CANAF

INVESTMENTS INC

For the six months ended April 30, 2023

Management Discussion & Analysis

(Expressed in Canadian dollars)

INTRODUCTION

Date Prepared: 29th June 2023.

This Management Discussion and Analysis, ("MDA") covers the operations of Canaf Investments Inc. ("Canaf" or the "Corporation") for the six months ended April 30, 2023 and should be read in conjunction with the unaudited consolidated Financial Statements for the six months ended April 30, 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 six months ended April 30, 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.sedar.com. or at Corporation's website at www.canafinvestments.com.

DESCRIPTION OF BUSINESS

Canaf is a British Columbia Corporation having continued from Alberta, with two wholly owned subsidiaries in South Africa, Quantum Screening and Crushing (Pty) Limited (“Quantum”), and Canaf Investments (Pty) Ltd, (“Canaf Ltd”).

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

Canaf 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 April 30, 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%.

OVERALL PERFORMANCE AND OUTLOOK

The quarter ending April 30, 2023 continues the favorable trend seen the previous quarter, and shows a significant improvement in performance compared to the same six months in the previous year. Sales for the quarter increased to CAN$6,434,585, a 41% improvement compared to the same period the previous year, with year to date sales of CAN$12,975,798 (2022: CAN$7,534,579). Net income for the six months is CAN$1,010,554 (2022: CAN$209,197), a 4.8 times improvement on the previous year. Q3 2023 is expected to reflect an increase in sales compared to Q2 2023 as forecasted demand remains very strong. The past four quarters reflect earnings per share of CAN$0.046/share.

The strong improvement in sales and net income in comparison to the previous year, has been driven by continued strong demand for Southern Coal's calcined anthracite coupled with an upwards adjustment to sale price supported by the tightening of availability of high-grade reductants in South Africa. In Q2 2022 Southern Coal was affected by rising input costs which reduced its gross margin, however sale price adjustments have improved profits and offset the rising cost base.

The Corporation's property investment division CEH remained at 5 properties during the quarter, valued at R8.1million (approx. CAN$517,748). During Q3 2023, CEH is carrying out some property improvements. The CEH portfolio is on track to deliver a pre-tax yield of approximately 13.0% and management is assessing the option to double its portfolio size over 12 months, with the intention to achieve an annual net income in excess of CAN$160,000 and a pre-tax yield of 15.0%.

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.

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 it reporting currency to Canadian Dollars, so that it aligns with the currency of its primary listing on the Toronto Stock Exchange.

As of April 30, 2023, shareholder equity stood at CAN$7.65m, which relates to a book value per share of CAN$0.161/share.

Expressed in Canadian Dollars

<u>*Selected Financial Information*</u>

The following financial information is derived from the Corporation's unaudited financial statements for the six months ended April 30, 2023.

		6 Months Ended Apr 30
	2023	**2022**
	CAN$	**CAN$**
Revenue from Sales	12,975,798	7,534,579
Cost of Sales	(11,376,476)	(7,072,943)
Gross Profit	1,599,323	461,636
Expenses	(446,375)	(331,556)
Interest Income	236,561	108,731
Other Income	15,101	32,445
Gain from Sale of Vehicle	0	6,501
Net Income for the year (before tax)	1,404,611	277,757
Income Tax Recovery (Expense)	(394,057)	(68,561)
Net Income for the year	**1,010,554**	**209,197**
Attributable to the Shareholders	733,008	192,106
Attributable to the Non-Controlling Interest	277,546	17,091
Adjusted EBITDA	1,302,886	269,657

	2023	**2022**
Total Assets	**11,029,374**	**10,581,416**
Total Equity	**8,388,020**	**7,321,446**

<u>*Non- GAAP Performance Measures*</u>

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.

<u>**Reconciliation of Adjusted EBITDA and Profit*</u>

		6 Months Ended Apr 30
	2023	**2022**
	CAN$	**CAN$**
Net Income for the year	1,010,554	209,197
Interest Received	(236,561)	(108,731)
Foreign Exchange Gain/ (Losses)	16,092	621
Depreciation	118,744	100,010
Income Taxes	394,057	68,561
Adjusted EBITDA	**1,302,886**	**269,657**

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 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 six months ended April 30, 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 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 filed and served its Written Submissions by the 28th February 2023. KML shall file and serve its Written Submissions in Reply on or by the28th 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.

