CANAF
INVESTMENTS INC

For the Year Ended October 31, 2024

Management Discussion & Analysis

(Expressed in Canadian dollars)

INTRODUCTION

Date prepared: 22nd February 2025

This Management Discussion and Analysis, ("MDA") covers the operations of Canaf Investments Inc. ("Canaf" or the "Corporation") for the year ended October 31, 2024 and should be read in conjunction with the audited Consolidated Financial Statements for the year ended October 31, 2024 and related notes. The Consolidated Financial Statements are presented in accordance with International Financial Reporting Standards ("IFRS"). Canaf's accounting policies are described in Note 2 of the audited Consolidated Financial Statements for the year ended October 31, 2024. The consolidated financial statements together with this MDA are intended to provide investors with a reasonable basis for assessing the financial performance of the Corporation.

All dollar amounts are expressed in Canadian dollars, the presentation currency of the Corporation, unless otherwise stated. The Corporation's listing on the TSX-V is also quoted in Canadian Dollars. Effective April 21, 2023, the Corporation changed its presentation currency to Canadian dollars (previously US dollars). This change in presentation currency has been applied retrospectively as if the new presentation currency had always been the Corporation's presentation currency.

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

DESCRIPTION OF BUSINESS

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

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

Canaf Ltd, incorporated in 2019, acts as Canaf's South African holding company with the intention of creating a diverse Corporation focused on sustainable and long-term growth sectors within South Africa. Canaf Ltd owns 100% of Canaf Estate Holdings (Pty) Ltd., ("CEH"), 100% of Canaf Agri (Pty) Ltd., ("Canaf Agri"), and 100% of Canaf Capital (Pty) Ltd., ("Canaf Capital").

Southern Coal – Calcined Anthracite, South Africa

Southern Coal produces calcined anthracite, which is primarily sold as a substitute to coke in sintering processes, by feeding anthracite coal through its rotary kiln, at temperatures between 900 and 1100 degrees centigrade; the volatiles are driven off and the effective carbon content increased. Southern Coal supplies world leading steel and ferromanganese producers in South Africa from its operation near Newcastle, KwaZulu Natal.

Canaf Estate Holdings – Property Investments, South Africa

CEH is a property investment company focused on acquiring, redeveloping and renting properties primarily within the suburbs of the old Johannesburg CBD. CEH made its first property acquisition in August 2019 and is projecting to generate net pre-tax returns of approximately 14% per annum.

Canaf Agri – Agriculture Projects, South Africa

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

Canaf Capital – Short-term Secured Financing

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

OVERALL PERFORMANCE AND OUTLOOK

The Corporation delivered another year of strong financial performance for the period ended October 31, 2024, underpinned by continued steady sales from Southern Coal and execution of its long-term strategy to diversify and expand into new sectors.

Shareholder equity increased to CAN$12.0 million (2023: CAN$9.1 million), resulting in a book value of CAN$0.252 per share (2023: CAN$0.192 per share).

Annual revenue grew by 1% year over year, increasing by CAN$395,073 to CAN$32,721,280 (2023: CAN$32,326,207). Net income attributable to shareholders amounted to CAN$2,161,279 (2023: CAN$2,238,300), reflecting earnings per share of CAN$0.0456 (2023: CAN$0.0472).

Southern Coal reported a 1% increase in sales; however, margins were adversely affected by rising costs of sales and competitive pricing pressures in the global market. As a result, gross margins declined to 10.8%, compared to 12.2% in the previous year.

The Corporation's property investment division, CEH, concluded the year with a portfolio of nine properties valued at R15.9 million (approximately CAN$1,253,855). The Corporation remains confident in CEH's growth potential and aims to expand the portfolio to R20 million by October 31, 2025. Management anticipates a pre-tax yield of approximately 14% per annum from CEH's investments.

