter, valued at R8.1million (approx. CAN\$594,725). During Q3 2023, CEH carried out some property improvements and put down a deposit of CAN\$62,795 to secure its sixth property, due to transfer ownership to the company in Q4 2023. Since the end of the quarter CEH has agreed terms to acquire a further two further properties which, after all have transferred ownership, would bring the entire portfolio to a valuation of approximately R12.0million. CEH remains on track with its expansion program to a value of R16million by the end of Q2 2024, with the intention to achieve a pre-tax yield of 15.0%.

The Corporation continues to explore new investment opportunities both aligned to the existing calcining business, as well as in new sectors. The Corporation remains focused on long-term sustainable, and socially responsible growth, within South Africa.

Effective 21st April 2023 the Company changed its reporting currency from US dollars to Canadian dollars. This change in reporting currency has been applied retrospectively as if the new currency has always been the Company's reporting currency. Management decided to change its reporting currency to Canadian Dollars, so that it aligns with the currency of its primary listing on the Toronto Stock Exchange.

As of July 31, 2023, shareholder equity stood at CAN\$8.17m, which relates to a book value per share of CAN\$0.172/share.

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Selected Financial Information

The following financial information is derived from the Corporation's unaudited financial statements for the nine months ended July 31, 2023.

	9 Months Ended	
	2023	Jul 31
	CAN\$	2022
		CAN\$
Revenue from Sales	21,389,321	14,528,400
Cost of Sales	(18,880,245)	(13,035,492)
Gross Profit	2,509,076	1,492,908
Expenses	(599,546)	(562,418)
Interest Income	370,790	168,497
Other Income	23,759	86,165
Gain from Sale of Vehicle	-	5,800
Net Income for the year (before tax)	2,304,079	1,190,951
Income Tax Recovery (Expense)	(528,833)	(320,518)
Net Income for the year	1,775,246	870,433
Attributable to the Shareholders	1,382,244	672,350
Attributable to the Non-Controlling Interest	393,002	198,083
Adjusted EBITDA	2,132,455	1,182,202
	2023	2022
Total Assets	13,556,737	10,581,416
Total Equity	9,027,473	7,321,446

Non- GAAP Performance Measures

*Reconciliation of Adjusted EBITDA and Profit

	9 Months Ended	
	2023	Jul 31
	CAN\$	2022
		CAN\$
Net Income for the year	1,775,246	870,433
Interest Received	(370,790)	(168,497)
Foreign Exchange Gain/ (Losses)	16,092	585
Depreciation and Amortization	183,074	159,162
Income Taxes	528,833	320,518
Adjusted EBITDA	2,132,455	1,182,202

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

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

As part of Southern Coal's B-BBEE transformation program, Amandla Amakhulu (Pty) Ltd, ("AAM"), a 100% black, privately owned, and ringfenced, company incorporated in South Africa, acquired 30% of the issued shares of Southern Coal, from Canaf's wholly owned subsidiary, Quantum, for the value of 18 million Rand. The financial effective date for the transaction is 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. No dividends have been paid during the nine months ended July 31, 2023. During the year ended October 31, 2022, dividends paid totalled CAN\$133,772.

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 19th April 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 the 26th April 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 has been 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. The dispute is pending hearing before the Uganda High Court.

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RESULTS OF OPERATIONS

NINE MONTHS ENDED JULY 31, 2023

The Corporation reports a net income for the nine months ended July 31, 2023 of CAN\$1,775,246 (Jul 31, 2022: CAN\$870,433), an increase of CAN\$904,813 (104%) in comparison to the same period the previous year, on revenues of CAN\$21,389,321 (Jul 31, 2022: CAN\$14,528,400).

