CANAF

INVESTMENTS INC

For the twelve months ended October 31, 2022

Management Discussion & Analysis

(Expressed in U.S. dollars)

INTRODUCTION

Date Prepared: 25th February 2023

This Management Discussion and Analysis, ("MDA") covers the operations of Canaf Investments Inc. ("Canaf" or the "Corporation") for the twelve months ended October 31, 2022 and should be read in conjunction with the audited consolidated Financial Statements for the twelve months ended October 31, 2022 and related notes. The Financial Statements are presented in accordance with International Financial Reporting Standards ("IFRS"). Canaf's accounting policies are described in Note 2 of the audited Financial Statements for the twelve months ended October 31, 2022. The financial statements together with this MDA are intended to provide investors with a reasonable basis for assessing the financial performance of the Corporation.

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

DESCRIPTION OF BUSINESS

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

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

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

Southern Coal – Calcined Anthracite, South Africa

Southern Coal produces calcined anthracite, which is primarily sold as a substitute to coke in sintering processes, by feeding anthracite coal through its rotary 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 31 October, 2022 owned 4 properties, with a total value of approximately R6.9 million. Post year end CEH made its fifth acquisition increasing the property investment to R8.1m. The CEH property portfolio is anticipated to generate net pre-tax returns in excess of 15%.

OVERALL PERFORMANCE AND OUTLOOK

The year ending October 31, 2022 demonstrates another strong financial performance for the Corporation, reflecting record revenue and profit for the period. Shareholder equity continued to grow to CAN$6.98m which relates to a book value per share of CAN$0.147/share.

Annual sales for the year ended October 31, 2022 increased by 21% compared to the previous year, taking the 12-month year-to-date revenues to US$17,124,256 (2021: US$14,204,848). For the year, the Corporation recorded a net income of US$1,051,997 (2021: US$945,417) or CAN$1,340,034, an 11% improvement on the previous year, and reflects an earnings per share for the year of CAN$0.028/share.

The strong improvement in sales and net income, in comparison to the previous year, was driven by an increased demand for Southern Coal's calcined anthracite, as well as an upwards adjustment to sale price. In Q1 2022 Southern Coal was affected by rising input costs which reduced its gross margin, however sale price adjustments, effective 01 July 2022 improved profits and offset the rising cost base.

During Q1 2023 Southern Coal experienced some operational and supply disruption to its business and expects the next reported quarter to reflect approximately a 15% reduction in sales in comparison to Q4 2022, although significantly better than the same quarter last year.

During the year Quantum was granted an Environmental Authorisation to construct two new charring/devolatilising facilities at a new location, nearby its existing site. 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 as it is assessing all options in relation to new projects for the Corporation, which include diversifying in to new sectors as well as partnering with strategic suppliers in the anthracite sector. This being said, the Corporation continues to believe that the prospects for Quantum and Southern Coal remain strong.

During the year, the Corporation invested US$142,436 in new plant and equipment for Quantum, primarily consisting of a second new crushing plant for Southern Coal's operations to help increase production, particularly during the wet summer season. This new plant is expected to be commissioned during Q2 2023.

During the year the Corporation's property investment division, CEH, acquired a further three properties valued at US$229,000 in Johannesburg; this brings the overall CEH portfolio to a value of approximately US$367,000, made up of four properties, and with a target yield of 15% per annum. The Corporation continues to monitor the property market and will further expand its portfolio during 2023 should suitable properties become available.

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$77,000.

The Corporation continues to build on its strong financial position, with no long-term debt and growing cash reserves as it looks to invest in new opportunities both aligned to the existing calcining business, as well as in new sectors. The Corporation remains focused on long-term sustainable, and socially responsible growth, within South 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 twelve months ended October 31, 2022, with a comparison in Canadian Dollars.

