CANAF

INVESTMENTS INC

For the Year Ended 31st October 2019

Management Discussion & Analysis

(Expressed in U.S. dollars unless otherwise stated)

INTRODUCTION

Date Prepared: February 21st 2020.

This Management Discussion and Analysis, ("MDA") covers the operations of Canaf Investments Inc. ("Canaf" or the "Corporation") for the year ended October 31, 2019 and should be read in conjunction with the audited consolidated Financial Statements for the year ended October 31, 2019 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 Statement for the year ended October, 31, 2019. 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 British Columbia 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”).

Southern Coal – Calcined Anthracite, South Africa

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

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

Canaf Estate Holdings – Property Investments, South Africa

CEH is a property investment company focused on acquiring, redeveloping and renting properties primarily within the suburbs of the old Johannesburg CBD. CEH made its first property acquisition in August 2019.

OVERALL PERFORMANCE AND OUTLOOK

The Corporation reports another strong year for profit delivery, with net income before tax for the twelve-months ending 31st October 2019 of $730,337 (2018: $697,267). This maintenance and increase in pre tax profitability of 5% is a particular success given the anticipated decline in revenue, as was communicated last financial year.

Revenue declined 20% during the twelve months from 2019: $11,750,350 compared to 2018: $14,673,658, due to global pressure on the steel and manganese markets, which subsequently filters back to demand for Southern Coal's product.

Given the historical volatility around demand for Southern Coal's products the board has been actively seeking new opportunities that will offer long-term growth potential for shareholders, and during the year incorporated CEH, which completed the purchase of its first property investment in Johannesburg for an overall cost of approximately $125,000. The property is expecting to yield a net return of in excess of 10% per annum.

The final quarter of 2019 shows a notable improvement in sales for Southern Coal compared to the previous three quarters; this represents the realisation of a new customer that Southern Coal has been working with for years, finally coming on line. The Corporation hopes to secure a long-term supply contract not only with its new customer, but also hopes to renew existing contracts during Q2 2020.

Whilst the Corporation has reported a decline in sales compared to the prior year, operating margins have improved and the company continues to generate a healthy level of free cashflow which the boards intends to utilize for further growth in new sectors.

With zero long-term debt, a strong balance sheet, and a cash flow positive business in South Africa, the Corporation believes it is in a good position to continue its journey in growing shareholder equity, which as of October 31, 2019, stands at approximately $3.8 million (CDN$5.1 million).

Selected Financial Information

Due to the Corporation being listed on the TSX-V and it share price is 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 financial statements for the year ended October 31, 2019, with a comparison in Canadian Dollars.

	Oct 31 12 Months Ended		**Oct 31 12 Months Ended**	
	2019 US$	**2018 US$**	**2019 CDN$**	**2018 CDN$**
Conversion 1.00 US (av. 12 months)			**1.32907**	**1.30346**
Revenue from Sales	11,750,350	14,673,658	15,617,000	19,126,492
Cost of Sales	(10,729,419)	(13,502,330)	(14,260,115)	(17,599,716)
Gross Profit	1,020,931	1,171,328	1,356,885	1,526,776
Expenses	(481,483)	(587,312)	(639,923)	(765,537)
Interest Income	173,085	101,284	230,041	132,019
Other Income	12,058	11,967	16,027	15,598
Gain from Sale of Vehicle	5,746	-	7,636	-
Net Income for the year (before tax)	**730,337**	**697,267**	**970,666**	**908,858**
Income Tax Recovery (Expense)	(191,683)	(73,383)	(254,760)	(95,652)
Net Income for the year	**538,654**	**623,884**	**715,906**	**813,206**
Attributable to the Shareholders	392,376	585,134	521,494	762,697
Attributable to the Non-Controlling Interest	146,278	38,750	194,413	50,509
Adjusted EBITDA	**934,405**	**1,028,094**	**1,241,885**	**1,340,077**
Conversion 1.00 US (closing position)			1.31878	1.302
Total Assets	5,254,018	4,774,437	6,928,894	6,216,794
Bank Loan	0	78,412	0	102,100
Total Equity	3,838,286	3,595,840	5,101,339	4,682,128