	3 Months Ended July 31				9 Months Ended July 31			
	2023 CAN\$	2022 CAN\$	Variance CAN\$	%	2023 CAN\$	2022 CAN\$	Variance CAN\$	%
Sales	8,413,522	6,993,821	1,419,702	20%	21,389,321	14,528,400	6,860,921	47%
Cost of Sales	(7,503,769)	(5,962,549)	(1,541,221)	26%	(18,880,245)	(13,035,492)	(5,844,753)	45%
Gross Profit (Loss)	909,753	1,031,272	(121,519)	(12%)	2,509,076	1,492,908	1,016,168	68%
Expenses								
General and Administrative	(153,171)	(230,898)	77,726	(34%)	(583,454)	(561,833)	(21,622)	4%
Foreign Exchange Gain	-	36	(36)	(100%)	(16,092)	(585)	(15,506)	2649%
Total expenses	(153,171)	(230,862)	77,691	(34%)	(599,546)	(562,418)	(37,128)	7%
Interest Income	134,228	59,766	74,463	125%	370,790	168,497	202,292	120%
Other Income	8,658	53,720	(45,062)	(84%)	23,759	86,165	(62,405)	(72%)
Gain from Sale of Fixed Asset	-	(701)	701	(100%)	-	5,800	(5,800)	(100%)
Income (Loss) Before Income Taxes	899,468	913,194	(13,726)	(2%)	2,304,079	1,190,951	1,113,127	93%
Income Tax (Expense) Recovery	(134,776)	(251,957)	117,182	(47%)	(528,833)	(320,518)	(208,315)	65%
Net Income (Loss) for the period	764,692	661,237	103,455	16%	1,775,246	870,433	904,813	104%

Sales

Revenue increased by 20% in Q3 2023 compared with the same 3-month period the previous year, (Sales Q3 2023: CAN\$8,413,522; Sales Q3 2022: CAN\$6,993,821) and is now 47% ahead of revenue for the same 9-month period the previous year. The positive variance is as a result of improved product sale prices which adjusted significantly in Q4 2022.

As at July 31, 2023 CEH owned five properties in its portfolio, with the fifth property acquired in December 2022. Rental income for the nine months was CAN\$100,613 across the five properties. A deposit had been placed of CAN\$62,795 during the quarter for a sixth property, due to complete during Q4 2023.

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Cost of Sales

Cost of sales are 45% higher than the same 9-month period last year (2023: CAN\$18,880,245, 2022: CAN\$13,035,492) in line with the increased sales of 47%. Margins increased by 1.5% during the nine months (2023: 11.7%, 2022: 10.3%) primarily caused by the price increases implemented towards the end of the last financial year.

	3 Months Ended Jul 31		9 Months Ended Jul 31	
	2023	2022	2023	2022
	CAN\$	CAN\$	CAN\$	CAN\$
Inventories, Beginning of the Year	1,120,473	962,157	1,414,011	871,289
Analysis Fees	3,223	2,947	11,483	3,930
Depreciation	51,277	33,429	170,021	131,582
Electricity	50,079	38,608	122,673	95,947
Fuel, Oil and Lubricants	69,871	73,528	247,087	167,661
Professional and Project Management Fee	-	1,205	-	6,992
Medical Expenses	2,220	2,415	7,568	7,960
Product Purchases	7,021,506	5,557,100	17,019,379	11,751,969
Protective Clothing	8,006	8,079	20,927	16,903
Provident Fund	8,585	8,302	26,754	24,940
Machinery Rental	74,732	27,694	219,693	148,931
Repairs and Maintenance	174,781	97,927	331,871	312,718
Salaries and Benefits	146,405	129,739	396,340	367,379
Transportation	85,366	182,262	205,194	290,133
Inventories, End of the Quarter	<u>(1,312,755)</u>	<u>(1,162,841)</u>	<u>(1,312,755)</u>	<u>(1,162,841)</u>
	<u>7,503,769</u>	<u>5,962,549</u>	<u>18,880,245</u>	<u>13,035,492</u>

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General and Administrative Expenses:

	2023		2022		3 Months Ended July 31		9 Months Ended July 31		
	CAN\$	CAN\$	CAN\$	CAN\$	Variance CAN\$	%	CAN\$	CAN\$	Variance CAN\$
Bank Charges and Interest	3,711	2,619	(1,091)	(42%)	9,674	7,234	(2,440)	(34%)	
Consulting Fees	17,901	25,164	7,263	29%	89,536	76,480	(13,057)	(17%)	
Management Fees	6,461	39,770	33,310	84%	30,071	73,499	43,429	59%	
Directors Incentives	16,000	12,500	(3,500)	(28%)	55,250	37,500	(17,750)	(47%)	
Office, Insurance and Sundry	30,772	52,672	21,900	42%	126,263	122,575	(3,688)	(3%)	
New Ventures	1,777	-	(1,777)	(100%)	1,777	-	(1,777)	(100%)	
Professional Fees	46,622	48,580	1,958	4%	145,124	122,001	(23,123)	(19%)	
Promotion	763	404	(359)	(89%)	1,152	872	(280)	(32%)	
Telephone	2,849	3,449	601	17%	9,273	8,928	(345)	(4%)	
Transfer Agent and Filing Fees	1,885	4,827	(2,942)	61%	14,272	14,417	145	1%	
Travel	4,576	14,809	10,233	69%	32,358	33,650	1,292	4%	
Broad-Based Black Economic Empowerment	19,856	26,103	6,247	24%	68,704	64,676	(4,028)	(6%)	
	153,171	230,898	77,726	34%	583,454	561,833	(21,622)	(4%)	
Foreign Exchange gain	-	(36)	(36)	100%	16,092	585	(15,506)	(2649%)	
Finance Costs	-	-	-	-	-	-	-	-	
Expenses	153,171	230,862	77,691	34%	599,546	562,418	(37,128)	(7%)	
Interest Income	(134,228)	(59,766)	74,463	125%	(370,790)	(168,497)	202,292	120%	
Other Income	(8,658)	(53,720)	(45,062)	(84%)	(23,759)	(86,165)	(62,405)	(72%)	
Gain from Sale of Fixed Asset	-	701	701	100%	-	(5,800)	(5,800)	(100%)	
	10,285	118,078	107,793	91%	204,997	301,956	96,959	32%	

Expenses

Focus has continued during the quarter to maintaining the current level of general and administrative expenses, against the increasing Revenue base. Management fee's associated with the Quantum operation has fallen over the year due to changes in the management structure. Professional fees increased during the year as a result of a change in the audit and accounting provider in South Africa, with the new provider offering enhanced services to the South African operations, as well as fee's incurred in relation to changing the reporting currency back in Q2.

Interest Income

Interest income for cash in hand and earned on the loan to AAM, for the 9-month period was CAN\$370,790.

Other Income

Other income relates to a small amount of rental income.

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Shareholders Equity and Comprehensive Income

	Jul 31 2023	Oct 31 2022
	CAN\$	CAN\$
SHAREHOLDERS' EQUITY		
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	(2,824,479)	(2,762,100)
Deficit	(560,848)	(1,943,092)
Equity Attributable to Canaf Shareholders	8,173,668	6,853,803
Non-Controlling Interest	853,805	467,643
	9,027,473	7,321,446

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 gain of CAN\$62,379 compared to the same time period last year of a loss of CAN\$294,089; this is primarily a result of the translation into CAN\$ the reporting currency.

As of July 31, 2023, the Corporation has accumulated foreign currency other comprehensive loss of CAN\$2,824,479, (October 31, 2022: CAN\$2,762,100).

The Corporation does not hedge net asset translation movements.

Deficit

During the nine months ended July 31, 2023 the deficit reduced by CAN\$1,382,244 from CAN\$1,943,092 at October 31, 2022 to CAN\$560,848.

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SUMMARY OF QUARTERLY RESULTS

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

Performance over the last four quarters is in line with management's expectations and reflects an increase in the 12-month EPS compared to the prior 12-month period (12-months ending July 31, 2023 at CAN\$0.048/share, and July 31, 2022 CAN\$0.021/share respectively). The past 8 quarters represents a total EPS of CAN\$0.069/share.