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.

Expressed in Canadian Dollars

RESULTS OF OPERATIONS

SIX MONTHS ENDED APRIL 30, 2023

The Corporation reports a net income for the six months ended April 30, 2023 of CAN$1,010,554 (Apr 30, 2022: CAN$209,197), an increase of CAN$801,357 (383%) in comparison to the same period the previous year, on revenues of CAN$12,975,798 (Apr 30, 2022: CAN$7,534,579).

	3 Months Ended April 30				6 Months Ended Apr 30			
	2023 CAN$	2022 CAN$	Variance CAN$	%	2023 CAN$	2022 CAN$	Variance CAN$	%
Sales	6,434,585	4,558,635	1,875,950	41%	12,975,798	7,534,579	5,441,219	72%
Cost of Sales	(5,527,899)	(4,268,568)	(1,259,331)	30%	(11,376,476)	(7,072,943)	(4,303,532)	61%
Gross Profit (Loss)	906,686	290,067	616,619	213%	1,599,323	461,636	1,137,687	246%
Expenses								
General and Administrative	(219,080)	(172,746)	(46,334)	27%	(430,283)	(330,935)	(99,348)	30%
Foreign Exchange Gain	(16,168)	(538)	(15,630)	2907%	(16,092)	(621)	(15,470)	2490%
Total expenses	(235,248)	(173,284)	(61,964)	36%	(446,375)	(331,556)	(114,819)	35%
Interest Income	132,154	53,686	78,468	146%	236,561	108,731	127,830	118%
Other Income	11,477	13,135	(1,659)	(13%)	15,101	32,445	(17,344)	(53%)
Gain from Sale of Fixed Asset	-	5,884	(5,884)		-	6,501	(6,501)	(100%)
Income (Loss) Before Income Taxes	815,068	189,489	625,579	330%	1,404,611	277,757	1,126,853	406%
Income Tax (Expense) Recovery	(243,674)	(49,320)	(194,355)	394%	(394,057)	(68,561)	(325,496)	475%
Net Income (Loss) for the period	571,394	140,169	431,225	308%	1,010,554	209,197	801,357	383%

Sales

Revenue increased by 41% in Q2 2023 compared with the same 3 month period the previous year, (Sales Q2 2023: CAN$6,434,585; Sales Q2 2022: CAN$4,558,635), and is now 72% ahead of revenue for the same 6 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 April 30, 2023 CEH owned five properties in its portfolio, with the fifth property acquired in December 2022. Rental income for the six months was CAN$67,148 across the five properties.

Expressed in Canadian Dollars

Cost of Sales

Cost of sales are 61% higher than the same 6-month period last year (2023: CAN$11,376,476, 2022: CAN$7,072,943) in line with the increased sales of 72%. Margins increased by 6.2% during the six months (2023: 12.3%, 2022: 6.1%) primarily caused by the price increases implemented towards the end of the last financial year. In Q1 2022 Southern Coal was affected by rising input costs as well as depressed sales volumes, which reduced its gross margin, however sale price adjustments effective July 1, 2022, as well as improved sales volumes, have improved profits and offset the rising cost base.

	3 Months Ended Apr 30		**6 Months Ended Apr 30**	
	2023	**2022**	**2023**	**2022**
	CAN$	**CAN$**	**CAN$**	**CAN$**
Inventories, Beginning of the Year	692,742	862,577	1,414,011	871,289
Analysis Fees	3,663	205	8,261	983
Depreciation	56,211	48,685	118,744	98,153
Electricity	35,322	20,809	72,594	57,339
Fuel, Oil and Lubricants	80,144	53,913	177,215	94,133
Professional and Project Management Fee	-	11,999	-	18,074
Medical Expenses	3,131	3,116	5,348	5,545
Product Purchases	5,420,952	3,827,707	9,997,873	6,183,727
Protective Clothing	6,319	4,747	12,921	8,824
Provident Fund	8,893	8,470	18,169	16,639
Machinery Rental	73,299	31,060	144,961	121,237
Repairs and Maintenance	74,201	126,815	157,090	214,792
Salaries and Benefits	115,839	122,843	249,935	236,495
Transportation	77,656	107,779	119,828	107,871
Inventories, End of the Quarter	(1,120,473)	(962,157)	(1,120,473)	(962,157)
	5,527,899	4,268,568	11,376,476	7,072,943