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*

	Oct 31 12 Months Ended		**Oct 31 12 Months Ended**	
	2019 US$	**2018 US$**	**2019 CDN$**	**2018 CDN$**
Conversion 1.00 US Dollar Rate			**1.32907**	**1.30346**
Net Income for the year	538,654	623,884	715,906	813,206
Interest Paid	1,369	27,853	1,819	36,305
Interest Received	(173,085)	(101,284)	(230,041)	(132,019)
Foreign Exchange Gain/ (Losses)	639	(5,679)	849	(7,402)
Depreciation	375,145	409,937	498,592	534,336
Income Taxes	191,683	73,383	254,760	95,652
Adjusted EBITDA	934,405	1,028,094	1,241,885	1,340,077

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

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

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

Quantum in return received cumulative, redeemable preference shares in AAM in the amount of the purchase price. These preference shares shall provide preferential dividends, until redeemed by AAM. These dividends will be secured by an irrevocable direction from AAM to Southern Coal to pay Quantum such dividends from any distribution to AAM. Dividends paid to date are $215,127.

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 Company 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 Company, KML and the then arbitrator. After the filing of the Statements of Claim and Defence had been concluded, the Corporation's appointed Ugandan Advocates (MMAKS Advocates) notified the board that the Arbitrator had decided to step down for personal reasons.

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

RESULTS OF OPERATIONS

YEAR ENDED OCTOBER 31, 2019

The Corporation reported net income of $538,654 (2018: $623,884), a decrease of $85,230 (-16%) on revenues of $11,750,350 (2018: $14,673,658). While revenues have declined 25% from last year, management can confirm they have been working on margin improvement through implementing a number of efficiencies within the Southern Coal operations, as demonstrated by the growth in gross margin to 8.7% in 2019 from 8.0% the prior year.

	12 Months Ended Oct 31, 2019			
	2019	**2018**	**Variance**	
	US$	**US$**	**US$**	**%**
Sales	11,750,350	14,673,658	(2,923,308)	-25%
Cost of Sales	(10,729,419)	(13,502,330)	2,772,911	-26%
Gross Profit (Loss)	1,020,931	1,171,328	(150,397)	-15%
Expenses				
General and Administrative	(479,475)	(565,138)	85,663	-18%
Interest on Bank Loan	(1,369)	(27,853)	26,484	-1935%
Foreign Exchange Gain	(639)	5,679	(6,318)	989%
Total expenses	(481,483)	(587,312)	105,829	-22%
Interest Income	173,085	101,284	71,801	41%
Gain from Sale of Vehicle	5,746	-	5,746	-
Other Income	12,058	11,967	91	1%
Income (Loss) Before Income Taxes	730,337	697,267	33,070	5%
Income Tax (Expense) Recovery	(191,683)	(73,383)	(118,300)	62%
Net Income (Loss) for the period	538,654	623,884	(85,230)	-16%

Sales

Revenue for the year was $11,750,350 (2018, $14,673,658), a 25% decline, due to global pressure on the steel and manganese markets, which subsequently filtered back to demand for Southern Coal's product. Quarter 4 marked a stepped increase in demand for Southern Coal's calcine product due to the commencement of supply to a new customer, which has been a key focus over the course of 2019, and which in the final quarter has started to pay off.

Rental income generated in CEH commenced in Q4 2019. By the end of YE 2020, the Corporations intends it to grow the income to approximately $55,000 per annum by adding 2 more properties to the portfolio.

Cost of Sales

Cost of sales were 26% lower than the same period last year (2019: $10,729,419, 2018: $13,502,330), aligned with the sales decline during the year.