Management expects Q4, 2023 to reflect an increase in sales in comparison to the previous quarter (Q3 2023) with forecasted demand remaining very strong.

	3 Months Ended			
	Jul 31, 2023	Apr 30, 2023	Jan 31, 2023	Oct 31, 2022
	CAN\$	CAN\$	CAN\$	CAN\$
Sales	8,413,522	6,434,585	6,541,213	7,668,334
Gross Profit	909,753	906,686	692,637	857,615
Net Income (Loss)	764,692	571,394	439,160	519,806
Net Comprehensive Income (Loss) for the period	639,453	219,168	847,406	174,891
Basic and diluted earnings (loss) per share (CAN\$)	0.016	0.012	0.009	0.011

	3 Months Ended			
	Jul 31, 2022	Apr 30, 2022	Jan 31, 2021	Oct 31, 2021
	CAN\$	CAN\$	CAN\$	CAN\$
Sales	6,993,821	4,558,635	2,975,944	4,448,132
Gross Profit	1,031,272	290,067	171,568	244,610
Net Income (Loss)	661,237	140,169	69,027	110,375
Net Comprehensive Income (Loss) for the period	357,939	(206,487)	403,485	270,762
Basic and diluted earnings (loss) per share (CAN\$)	0.014	0.003	0.001	0.002

SELECTED ANNUAL INFORMATION

The following financial data is derived from the Corporation's audited financial statements for the years ended October 31, 2021 through to year ending October 31, 2022.

	2022	2021
	CAN\$	CAN\$
Sales	22,196,734	18,085,603
Cost of Sales	(19,846,211)	(16,147,479)
Gross Profit	2,350,523	1,938,124
Income before income taxes	1,958,901	1,567,422
Income Tax (Expense) Recovery	(568,661)	(442,496)
Net income (Loss) for the year	1,390,239	1,124,926
Interest Income	256,562	226,270
Bank Loan, including current portion	17,326	18,942
Total Assets	10,581,416	8,615,377
Basic and diluted earnings (loss) per share (CAN\$)	0.029	0.024

The main components making up the total assets balance as at October 31, 2022 of CAN\$10,581,416 (October 31, 2021 of \$8,615,377) are: CAN\$1,202,354 (2021: CAN\$1,347,447) of non-controlling interest borrowings; CAN\$771,964 (2021: CAN\$780,870) property, plant and equipment; CAN\$493,597 (2021: CAN\$170,321) investment properties; CAN\$3,678,158 (2021: CAN\$3,780,717) in cash; CAN\$3,021,331 (2021: CAN\$1,569,662) in accounts receivable, and CAN\$1,414,011 (2021: CAN\$871,289) in inventories, comprising mostly of stock on hand. Total accumulated earnings per shares during the past 2 fiscal years amounts to CAN\$0.053.

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LIQUIDITY AND CAPITAL RESOURCES

At July 31, 2023, the Corporation had cash of CAN\$6,077,912 (October 31, 2022: CAN\$3,678,158) and working capital of CAN\$6,544,456 (October 31, 2022: CAN\$4,901,176). Surplus cash and cash equivalents are deposited in interest accruing accounts.

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

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

	9 Months Ended	Year Ended
	July 31, 2023	October 31, 2022
	CAN\$	CAN\$
Cash provided by (used) in operating activities	2,582,738	2,083,851
Cash used in investing activities	(140,725)	(641,783)
Cash provided by (used) in financing activities	(16,623)	(22,296)
Increase (Decrease) in cash	2,425,390	1,419,772

Operations provided CAN\$2,582,738 in cash during the nine months ended July 31, 2023 (twelve months ended October 31, 2022 provided CAN\$2,083,851) the key variable factor being the timings of supplier and customer payments. Cash used in investing activities relates to upgrade expenditure relating to the new properties, and plant and machinery.