	12 Months Ended		12 Months Ended	
		Oct 31		Oct 31
	2022	2021	2022	2021
	US$	US$	CAN$	CAN$
Conversion 1.00 US (av. 12 months)			1.274	1.258
Revenue from Sales	17,124,256	14,204,848	21,812,878	17,869,197
Cost of Sales	(15,310,883)	(12,625,631)	(19,503,003)	(15,882,597)
Gross Profit	**1,813,373**	**1,579,218**	**2,309,875**	**1,986,600**
Expenses	(616,919)	(515,560)	(785,832)	(648,556)
Interest Income	197,932	177,718	252,125	223,563
Other Income	64,869	44,825	82,630	56,388
Gain from Sale of Vehicle	31,451	6,763	40,063	8,507
Net Income for the year (before tax)	**1,490,706**	**1,292,963**	**1,898,861**	**1,626,502**
Income Tax Recovery (Expense)	(438,709)	(347,546)	(558,827)	(437,201)
Net Income for the year	**1,051,997**	**945,417**	**1,340,034**	**1,189,301**
Attributable to the Shareholders	773,757	724,430	985,612	911,307
Attributable to the Non-Controlling Interest	278,240	220,987	354,422	277,994
Adjusted EBITDA	**1,312,545**	**1,291,077**	**1,671,919**	**1,624,129**

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		12 Months Ended	
		Oct 31		Oct 31
	2022	2021	2022	2021
	US$	US$	CAN$	CAN$
Conversion 1.00 US Dollar Rate			**1.274**	**1.258**
Net Income for the year	1,051,997	945,417	1,340,034	1,189,301
Interest Paid	0	0	0	0
Interest Received	(197,932)	(177,718)	(252,125)	(223,563)
Foreign Exchange Gain/ (Losses)	19,770	(7,729)	25,184	(9,723)
Depreciation	0	183,561	0	230,913
Income Taxes	438,709	347,546	558,827	437,201
Adjusted EBITDA	**1,312,545**	**1,291,077**	**1,671,919**	**1,624,129**

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. During the year ended October 31, 2022, dividends paid totalled US$111,268.

CLAIM AGAINST KILEMBE MINES LIMITED

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

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

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

KML subsequently objected to the continuation of the Arbitration with the Arbitrator, Retired Justice James Ogoola. The parties therefore agreed to the appointment of a replacement Arbitrator, Mr. Didas Nkurunziza. The replacement Arbitrator's appointment was confirmed on the 19th April 2022. It was agreed that the Arbitration will bifurcate, 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' witness statements. Witnesses for both the Canaf and KML were cross-examined and later re-examined by Counsel. The Tribunal thereafter set out a timetable for the filing of Written Submissions. Canaf will start and has been directed to file and serve its Written Submissions on or by the 28th February 2023. KML shall then file and serve its Written Submissions in Reply on or by the 28th March 2023. Canaf may file its Written Submissions in Rejoinder on or by 11th April 2023. The Tribunal has set the 11th May 2023 as the date for delivery of the Award.

If the Award is partial, the Tribunal and the parties shall meet on a date to be agreed to set timelines for the determination of the remaining issues in the Arbitration.

Expressed in U.S Dollars

RESULTS OF OPERATIONS

YEAR ENDED OCTOBER 31, 2022

The Corporation reports a net income for the twelve months ended October 31, 2022 of US$1,051,997 (2021: US$945,417), an increase of US$106,580 (11%). Q4 presented an excellent quarter in sales and performance with 36% of the annual net income for 2022 delivered during the quarter, and a significant improvement on Q4 of the prior year (Net Income Q4 2022: US$383,681; 2021: US$131,534).