During the year, the Corporation launched a new division, Canaf Capital, focused on short-term, asset-backed financing to support growth across various sectors in South Africa. Canaf Capital will primarily deploy capital through the Alternative Finance Group (AFG) (www.afg.africa), a well-established firm specializing in asset-backed short-term financing solutions. Canaf Capital plans to allocate up to R25 million (CAN$1.9 million) by the end of Q2 2025, targeting returns of up to 2.25% per month. Prior to commencing operations in Q4 2024, an initial investment of R3.1 million was made via Canaf Investments (Pty) Ltd. in Q3 2024. An additional R1.3 million was invested by Canaf Capital in Q4 2024, bringing the total investment via AFG to R4.3 million (CAN$340,971) as of October 31, 2024.

The Corporation maintained its commitment to supporting local communities, suppliers, businesses, and students through various social development initiatives, including learnership programs and enterprise funding schemes. Total contributions for the year amounted to CAN$122,003, compared to CAN$157,495 in 2023.

During the year the Corporation achieved good progress in expanding its property division and establishing Canaf Capital. Looking ahead, management remains focused on further investment opportunities, including potential entry into the agricultural sector, with plans to finalise its first investment by the year ending October 31, 2025.

Expressed in Canadian Dollars

Selected Financial Information

The following financial information is derived from the Corporation's audited consolidated financial statements for the year ended October 31, 2024 and 2023.

		Year Ended Oct 31
	2024	**2023**
	CAN$	**CAN$**
Revenues	32,721,280	32,326,207
Cost of Sales	(29,188,608)	(28,381,465)
Gross Profit	3,532,672	3,944,742
Expenses	(918,835)	(934,695)
Interest Income	757,432	522,503
Other Income	1,975	25,797
Net Income for the year (before tax)	**3,373,244**	**3,558,347**
Income Tax Expense	(884,288)	(621,665)
Net Income for the year	**2,488,956**	**2,936,682**
Attributable to the Shareholders	2,161,279	2,238,300
Attributable to the Non-Controlling Interest	327,677	698,382
Adjusted EBITDA	2,821,277	3,259,317

	2024	**2023**
Total Assets	**15,801,252**	**13,618,505**
Total Equity	**13,196,071**	**10,094,281**

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*

		Year Ended Oct 31
	2024	**2023**
	CAN$	**CAN$**
Net Income for the year	2,488,956	2,936,682
Interest Received	(757,432)	(522,503)
Foreign Exchange Losses	47	108
Depreciation and Amortization	205,418	223,365
Income Taxes	884,288	621,665
Adjusted EBITDA	**2,821,277**	**3,259,317**

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. During the year ended October 31, 2024, dividends paid totalled CAN$189,442 (2023: CAN$155,538).

CLAIM AGAINST KILEMBE MINES LIMITED

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

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

Following the filing of the respective parties' cases, the Arbitral Tribunal delivered its Award on 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 was filed to the Uganda High Court on behalf of Canaf to set aside this Award and refer the dispute back for determination before another arbitrator. The application to set aside the arbitral award was heard before the High Court of Uganda on 2nd October 2024 and is awaiting a ruling which will be delivered on notice.

Expressed in Canadian Dollars

RESULTS OF OPERATIONS

YEAR ENDED OCTOBER 31, 2024

The Corporation reports a net income for the year ended October 31, 2024 of CAN$2,488,956 (2023: CAN$2,936,682), which represents a 15% reduction compared to the previous year, on revenues of CAN$32,721,280 (2023: CAN$32,326,207). The decline in net income compared to 2023 is a direct result of Southern Coal reducing its gross margin by maintaining competitive sales pricing, combined with a slight reduction of 5.6% in sales volumes.