	12 Months Ended Oct 31 2019 US$	2018 US$
Inventories, Beginning of the Year	836,551	472,221
Analysis Fees	7,266	6,190
Depreciation	375,145	409,937
Electricity	82,239	401,333
Fuel, Oil and Lubricants	92,975	55,034
Professional and Project Management Fee	14,448	18,903
Medical Expenses	8,654	9,840
Product Purchases	8,651,639	10,835,793
Protective Clothing	9,150	10,246
Provident Fund	16,207	12,501
Machinery Rental	106,610	408,581
Repairs and Maintenance	245,065	469,467
Salaries and Benefits	369,573	393,106
Transportation	563,395	835,729
Inventories, End of the Quarter	(649,498)	(836,551)
	10,729,419	13,502,330

General and Administrative Expenses:

	2019 US$	12 Months Ended Oct 31 2018 US$	Variance US$	%
Bank Charges and Interest	23,328	14,087	(9,241)	-40%
Consulting Fees	72,606	84,209	11,603	16%
Management Fees	114,165	127,024	12,859	11%
Office, Insurance and Sundry	58,039	79,376	21,337	37%
Professional Fees	101,210	108,637	7,426	7%
Promotion	2,314	-	(2,314)	-100%
Telephone	9,450	16,948	7,498	79%
Transfer Agent and Filing Fees	11,894	14,617	2,723	23%
Travel	28,615	44,668	16,054	56%
Broad-Based Black Economic Empowerment	57,855	75,573	17,718	31%
	479,475	565,138	85,663	18%
Foreign Exchange gain	639	(5,679)	(6,318)	-989%
Finance Costs	1,369	27,853	26,484	1935%
Expenses	481,483	587,312	105,829	22%
Interest Income	(173,085)	(101,284)	71,801	-41%
Other Income	(17,804)	(11,967)	5,837	-33%
	290,594	474,061	183,467	63%

Expenses

Expenses for the year were $481,483 (2018: $587,312) a decrease of $105,829, 22%, primarily due to increased one-off costs incurred during 2018 relating to the B-BBEE program ($75,573) and necessary legal and administrative charges in relation to the Corporations name and jurisdiction changes in Canada. Furthermore, during the year ended 2018 the Corporation incurred extra management and consultant fees due to the passing of its previous CFO, Zeny Manalo as well as transitional costs associated with the appointment and resignation of Derick Sinclair, and appointment of Rebecca Williams as CFO.

Expenses during the year ended 2019 have now stabilized and management does not expect to incur any further extra ordinary management or consultant fees going forward

Finance Costs

Repayment of the 14 million Rand loan from ABSA bank, which was drawn down in February 2015, concluded in the first quarter of 2019, and represents the finance cost of $1,398 in the twelve months ended October 31 2019.

Interest Income

Interest income earned on cash in hand for the year was $173,085, compared with the previous year's income of $101,284.

Income Taxes

The Corporation reported income tax expense for the year of $191,683 (2018: expense of $206,559).

Comprehensive Income

The Corporation is not subject to currency fluctuations in its core activities 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 current years comprehensive loss on foreign exchange to the amount of $81,081 (2018: $325,740) is primarily as a result of the translation into US$ the reporting currency. As at October 31, 2019, the Corporation has accumulated other comprehensive loss of $1,877,641 (October 31, 2018: $1,778,337.).

The Corporation does not hedge net asset translation movements.

SUMMARY OF QUARTERLY RESULTS

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

The final quarter of 2019 is a notable improvement on the previous four quarters and represents the results of the work that Southern Coal has been doing to increase the demand base through a new customer.

Management expects 2020 to continue to have a level of uncertainty in its markets that is supplies in to, but is confident that it will continue to remain profitable as it continues to improve on efficiencies.

	Three Months Ended			
	Oct 31, 2019	**Jul 31, 2019**	**Apr 30, 2019**	**Jan 31, 2019**
	US$	**US$**	**US$**	**US$**
Sales	4,070,037	3,422,222	1,838,458	2,419,633
Gross Profit	228,432	384,581	78,399	329,519
Net Income (Loss)	125,368	222,208	3,711	187,367
Net Comprehensive Income (Loss) for the period	(114,008)	267,206	(284,388)	588,581
Basic and diluted earnings (loss) per share	0.003	0.005	0.000	0.004

	Three Months Ended			
	Oct 31, 2018	**Jul 31, 2018**	**Apr 30, 2018**	**Jan 31, 2018**
	US$	**US$**	**US$**	**US$**
Sales	2,530,979	3,444,253	5,425,213	3,273,213
Gross Profit	233,066	235,093	454,607	248,562
Net Income (Loss)	108,996	65,008	262,753	187,127
Net Comprehensive Income (Loss) for the period	(342,307)	(50,662)	138,299	552,814
Basic and diluted earnings (loss) per share	0.002	0.001	0.006	0.004

FOURTH QUARTER OPERATIONS

During the fourth quarter, the Corporation reported a net income of $125,368 (2017: $107,779).