				3 Months Ended October 31				12 Months Ended October 31
	2022	2021	Variance		2022	2021	Variance	
	US$	US$	US$	%	US$	US$	US$	%
Sales	5,814,606	3,370,490	2,444,116	73%	17,124,256	14,204,848	2,919,408	21%
Cost of Sales	(5,154,029)	(3,139,232)	(2,014,798)	64%	(15,310,883)	(12,625,631)	(2,685,253)	21%
Gross Profit (Loss)	660,577	231,259	429,318	186%	1,813,373	1,579,218	234,155	15%
Expenses								
General and Administrative	(165,613)	(141,467)	(24,146)	17%	(597,149)	(523,289)	(73,860)	14%
Foreign Exchange Gain	(11,949)	968	(12,917)	1335%	(19,770)	7,729	(27,500)	-
Total expenses	(177,563)	(140,500)	(37,063)	26%	(616,919)	(515,560)	(101,360)	20%
Interest Income	66,843	70,897	(4,054)	-6%	197,932	177,718	20,214	11%
Other Income	(2,199)	12,558	(14,757)	-118%	64,869	44,825	20,044	45%
Gain from Sale of Fixed Asset	26,933	6,763	20,170	298%	31,451	6,763	24,689	365%
Income (Loss) Before Income Taxes	574,590	180,977	393,614	217%	1,490,706	1,292,963	197,742	15%
Income Tax (Expense) Recovery	(190,909)	(49,443)	(141,466)	286%	(438,709)	(347,546)	(91,163)	26%
Net Income (Loss) for the period	383,681	131,534	252,147	192%	1,051,997	945,417	106,580	11%

Sales

Sales growth during the year totalled 21%, with sales achieved of US$17,124,256 in 2022, compared with US$14,204,848 for the year ended October 2021. Q4 sales of US$5,814,606 exceeds all prior records and is 73% above that of the levels achieved in Q4 of 2021. The significant increase in Sales was caused by an upwards sales price adjustment which was necessary due to the significant upwards adjustment in Southern Coal's feedstock costs, primarily caused by the conflict between Ukraine and Russia which drove up global coal prices.

As at 31st October 2022 CEH owned four properties in its portfolio, with the fourth property acquired in October 2022. Rental income for the 12 months was US$53,521 derived mainly from the first two properties, as the third property only began generating income in Q4 of 2022. The fourth property will generate full quarterly income from Q2 2023. CEH has further acquired a fifth property in December 2022, which will also start generating full quarterly income from Q2 2023.

Expressed in U.S Dollars

Cost of Sales

Cost of sales are 21% higher than the same 12-month period last year (2022: US$15,310,883, 2021: US$12,625,631) in line with the increased sales of 21%. Margin's fell by 0.5% during the 12 months (2022: 10.6%, 2021: 11.1%) primarily caused by the increase in material costs, transportation, and fuel increases.

	3 Months Ended		12 Months Ended	
		Oct 31		Oct 31
	2022	2021	2022	2021
	US$	US$	US$	US$
Inventories, Beginning of the Period	1,162,841	295,248	703,894	417,400
Analysis Fees	3,042	291	6,104	365
Depreciation	49,190	40,808	151,714	180,535
Utilities	18,384	13,257	93,143	105,631
Fuel, Oil and Lubricants	67,054	26,006	197,690	110,985
Professional and Project Management Fee	2,363	8,061	7,811	20,924
Medical Expenses	1,564	1,966	7,766	9,827
Product Purchases	4,581,678	2,966,091	13,970,229	11,190,513
Protective Clothing	5,352	4,138	18,523	15,639
Provident Fund	6,697	5,861	26,130	22,804
Machinery Rental	46,675	98,592	162,718	163,066
Repairs and Maintenance	41,226	240,379	284,887	484,875
Salaries and Benefits	124,298	144,518	410,548	442,656
Transportation	93,580	-2,090	319,643	164,305
Inventories, End of the Period	(1,049,916)	(703,894)	(1,049,916)	(703,894)
	5,154,029	3,139,232	15,310,884	12,625,631

Expressed in U.S Dollars

General and Administrative Expenses:

	3 Months Ended October 31				12 Months Ended October 31			
	2022	**2021**	**Variance**		**2022**	**2021**	**Variance**	
	US$	**US$**	**US$**	**%**	**US$**	**US$**	**US$**	**%**
Bank Charges and Interest	592	1,828	1,235	68%	5,854	6,601	747	11%
Consulting Fees	18,230	20,815	2,585	12%	78,302	91,085	12,783	14%
Management Fees	4,460	17,153	12,692	74%	61,729	63,708	1,980	3%
Directors Incentives	20,659	21,085	426	2%	50,112	51,664	1,552	3%
Office, Insurance and Sundry	25,990	20,289	(5,701)	(28%)	116,075	75,391	(40,683)	(54%)
New Ventures	23,010	-	(23,010)	0%	23,010	-	(23,010)	0%
Professional Fees	34,720	16,175	(18,546)	(115%)	128,454	91,638	(36,816)	(40%)
Promotion	(10)	-	10	0%	669	4,735	4,066	86%
Telephone	2,000	2,229	229	10%	8,968	9,292	324	3%
Transfer Agent and Filing Fees	676	3,240	2,564	79%	11,999	12,590	591	5%
Transport & Travel	8,705	8,287	(418)	(5%)	35,004	26,941	(8,063)	(30%)
Broad-Based Black Economic Empowerment	26,581	30,369	3,788	12%	76,975	89,645	12,670	14%
	165,613	141,467	(24,146)	(17%)	597,149	523,289	(73,860)	(14%)
Foreign Exchange gain	11,949	(968)	(12,917)	1335%	19,770	(7,729)	(27,500)	356%
Expenses	177,563	140,500	(37,063)	(26%)	616,919	515,560	(101,360)	(20%)
Interest Income	(66,843)	(70,897)	(4,054)	6%	(197,932)	(177,718)	20,214	(11%)
Other Income	2,199	(12,558)	(14,757)	118%	(64,869)	(44,825)	20,044	(45%)
Gain from Sale of Fixed Asset	(26,933)	(6,763)	20,170	(298%)	(31,451)	(6,763)	24,689	(365%)
	85,987	50,282	(35,705)	(71%)	322,667	286,254	(36,413)	(13%)

Expenses

Focus has continued during the year on maintaining the current Broad-Based Black Economic Empowerment (B-BBEE) rating, with spend of US$76,975. Professional fees increased during the year as a result of fees paid to an environmental consultant to prepare and submit an Environmental Impact Assessment for the new site acquired for the potential expansion of Southern Coal and Quantum's South African calcining business, and US$12,000 costs associated with professional fees in relation to the Kilembe Mines Claim. The Corporation recorded a New Ventures expense of US$23,010 which relates to legal and operational costs incurred for a joint venture that was terminated due to final terms not being agreed.

Interest Income

Interest income earned on the loan to AAM, and for cash in hand for the twelve-month period was US$197,932.

Other Income

Other income relates to an insurance settlement in relation to damage to a company vehicle of US$18,000 and a one-off tolling fee for Southern Coal for use of the electrical plant.

Expressed in U.S Dollars

Share Holders Equity and Comprehensive Income

SHAREHOLDERS' EQUITY	**Oct 31 2022 US$**	**Oct 31 2021 US$**	**Oct 31 2022 CAN$**	**Oct 31 2021 CAN$**
			1.372	**1.251**
Share Capital	8,079,463	8,079,463	11,083,561	10,109,727
Additional Paid in Capital	1,342,549	1,342,549	1,841,734	1,679,914
Accumulated Other Comprehensive Loss –				
Foreign Currency Translation Reserve	(2,784,621)	(1,897,294)	(3,819,997)	(2,374,059)
Deficit	(1,551,013)	(2,324,770)	(2,127,708)	(2,908,954)
Equity Attributable to Canaf Shareholders	**5,086,378**	**5,199,948**	**6,977,590**	**6,506,628**
Non-Controlling Interest	347,229	235,738	476,335	294,976
	5,433,607	5,435,686	7,453,925	6,801,604

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-month comprehensive translation on foreign exchange amounts to a loss of US$942,808 compared to the same time period last year of a gain of US$255,408; this is primarily a result of the translation into US$ the reporting currency.