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

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ECONOMIC DEPENDENCE

Sales from the Corporation's South African coal processing business are substantially derived from a very few number of customers and as a result, the Corporation is economically dependent on these customers. The Corporation's exposure to credit risk is limited to the carrying value of its accounts receivable. As at July 31, 2023, Southern Coal had trade receivables of CAN\$3,561,250 (October 31, 2022: CAN\$2,995,278) due from these customers which were all collected subsequent to the period-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 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\$2,604). 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. Management can confirm that it has not yet made a final decision whether to expand its anthracite and coal beneficiation operations at this new site but is permitted to commence construction up until a deadline of June 2027.

Months	Financial Year	CAN\$
3	2022/23	5,541
12	2023/24	22,163
12	2024/25	22,163
9	2025/26	16,622
<u>36</u>		<u>66,489</u>

TRANSACTIONS WITH RELATED PARTIES

At the report date, key management consists of Christopher Way (CEO, President and a Director of the Corporation), Rebecca Williams (CFO and Director), and Peter Wassenaar (Chairman and Director).

Fees incurred for services by key management personnel during the nine months ended July 31, 2023 and 2022:

Related Party	Services	9 Months Ended	
		Jul 31 2023	Jul 31 2022
		CAN\$	CAN\$
CFO and Director	Professional fees for financial administration and management services	44,932	24,877
Chairman and Director	Consulting fees for administration and management services	9,318	9,804
President, CEO and Director	President, CEO and director of the Corporation	81,104	76,480
Corporate Secretary	Professional fees for administration and management services	5,715	5,289
Directors	Directors' fees for administration and management services in relation to the Corporation's coal processing business in South Africa	30,071	73,499
		<u>171,140</u>	<u>189,949</u>

OFF-BALANCE SHEET ARRANGEMENTS

The Corporation has no off-balance sheet arrangements

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CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The details of Canaf's accounting policies are presented in Note 2 of the unaudited Financial Statements for the nine months ended July 31, 2023. 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 working capital of CAN\$6,544,456 as at July 31, 2023. 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

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during the nine months ended July 31, 2023. The carrying values of the Corporation's financial assets and liabilities approximate their fair values as at July 31, 2023.

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, 2023 totaled CAN\$9,833,684 (October 31, 2022: 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 assurances that the Corporation will be able to obtain debt or equity capital in the case of operating cash deficits.

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

The Corporation has no externally imposed capital requirements and has not paid or declared any dividends since the date of incorporation, nor are any contemplated in the foreseeable future. There were no changes in the Corporation's approach to capital management during the nine months ended July 31, 2023.

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.

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Political Risk

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

Environmental Factors

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

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

Cash Flows and Additional Funding Requirements

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

Should the Corporation decide to develop or acquire a relatively large asset or opportunity, the majority of sources of funds will in large portion be derived from the issuance of equity or project finance debt. Although the Corporation presently has sufficient financial resources and has been successful in the past in obtaining equity and debt financing to undertake 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.

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CAUTIONARY STATEMENTS ON FORWARD-LOOKING INFORMATION

This MD&A together with the Corporation's consolidated financial statements for the nine months ended July 31, 2023 contain certain statements that may be deemed "forward-looking statements". All statements in this MD&A, other than statements of historical fact, that address exploration drilling, exploitation activities and events or developments that the Corporation expects to occur, are forward looking statements. Forward looking statements in this document are statements that are not historical facts and are generally, but not always, identified by the words "expects", "plans", "anticipates", "believes", "intends", "estimates", "projects", "potential" and similar expressions, or that events or conditions "will", "would", "may", "could" or "should" occur. Information inferred from the interpretation of drilling results and information concerning resource estimates may also be deemed to be forward looking statements, as it constitutes a prediction of what might be found to be present when and if a project is actually developed. Although the Corporation believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results may differ materially from those in the forward-looking statements.

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

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

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

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MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

OUTSTANDING SHARES

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