	3 Months Ended Oct 31, 2019			
	2019	**2018**		**Variance**
	US$	**US$**	**US$**	**%**
Sales	4,070,037	2,530,979	1,539,058	38%
Cost of Sales	(3,841,605)	(2,297,913)	(1,543,692)	40%
Gross Profit (Loss)	228,432	233,066	(4,634)	-4%
Expenses				
General and Administrative	(118,575)	(146,350)	27,776	-23%
Interest on Bank Loan	30	(2,106)	2,136	7238%
Foreign Exchange Gain	(698)	5,679	(6,377)	914%
Total expenses	(119,243)	(142,777)	23,534	-20%
Interest Income	45,977	47,639	(1,662)	-4%
Other Income	4,335	11,967	(7,632)	-176%
Income (Loss) Before Income Taxes	159,501	154,970	4,531	3%
Income Tax (Expense) Recovery	(34,133)	(47,191)	13,058	-38%
Net Income (Loss) for the period	125,368	108,996	16,372	14%

SELECTED ANNUAL INFORMATION

The following financial data is derived from the Corporation's audited financial statements for the years ended October 31, 2019, 2018, 2017, and 2016.

	2019 US$	2018 US$	2017 US$	2016 US$
Sales	11,750,350	14,673,658	10,699,117	4,703,528
Cost of Sales	(10,729,419)	(13,502,330)	(9,476,007)	(4,600,463)
Gross Profit	1,020,931	1,171,328	1,223,110	103,065
Income before income taxes	730,337	697,267	736,284	(312,218)
Income Tax (Expense) Recovery	(191,683)	(73,383)	(194,476)	133,063
Net income (Loss) for the year	538,654	623,884	541,808	(179,155)
Interest Income	173,085	101,284	17,962	29,280
Bank Loan, including current portion	-	78,412	416,882	702,230
Total Assets	5,211,388	4,774,437	3,315,232	2,729,318
Basic and diluted earnings (loss) per share	0.011	0.013	0.014	(0.004)

The main components making up the total assets balance as at October 31, 2019 of $5,254,018 (2018: 4,774,437) are: $1,146,260 (2018: $1,250,290) due from non-controlling interest; $643,860 (2018: $868,059) property, plant and equipment; $390,916 (2018: $552,351) in cash; $2,358,108 (2018: $1,240,730) in accounts receivable, with the growth in balance between years reflecting the high sales revenue in quarter 4; and $649,498 (2018: $836,551) in inventories, comprising mostly of stock on hand.

LIQUIDITY AND CAPITAL RESOURCES

At October 31, 2019, the Corporation had cash of $390,916 (October 31, 2018: $552,351) and working capital of $2,048,165 (October 31, 2018: $1,477,490). 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 long-term debt.

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

	12 Months Ended Oct 31 2019 US$	Oct 31 2018 US$
Cash provided by (used) in operating activities	115,476	739,381
Cash used in investing activities	(151,737)	(269,949)
Cash provided by (used) in financing activities	(75,561)	(335,929)
Increase (Decrease) in cash	(111,822)	133,503

Operations provided $44,973 in cash during the year ended October 31, 2019 (October 31, 2018 provided $739,382) largely due to timing of supplier payments as well as payment of dividend payment of $215,127 to Amandla Amakhulu (Pty) Ltd, ("AAM"), a 100% black, privately owned, and ringfenced, company incorporated in South Africa, who acquired 30% of the issued shares of Southern Coal, from Canaf's wholly owned subsidiary, Quantum, for the value of 18 million Rand.

Repayment of the 14 million Rand loan from ABSA bank, which was drawn down in February 2015, concluded in the first quarter of 2019, and represents the cash used in financing activities in the twelve months ended October 31 2019.