As of October 31, 2022, the Corporation has accumulated foreign currency other comprehensive loss of US$2,784,621, (October 31, 2021: US$1,897,294).

The Corporation does not hedge net asset translation movements.

Deficit

During the twelve-month period the deficit reduced by US$773,757 and as at October 31, 2022 is recorded at US$1,551,013 (Oct 31 2021: US$2,324,770)

Expressed in U.S Dollars

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 (US$0.022/share, and US$0.020/share respectively) as a result of the growth seen in sales over the last two quarters.

Management expects the first quarter of the financial year ending Oct 31, 2023 to reflect a reduction in sales of approximately 15% in comparison to the previous quarter (Q4 2022), primarily caused by operational challenges including heavy rains which affected both Southern Coal's operations and coal supplies, as well as two unscheduled breakdowns of its main plant.

	3 Months Ended			
	Oct 31 2022	**Jul 31 2022**	**Apr 30 2022**	**Jan 31 2022**
	US$	**US$**	**US$**	**US$**
Sale	5,814,606	5,410,476	3,572,482	2,326,691
Gross Profit	660,577	791,079	227,579	134,138
Net Income (Loss)	383,681	508,474	108,960	50,882
Net Comprehensive Income (Loss) for the period	(21,404)	169,581	(32,584)	(6,406)
Basic and diluted earnings (loss) per share	0.008	0.011	0.002	0.001
	3 Months Ended			
	Oct 31, 2021	**Jul 31, 2021**	**Apr 30, 2021**	**Jan 31, 2021**
	US$	**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

SELECTED ANNUAL INFORMATION

The following financial data is derived from the Corporation's audited financial statements for the years ended October 31, 2018 through to year ending October 31, 2022.

	2022	**2021**	**2020**	**2019**	**2018**
	US$	**US$**	**US$**	**US$**	**US$**
Sales	17,124,256	14,204,848	13,541,667	11,750,350	14,673,658
Cost of Sales	(15,310,883)	(12,625,631)	(11,931,532)	(10,729,419)	(13,502,330)
Gross Profit	1,813,373	1,579,218	1,610,134	1,020,931	1,171,328
Income before income taxes	1,490,706	1,292,963	1,248,503	730,337	697,267
Income Tax (Expense) Recovery	(438,709)	(347,546)	(351,091)	(191,683)	(73,383)
Net income (Loss) for the year	1,051,997	945,417	897,413	538,654	623,884
Interest Income	197,932	177,718	151,798	173,085	101,284
Bank Loan, including current portion	12,865	-	-	-	78,412
Total Assets	7,852,677	6,959,105	5,580,049	5,254,018	4,774,437
Basic and diluted earnings (loss) per share (US$)	0.022	0.020	0.019	0.011	0.013
Basic and diluted earnings (loss) per share (CAN$)	0.028	0.025	0.025	0.015	0.017

The main components making up the total assets balance as at October, 2022 of $7,852,677 (October, 2021 of $6,959,105) are: US$892,759 (2021: US$1,088,572) of non-controlling interest borrowings; US$573,190 (2021: US$630,848) property, plant and equipment; US$366,500 (2021: US$137,599) investment properties; US$2,726,946 (2021: US$3,053,337) in cash; US$2,243,365 (2021: US$1,268,049) in accounts receivable, and US$1,049,916 (2021: US$703,894) in inventories, comprising mostly of stock on hand. Total accumulated earnings per shares over the past 5 years amounts to CAN$0.11.

Expressed in U.S Dollars

LIQUIDITY AND CAPITAL RESOURCES

At October 31, 2022, the Corporation had cash of US$2,726,946 (October 31, 2021: US$3,053,337) and working capital of US$3,636,535 (Oct 31, 2021: US$3,636,052). Surplus cash and cash equivalents are deposited in interest accruing accounts.