Expressed in Canadian Dollars

General and Administrative Expenses:

				3 Months Ended April 30 Variance				**6 Months Ended April 30 Variance**
	2023 CAN$	**2022 CAN$**	**CAN$**	**%**	**2023 CAN$**	**2022 CAN$**	**CAN$**	**%**
Bank Charges and Interest	2,992	2,371	(621)	(26%)	5,964	4,615	(1,348)	(29%)
Consulting Fees	46,016	25,604	(20,413)	(80%)	71,635	51,316	(20,319)	(40%)
Management Fees	6,355	15,251	8,896	58%	23,610	33,729	10,119	30%
Directors Incentives	22,250	12,500	(9,750)	(78%)	39,250	25,000	(14,250)	(57%)
Office, Insurance and Sundry	46,914	36,023	(10,891)	(30%)	95,491	69,903	(25,588)	(37%)
Professional Fees	49,924	45,926	(3,998)	(9%)	98,503	73,421	(25,082)	(34%)
Promotion	388	110	(279)	(254%)	388	467	79	17%
Telephone	3,136	2,550	(587)	(23%)	6,424	5,479	(945)	(17%)
Transfer Agent and Filing Fees	11,265	8,462	(2,803)	(33%)	12,388	9,590	(2,798)	(29%)
Travel	15,692	8,510	(7,182)	(84%)	27,782	18,841	(8,941)	(47%)
Broad-Based Black Economic Empowerment	14,147	15,441	1,294	8%	48,848	38,573	(10,725)	(27%)
	219,080	172,746	(46,334)	(27%)	430,283	330,935	(99,348)	(30%)
Foreign Exchange gain	16,168	538	(15,630)	(2907%)	16,092	621	(15,470)	(2490%)
Finance Costs	-	-	-		-	-	-	-
Expenses	235,248	173,284	(61,964)	(36%)	446,375	331,556	(114,819)	(35%)
Interest Income	(132,154)	(53,686)	78,468	(146%)	(236,561)	(108,731)	127,830	(118%)
Other Income	(11,477)	(13,135)	(1,659)	13%	(15,101)	(32,445)	(17,344)	53%
Gain from Sale of Fixed Asset	-	(5,884)	(5,884)		-	(6,501)	(6,501)	
	91,618	100,579	8,961	9%	194,712	183,878	(10,834)	(6%)

Expenses

Focus has continued during the quarter on maintaining the current Broad-Based Black Economic Empowerment (B-BBEE) rating, with spend of CAN$14,147, a slight decrease on the prior year's quarter. 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.

Interest Income

Interest income earned on the loan to AAM, and for cash in hand for the six-month period was CAN$236,561.

Other Income

Other income relates to a small amount of rental income

Expressed in Canadian Dollars

Shareholders Equity and Comprehensive Income

SHAREHOLDERS' EQUITY	Apr 30 2023 CAN$	Oct 31 2022 CAN$
Share Capital	9,833,684	9,833,684
Additional Paid in Capital	1,725,311	1,725,311
Accumulated Other Comprehensive Loss – Foreign Currency Translation Reserve	(2,699,563)	(2,762,100)
Deficit	(1,210,084)	(1,943,092)
Equity Attributable to Canaf Shareholders	**7,649,348**	**6,853,803**
Non-Controlling Interest	738,672	467,643
	8,388,020	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 six-month comprehensive translation on foreign exchange amounts to a gain of CAN$62,537 compared to the same time period last year of a loss of CAN$12,197.; this is primarily a result of the translation into CAN$ the reporting currency.

As of April 30, 2023, the Corporation has accumulated foreign currency other comprehensive loss of CAN$2,699,563, (October 31, 2022: CAN$2,762,100).