Except as described above, 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.

ECONOMIC DEPENDENCE

Sales from the Corporation's South African coal processing business are substantially been derived from three 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, 2019, trade receivables of $2,339,210 (October 31, 2018: $1,240,730) were due from these customers and were collected subsequent to quarter-end.

REVENUE RECOGNITION

Revenue from the sale of calcined anthracite is recognized upon transfer of title, which is completed when the physical product is delivered to customers and collection is reasonably assured. Interest and other income are recognized when earned and collection is reasonably assured.

COMMITMENT

The Corporation has 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 ($2,369). Future minimum annual lease payments are as seen below. The Corporation plans to agree extended terms for the lease of its premises for a further 5 years, during 2020.

	US$
2020	27,890
2021	4,648
	32,538

CONTRACTUAL OBLIGATIONS

The bank loan matured on January 7, 2019.

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), David Way (Chairman of the Board and Director of the Corporation) and Peter Wassenaar (Director) who replaced Kevin Corrigan on the 1st August 2019.

Fees incurred for services by key management personnel during the year ended October 31, 2019 and 2018 were as follows:

		12 Months Ended	
		Oct 31 2019	**Oct 31 2018**
Services	**Party**	**US$**	**US$**
Professional Fees	CFO and director of the Corporation	25,347	15,649
Professional Fees	Former CFO and director of the Corporation	-	28,706
Consulting Fees	President, CEO and director of the Corporation	72,606	84,209
Directors Fees	Directors of the coal processing operations in South Africa	114,165	127,024
Consulting Fees	Legal Counsel and Director of the Corporation	1,479	

OFF-BALANCE SHEET ARRANGEMENTS

The Corporation has no off-balance sheet arrangements

ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

A number of new accounting standards, amendments to standards, and interpretations have been issued but not yet effective up the date of issuance of the Company's consolidated financial statements. The Company intends to adopt the following standards when it becomes effective.

IFRS 16 – Leases

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases. The standard includes two recognition exemptions for lessees: leases of 'low-value' assets; and short-term leases. For those assets determined to meet the definition of a lease, at the commencement date, a lessee will recognize a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset. IFRS 16 also requires lessees to make more extensive disclosures than under IAS 17.

In transitioning to IFRS 16, a lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs. The Company will apply IFRS 16 on November 1, 2019 using the modified retrospective approach, which means the cumulative impact of adoption will be recognized as at November 1, 2019 and the comparatives will not be restated. The Company will elect to use the exemptions proposed by the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low-value.

In 2019, the Company continued its impact assessment of IFRS 16 and based on the Company's evaluation, IFRS 16 is expected to have a material effect on the consolidated financial statements by increasing the Company's recognized assets and liabilities. The Company does not expect a material impact to the consolidated statements of comprehensive loss or the consolidated statements of cash flows.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The details of Canaf's accounting policies are presented in Note 2 of the audited Financial Statements for the year ended October 31, 2019. 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 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(o) 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 has outstanding debt obligations that are payable in South African Rand. 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 two customers for its calcine sales. The Corporation has assessed its exposure to credit risk and has determined that no significant risks exist 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 $2,048,166 as at October 31, 2019. 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.

Interest Rate Risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Corporation is not exposed to significant interest rate risk.

Commodity Price Risk

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

Fair Value

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

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

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

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

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

The Corporation's financial assets measured at fair value through profit or loss use Level 1 valuation techniques during the year ended October 31, 2019. The carrying values of the Corporation's financial assets and liabilities approximate their fair values as at October 31, 2019.

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 at October 31, 2019 totaled $8,079,463 (2018: $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 quarter ended October 31, 2019.

RISKS AND UNCERTAINTIES

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

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

Exploration and Development

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

Operating Hazards and Risks

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

Metal and Mineral Prices

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

Political Risk

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

Environmental Factors

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

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

Cash Flows and Additional Funding Requirements

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

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

Enforcement of Civil Liabilities

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

Management

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

CAUTIONARY STATEMENTS ON FORWARD-LOOKING INFORMATION

This MD&A together with the Corporation's consolidated financial statements for the year ended October 31, 2019 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