				3 Months Ended Oct 31				Year Ended Oct 31
	2024 CAN$	2023 CAN$	Variance CAN$	%	2024 CAN$	2023 CAN$	Variance CAN$	%
Sales	7,625,892	10,936,886	(3,310,994)	(30%)	32,721,280	32,326,207	395,073	1%
Cost of Sales	(6,734,058)	(9,501,220)	2,767,162	(29%)	(29,188,608)	(28,381,465)	(807,143)	3%
Gross Profit	891,834	1,435,666	(543,832)	(38%)	3,532,672	3,944,742	(412,070)	(10%)
Expenses								
General and Administrative	(249,639)	(351,133)	101,494	(29%)	(918,787)	(934,587)	15,800	(2%)
Foreign Exchange Gain (Loss)	2	15,983	(15,981)	(100%)	(48)	(108)	60	(56%)
Total expenses	(249,637)	(335,150)	85,513	(26%)	(918,835)	(934,695)	15,860	(2%)
Interest Income	240,975	151,714	89,261	59%	757,432	522,503	234,929	45%
Other Income	1,115	2,038	(923)	(45%)	1,975	25,797	(23,822)	(92%)
Income Before Income Taxes	884,287	1,254,268	(369,981)	(29%)	3,373,244	3,558,347	(185,103)	(5%)
Income Tax Expense	(173,708)	(92,832)	(80,876)	87%	(884,288)	(621,665)	(262,623)	42%
Net Income for the period	710,579	1,161,436	(450,857)	(39%)	2,488,956	2,936,682	(447,726)	(15%)
Net Income for the period Attributable to the Shareholders	636,494	856,056	(219,562)	(26%)	2,161,279	2,238,300	(77,021)	(3%)

Sales

Sales growth during the year totalled 1%, with sales achieved of CAN$32,721,280, compared with CAN$32,326,207 for the year ended October 31, 2023. The increase in sales is as a result of the net effect of upward adjustment of sales prices on 5.6% less sales tonnes.

As at October 31, 2024, CEH owned nine investment properties, adding three properties during the year. Rental income for the year was CAN$190,353 across the portfolio. A deposit of CAN$142,456 accounts for one pending property transfer which, since the period end, was terminated due to the seller being in breach of its obligations; funds have since been returned to the Corporation.

Expressed in Canadian Dollars

Cost of Sales

Cost of sales have increased by 3% compared to the same 12-month period last year (2024: CAN$29,188,608; 2023: CAN$28,381,465), slightly higher than sales, which increased by 1%. Gross margins subsequently decreased by 1.4% during the year (2024: 10.8%; 2023: 12.2%), primarily as a result of Southern Coal absorbing some operational costs to ensure it remains competitive within the reductant market.

	3 Months Ended Oct 31		**Year Ended Oct 31**	
	2024	**2023**	**2024**	**2023**
	CAN$	**CAN$**	**CAN$**	**CAN$**
Inventories, Beginning	1,393,515	1,312,755	1,533,269	1,414,011
Analysis Fees	4,648	8,365	17,579	19,848
Depreciation	55,998	36,112	188,187	206,133
Utilities	45,233	46,904	198,045	169,577
Fuel, Oil and Lubricants	51,335	77,514	230,852	324,601
Professional and Project Management Fees	16,722	3,891	51,687	3,891
Medical Expenses	2,200	2,020	8,374	9,588
Product Purchases	6,125,762	9,171,972	26,833,755	26,191,351
Protective Clothing	5,118	6,911	23,385	27,838
Provident Fund	11,186	8,844	40,663	35,598
Machinery Rental	19,995	78,896	237,195	298,589
Repairs and Maintenance	85,127	117,819	422,811	449,690
Salaries and Benefits	132,870	112,368	566,034	508,708
Transportation	894	50,118	53,317	255,311
Inventories, End	(1,216,545)	(1,533,269)	(1,216,545)	(1,533,269)
	6,734,058	9,501,220	29,188,608	28,381,465

Expressed in Canadian Dollars

General and Administrative Expenses:

			3 Months Ended Oct 31 Variance				Year Ended Oct 31 Variance	
	2024	**2023**			**2024**	**2023**		
	CAN$	**CAN$**	**CAN$**	**%**	**CAN$**	**CAN$**	**CAN$**	**%**
Bank Charges and Interest	7,033	4,327	(2,706)	(63%)	12,574	14,001	1,427	10%
Management and Consulting Fees	59,700	72,462	12,762	18%	231,675	192,070	(39,605)	(21%)
Directors Incentives	21,000	46,000	25,000	54%	83,000	101,250	18,250	18%
Office, Insurance and Sundry	69,042	36,031	(33,011)	(92%)	205,146	162,294	(42,852)	(26%)
New Ventures	3,826	21,276	17,450	82%	13,774	23,053	9,279	40%
Professional Fees	11,509	61,060	49,551	81%	170,134	206,184	36,050	17%
Promotion	271	-	(271)	(100%)	1,903	1,152	(751)	(65%)
Telephone	3,843	3,577	(266)	(7%)	13,732	12,850	(882)	(7%)
Transfer Agent and Filing Fees	2,156	741	(1,415)	(191%)	19,176	15,013	(4,163)	(28%)
Travel	11,254	16,867	5,613	33%	45,670	49,225	3,555	7%
Broad-Based Black Economic Empowerment	60,006	88,791	28,785	32%	122,003	157,495	35,492	23%
	249,639	351,132	(101,492)	29%	918,787	934,587	15,800	2%
Foreign Exchange (Gain) Loss	(2)	(15,983)	(15,981)	100%	48	108	60	56%
Expenses	249,637	335,150	85,513	26%	918,835	934,695	15,860	2%
Interest Income	(240,975)	(151,714)	89,261	(59%)	(757,432)	(522,503)	234,929	(45%)
Other Income	(1,115)	(2,038)	(923)	45%	(1,975)	(25,797)	(23,823)	92%
	7,547	181,398	173,851	96%	159,428	383,395	226,967	59%

Expenses

General and administrative expenses are slightly lower (2%) than the previous year (2024: CAN$918,787; 2023: CAN$934,587). Increased expenditure relating to management and consulting fees for consulting assistance to Canaf Estates, as well as environmental costs and other back-office expenses have been offset by savings in BBBEE costs and professional fees for one off accounting and legal fees incurred in 2023.

Interest Income

Interest income for cash in hand, amounts earned on the loan to AAM, and the new venture into short-term investments via Canaf Capital resulted in interest yields of 45% higher compared to the same 12-month period in the previous year (2024: CAN$757,432; 2023: CAN$522,503). This is as a result of active management of excess cash balances over and above those needed to manage the working capital position of the trading entities.

Other Income

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

Expressed in Canadian Dollars

YEAR ENDED OCTOBER 31, 2024: BY SECTOR

	Quantum[(1)]	Canaf Investments[(2)]	Other	3 Months Ended Oct 31, 2024 Total	Quantum	Canaf Investments[(2)]	Other	Year Ended Oct 31, 2024 Total
	CAN$	CAN$	CAN$	CAN$	CAN$	CAN$	CAN$	CAN$
Sales	7,566,757	59,135	-	7,625,892	32,530,927	190,353	-	32,721,280
Cost of Sales	(6,713,710)	(20,348)	-	(6,734,058)	(29,053,352)	(135,256)	-	(29,188,608)
Gross Profit (Loss)	853,047	38,787	-	891,834	3,477,575	55,097	-	3,532,672
Gross Margin	11%	66%	-	12%	11%	29%	-	11%
Expenses								
General and Administrative	(162,054)	12,533	(100,118)	(249,639)	(487,667)	(42,759)	(388,361)	(918,787)
Foreign Exchange Loss	-	-	2	2	-	-	(48)	(48)
Total expenses	(162,054)	12,533	(100,116)	(249,637)	(487,67)	(42,759)	(388,409)	(918,835)
Interest Income	205,373	32,321	3,281	240,975	694,127	50,509	12,796	757,432
Other Income	241	874	-	1,115	1,101	874	-	1,975
Income (Loss) Before Income Taxes	896,607	84,515	(96,835)	884,287	3,685,136	63,721	(375,613)	3,373,244