The Corporation does not hedge net asset translation movements.

Deficit

During the six months ended April 30, 2023 the deficit reduced by CAN$733,008 from CAN$1,943,092 at October 31, 2022 to CAN$1,210,084.

Expressed in Canadian 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 (12-months ending April 30, 2023 at CAN$0.046/share, and April 30, 2022 CAN$0.016/share respectively). The past 8 quarters represents a total EPS of CAN$0.062/share.

Management expects Q3, 2023 to reflect a slight increase in sales in comparison to the previous quarter (Q2 2023) with forecasted demand remaining very strong.

	3 Months Ended			
	Apr 30, 2023 CAN$	**Jan 31, 2023 CAN$**	**Oct 31, 2022 CAN$**	**Jul 31, 2022 CAN$**
Sale	6,434,585	6,541,213	7,668,334	6,993,821
Gross Profit	906,686	692,637	857,615	1,031,272
Net Income (Loss)	571,394	439,160	519,806	661,237
Net Comprehensive Income (Loss) for the period	219,168	847,406	174,891	357,939
Basic and diluted earnings (loss) per share (CAN$)	0.012	0.009	0.011	0.014

	3 Months Ended			
	Apr 30, 2022 CAN$	**Jan 31, 2021 CAN$**	**Oct 31, 2021 CAN$**	**Jul 31, 2021 CAN$**
Sale	4,558,635	2,975,944	4,448,132	5,623,712
Gross Profit	290,067	171,568	244,610	745,909
Net Income (Loss)	140,169	69,027	110,375	464,742
Net Comprehensive Income (Loss) for the period	(206,487)	403,485	270,762	117,990
Basic and diluted earnings (loss) per share (CAN$)	0.003	0.001	0.002	0.010

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 CAN$	**2021 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.

Expressed in Canadian Dollars

LIQUIDITY AND CAPITAL RESOURCES

At April 30, 2023, the Corporation had cash of CAN$4,432,138 (October 31, 2022: CAN$3,678,158) and working capital of CAN$5,952,947 (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.

	6 Months Ended April 30, 2023 CAN$	Year Ended October 31, 2022 CAN$
Cash provided by (used) in operating activities	457,133	2,083,851
Cash used in investing activities	(50,135)	(641,783)
Cash provided by (used) in financing activities	(11,160)	(22,296)
Increase (Decrease) in cash	395,838	1,419,772

Operations provided CAN$457,133 in cash during the six months ended April 30, 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.

Expressed in Canadian Dollars

ECONOMIC DEPENDENCE

Sales from the Corporation's South African coal processing business are substantially derived from a very few number of customers and as a result, the Corporation is economically dependent on these customers. The Corporation's exposure to credit risk is limited to the carrying value of its accounts receivable. As at April 30, 2023, Southern Coal had trade receivables of CAN$2,889,477 (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$
6	2022/23	11,160
12	2023/24	22,321
12	2024/25	22,321
9	2025/26	16,740
39		72,542

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 six months ended April 30, 2023 and 2022:

		6 Months Ended	
		Apr 30 2023	Apr 30 2022
Related Party	**Services**	**CAN$**	**CAN$**
CFO and Director	Professional fees for financial administration and management services	23,104	16,780
Chairman and Director	Consulting fees for administration and management services	8,315	6,563
President, CEO and Director	President, CEO and director of the Corporation	71,635	51,316
Corporate Secretary	Professional fees for administration and management services	5,065	3,407
Directors	Directors' fees for administration and management services in relation to the Corporation's coal processing business in South Africa	23,610	33,729
		131,728	111,795

OFF-BALANCE SHEET ARRANGEMENTS

The Corporation has no off-balance sheet arrangements

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The details of Canaf's accounting policies are presented in Note 2 of the unaudited Financial Statements for the six months ended April 30, 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$5,952,947 as at April 30, 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 during the six months ended April 30, 2023. The carrying values of the Corporation's financial assets and liabilities approximate their fair values as at April 30, 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 April 30, 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 six months ended April 30, 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.

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 six months ended April 30, 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.

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