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

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

	Year Ended October 31, 2022 US$	**Year Ended October 31, 2021 US$**
Cash provided by (used) in operating activities	2,238,913	1,263,318
Cash used in investing activities	(466,107)	(88,229)
Cash provided by (used) in financing activities	(16,560)	(5,043)
Increase (Decrease) in cash	1,756,246	1,170,046

Operations provided US$2,238,913 in cash during the twelve months ended October 31, 2022 (October 31, 2021 provided US$1,263,318) the key variable factor being the timings of supplier and customer payments. Cash used in investing activities relates to the purchase of the new properties, and an additional vehicle.

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

Expressed in U.S Dollars

ECONOMIC DEPENDENCE

Sales from the Corporation's South African coal processing business are substantially derived from a very few number of customers and as a result, the Corporation is economically dependent on these customers. The Corporation's exposure to credit risk is limited to the carrying value of its accounts receivable. As at October 31, 2022, Southern Coal had trade receivables of US$2,224,250 (October 31, 2021: US$1,268,049) 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 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$1,931). 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. 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	US$
12	2022/23	16,555
12	2023/24	16,555
12	2024/25	16,555
9	2025/26	12,416
45		62,081

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, 2022 and 2021:

		12 Months Ended	
		Oct 31 2022	Oct 31 2021
Related Party	**Services**	**US$**	**US$**
CFO and Director	Professional fees for financial administration and management services	36,987	41,763
Chairman and Director	Consulting fees for administration and management services	19,033	18,435
President, CEO and Director	President, CEO and director of the Corporation	104,802	108,473
Company Secretary	Professional fees for administration and management services	8,567	8,570
Directors	Directors' fees for administration and management services in relation to the Company's coal processing business in South Africa	61,729	63,708
Director	Consulting fees (Former Chairman and Director)	-	9,112
		231,118	250,061

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 twelve months ended October 31, 2022. 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$3,636,535 as at October 31, 2022. There can be no assurance that the Corporation will be successful with generating and maintaining profitable operations or will be able to secure future debt or equity financing for its working capital and expansion activities.

Commodity Price Risk

The Corporation's revenues, earnings and cash flows are directly related to the volume and price of calcine sold and are sensitive to changes in market prices over which it has little or no control. The Corporation has the ability to address its price-related 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 twelve months ended October 31, 2022. The carrying values of the Corporation's financial assets and liabilities approximate their fair values as at October 31, 2022.

CAPITAL RISK MANAGEMENT

The Corporation's objectives in managing its capital are to ensure adequate resources are available to fund its coal processing business in South Africa, to seek out and acquire new projects of merit, and to safeguard its ability to continue as a going concern. The Corporation manages its share capital as capital, which as of October 31, 2022 totaled US$8,079,463 (October 31, 2021: US$8,079,463).

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

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

The Corporation has no externally imposed capital requirements and has not paid or declared any dividends since the date of incorporation, nor are any contemplated in the foreseeable future. There were no changes in the Corporation's approach to capital management during the twelve months ended October 31, 2022.

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 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.

CAUTIONARY STATEMENTS ON FORWARD-LOOKING INFORMATION

This MD&A together with the Corporation's consolidated financial statements for the twelve months ended October 31, 2022 contain certain statements that may be deemed "forward-looking statements". All statements in this MD&A, other than statements of historical fact, that address exploration drilling, exploitation activities and events or developments that the Corporation expects to occur, are forward looking statements. Forward looking statements in this document are statements that are not historical facts and are generally, but not always, identified by the words "expects", "plans", "anticipates", "believes", "intends", "estimates", "projects", "potential" and similar expressions, or that events or conditions "will", "would", "may", "could" or "should" occur. Information inferred from the interpretation of drilling results and information concerning resource estimates may also be deemed to be forward looking statements, as it constitutes a prediction of what might be found to be present when and if a project is actually developed. Although the Corporation believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results may differ materially from those in the forward-looking statements.

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

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

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

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

OUTSTANDING SHARES

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