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

Expressed in Canadian Dollars

SHAREHOLDS EQUITY AND COMPREHENSIVE INCOME

SHAREHOLDERS' EQUITY	**Oct 31, 2024 CAN$**	**Oct 31, 2023 CAN$**
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	(2,056,626)	(2,770,234)
Retained Earnings	2,456,487	295,208
Equity Attributable to Canaf Shareholders	**11,958,856**	**9,083,969**
Non-Controlling Interest	1,237,215	1,010,312
	13,196,071	10,094,281

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 12-month comprehensive translation on foreign exchange amounts to a gain of CAN$802,276 compared to a small loss of CAN$8,309 in the previous year. This is due to fluctuations in exchange rates.

As at October 31, 2024, the Corporation has accumulated foreign currency other comprehensive loss of CAN$2,056,626 (2023: CAN$2,770,234).

The Corporation does not hedge net asset translation movements.

Retained Earnings

During the year ended October 31, 2024 the surplus increased by CAN$2,161,279 from CAN$295,208 at October 31, 2023 to a surplus of CAN$2,456,487.

Expressed in Canadian Dollars

SUMMARY OF QUARTERLY RESULTS

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

Performance over the last four quarters is in line with management's expectations and reflects a stabilization in the 12-month EPS compared to the prior 12-month period (October 31, 2024 at CAN$0.046 per share, and October 31, 2023 CAN$0.047 per share respectively). The past eight quarters represent a total EPS of CAN$0.093 per share. Management expects Q1 2025 to reflect approximately an 8.0% increase in sales in comparison to Q4 2024, supported by a similar increase in sales tonnes.

	3 Months Ended			
	Oct 31, 2024 CAN$	**Jul 31, 2024 CAN$**	**Apr 30, 2024 CAN$**	**Jan 31, 2024 CAN$**
Sales	7,625,892	9,276,337	6,202,779	9,616,272
Gross Profit	891,834	1,280,487	668,018	692,333
Net Income	710,579	924,191	377,376	476,810
Net Income (Attributable to the Shareholders)	636,494	744,379	337,749	442,657
Net Comprehensive Income for the period	1,210,494	1,020,041	896,256	164,441
Net Comprehensive Income (Attributable to the Shareholder)	1,082,967	792,668	836,907	162,344
Basic and diluted earnings per share (CAN$)	0.013	0.016	0.007	0.009
	3 Months Ended			
	Oct 31, 2023 CAN$	**Jul 31, 2023 CAN$**	**Apr 30, 2023 CAN$**	**Jan 31, 2023 CAN$**
Sales	10,936,886	8,413,523	6,434,585	6,541,213
Gross Profit	1,435,666	909,753	906,686	692,637
Net Income	1,161,436	764,692	571,394	439,160
Net Income (Attributable to the Shareholder)	856,056	649,236	409,495	323,513
Net Comprehensive Income (Loss) for the period	1,222,346	639,453	219,168	847,406
Net Comprehensive Income (Attributable to the Shareholder)	910,303	524,320	91,330	704,213
Basic and diluted earnings (loss) per share (CAN$)	0.018	0.01	0.009	0.007

SELECTED ANNUAL INFORMATION

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

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

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

Expressed in Canadian Dollars

LIQUIDITY AND CAPITAL RESOURCES

At October 31, 2024, the Corporation had cash of CAN$7,634,628 (2023: CAN$5,300,956) and working capital of CAN$10,011,192 (2023: CAN$7,658,178). Surplus cash and cash equivalents are deposited in interest accruing accounts.

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

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

		Year Ended
	Oct 31, 2024	**Oct 31, 2023**
	CAN$	**CAN$**
Cash provided by operating activities	3,341,191	2,105,460
Cash used in investing activities	(1,056,700)	(244,795)
Cash provided used in financing activities	(23,680)	(22,220)
Increase in cash	2,260,811	1,838,445

Operations provided CAN$3,341,191 in cash during the year ended October 31, 2024 (2023: CAN$2,105,460) the key variable factor being the timings of supplier and customer payments. Cash used in investing activities relates to investments and upgrades to the new properties.

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

Expressed in Canadian Dollars

ECONOMIC DEPENDENCE

Sales from the Corporation's South African coal processing business are substantially derived from a very few number of customers and as a result, the Corporation is economically dependent on these customers. The Corporation's exposure to credit risk is limited to the carrying value of its accounts receivable. As at October 31, 2024, Southern Coal had trade receivables of CAN$2,788,677 (2023: CAN$4,040,387) due from these customers which were all collected subsequent to the year end.

REVENUE RECOGNITION

Revenue from the sale of calcined anthracite is generally earned at a point in time and is recognized upon transfer of title, which is completed when the physical product is delivered to customers and collection is reasonably assured. Rental revenue is recognized on a straight-line basis over the term of the lease contracts at fixed price with no variable consideration and collection is reasonably assured. Interest and other income are recognized when earned and collection is reasonably assured.

COMMITMENTS

The Corporation had an agreement to lease premises for its coal processing plant in South Africa for a term of ten years, expiring on December 31, 2020, with a monthly rent of Rand 35,000 (CAN$2,763). 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 Year. 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$**
12	2024/25	23,680
9	2025/26	17,760
21		41,440

TRANSACTIONS WITH RELATED PARTIES

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

Fees incurred for services by related parties during the year ended October 31, 2024 and 2023:

		Year Ended
	Oct 31 2024	**Oct 31 2023**
	CAN$	**CAN$**
Management and Consultant fees	237,411	214,535
Accounting and Administration fees	71,091	80,446
Director Fees	47,095	23,911
	355,597	318,892

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 Consolidated Financial Statements for the year ended October 31, 2024. These policies are considered by management to be essential to understanding the processes and reasoning that go into the preparation of the Corporation's consolidated financial statements and the uncertainties that could have a bearing on its financial results.

MANAGEMENT OF FINANCIAL RISKS

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

Foreign Currency Risk

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

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

Credit Risk

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

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

Liquidity Risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations when they become due. The Corporation ensures, as far as reasonably possible, that it will have sufficient capital in order to meet short-term business requirements, after taking into account cash flows from operations and the Corporation's holdings of cash. The Corporation has a working capital of CAN$10,011,192 as at October 31, 2024. 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 year ended October 31, 2024. The carrying values of the Corporation's financial assets and liabilities approximate their fair values as at October 31, 2024.

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, 2024 totaled CAN$9,833,684 (2023: CAN$9,833,684).

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

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

The Corporation has no externally imposed capital requirements and has not paid or declared any dividends since the date of incorporation, nor are any contemplated in the foreseeable future. There were no changes in the Corporation's approach to capital management during the year ended October 31, 2024.

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 the potential to reduce the profitability of operations. The exploration, development and production activities of the Corporation will require certain permits and licenses from various 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 year ended October 31, 2024 contain certain statements that may be deemed "forward-looking statements". All statements in this MD&A, other than statements of historical fact, that address exploration drilling, exploitation activities and events or developments that the Corporation expects to occur, are forward-looking statements. Forward-looking statements in this document are statements that are not historical facts and are generally, but not always, identified by the words "expects", "plans", "anticipates", "believes", "intends", "estimates", "projects", "potential" and similar expressions, or that events or conditions "will", "would", "may", "could" or "should" occur. Information inferred from the interpretation of drilling results and information concerning resource estimates may also be deemed to be forward looking statements, as it constitutes a prediction of what might be found to be present when and if a project is actually developed. Although the Corporation believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results may differ materially from those in the forward-looking statements.

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

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

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

MANAGEMENAT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

OUTSTANDING SHARES

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