CANAF

INVESTMENTS INC

For the period ended 31st July 2019

Management Discussion & Analysis

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

(Unaudited – Prepared by Management)

INTRODUCTION

Date Prepared: September 24, 2019.

This Management Discussion and Analysis, ("MDA") covers the operations of Canaf Investments Inc. (formerly Canaf Group Inc.) ("Canaf" or the "Corporation") for the quarter ended July 31, 2019 and should be read in conjunction with the audited consolidated Financial Statements for the year ended October 31, 2018 and related notes and the consolidated interim unaudited Financial Statement for the quarter ended July, 31, 2019. The Financial Statements are presented in accordance with International Financial Reporting Standards ("IFRS"). Canaf's accounting policies are described in Note 2 of the interim unaudited Financial Statement for the quarter ended July, 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 canafgroup.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.

OVERALL PERFORMANCE AND OUTLOOK

Sales grew in Q3 2019 to $3,422,222, which is in line with sales of the same quarter in 2018 ($3,444,253). Year to date sales are $7,680,313, which is 37% behind last year's sales (2018: $12,137,604). Gross profit margins are up in Q3 (2019: 11%, $384,581) compared to the same quarter in 2018 (2018: 7%, $235,093) Net income for the third quarter was $222,208, (2018: $65,008) and year to date is $413,286 (2018: $516,105); while this is still $102,819 (20%) behind last year, it's a reflection that the decline seen in the first two quarters is reversing.

The main reason for the increase in sales in comparison to the previous quarter is due to an increase in demand from existing customers. The Company can also confirm also that it expects to reflect a further increase in sales in Q4, as a new customer comes online.

The Company is pleased to confirm that the trials sent to a new potential customer in Q1 2019 have materialized in to an intention for a regular off-take; this increase in demand should be reflected in Q4 2019.

During the period, the Company completed the transfer of its first property investment in Johannesburg for an overall cost of approximately $125,000. The property should yield a net return of in excess of 10% per annum.

Whilst the Corporation has reported sales and profits for the period that are behind 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.

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 quarter ended July 31, 2019, with a comparison in Canadian Dollars.

	July 31		**Jul 31**	
	9 Months Ended		**9 Months Ended**	
	2019	**2018**	**2019**	**2018**
	US$	**US$**	**CDN$**	**CDN$**
Conversion 1.00 US (av. months)			**1.331**	**1.304**
Revenue from Sales	7,680,313	12,137,604	10,221,211	15,831,113
Cost of Sales	(6,887,814)	(11,204,417)	(9,166,528)	(14,613,955)
Gross Profit	792,499	933,187	1,054,683	1,217,159
Expenses	(362,240)	(444,535)	(482,081)	(579,808)
Interest Income	127,108	53,645	169,160	69,969
Other Income	13,469	0	17,925	0
Income Tax Recovery (Expense)	(157,550)	(26,192)	(209,673)	(34,162)
Net Income for the year	413,286	516,105	550,014	673,157
Attributable to the Shareholders	291,683	516,105	388,182	673,157
Attributable to the Non-Controlling Interest	121,602	0	161,832	0
Adjusted EBITDA	737,339	820,657	981,274	1,070,385
Conversion 1.00 US (closing position)	**2019**	**2018**	**1.310**	**1.313**
Total Assets	5,730,289	4,474,719	7,508,146	6,216,776
Bank Loan	0	174,801	0	102,100
Total Equity	4,032,316	2,543,895	5,283,367	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*

	July 31 9 Months Ended 2019 US$	**2018 US$**	**July 31 9 Months Ended 2019 CDN$**	**2018 CDN$**
Conversion 1.00 US Dollar Rate			**1.331**	**1.304**
Net Income for the year	413,286	516,105	550,014	673,157
Interest Paid	1,398	25,747	1,861	33,582
Interest Received	(127,108)	(53,645)	(169,160)	(69,969)
Foreign Exchange Gain/ (Losses)	(59)		(78)	
Depreciation	292,272	306,258	388,964	399,453
Income Taxes	157,550	26,192	209,673	34,162
Adjusted EBITDA	737,339	820,657	981,274	1,070,385

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 $135,442.

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.

The legal work, carried out by MMAKS Advocates, Kampala, against KML is at no cost to the Corporation, but any award in favour of the Corporation will be distributed to both MMAKS and the Corporation.

Despite the fact that the claim against KML Corporation remains active, the Corporation is unable to give an indication of either the quantum or any likely date by which the arbitration will be concluded.

RESULTS OF OPERATIONS

QUARTER ENDED APRIL 30, 2019

Sales improved in Q3 2019 to $3,422,222 and nine-month revenue grew to $7,680,313; 37% behind last year's sales (2018: $12,137,604). Gross profits are 15% behind compared to the same 9-month period last year (2019: $792,499, 2018: $933,187). Net income followed the same trend being 20% behind compared to the first nine months of 2018 (2019: $413,286, 2018: $516,105). The expected improved sales compared to the previous quarter was driven by increased demands for Southern Coal's product from its two main customers. The Corporation expects Q4 to reflect a further increase in sales as a new customer comes online.

	3 Months Ended July 31				9 Months Ended July 31			
	2019	**2018**	**Variance**		**2019**	**2018**	**Variance**	
	US$	**US$**	**US$**	**%**	**US$**	**US$**	**US$**	**%**
SALES	3,422,222	3,444,253	(22,031)	-1%	7,680,313	12,137,604	(4,457,291)	-37%
COST OF SALES	(3,037,641)	(3,209,160)	171,519	5%	(6,887,814)	(11,204,417)	4,316,603	39%
GROSS PROFIT (LOSS)	384,581	235,093	149,488	64%	792,499	933,187	(140,688)	-15%
EXPENSES								
General and Administrative	(121,380)	(140,009)	18,629	13%	(360,900)	(418,788)	57,888	14%
Interest on Bank Loan	-	(5,838)	5,838	100%	(1,398)	(25,747)	24,349	95%
Foreign Exchange Gain	2,187	-			59		59	
	(119,194)	(145,847)	26,653	18%	(362,240)	(444,535)	82,295	19%
INCOME (LOSS) BEFORE OTHER ITEM	265,387	89,246	176,141	197%	430,259	488,652	(58,393)	-12%
Interest Income	43,200	8,546	34,654	406%	127,108	53,645.00	73,463	137%
Other Income	2,909	-	2,909		13,469	-	13,469	
INCOME (LOSS) BEFORE INCOME TAXES	311,496	97,792	213,704	219%	570,836	542,297	28,539	5%
Current Income Tax (Expense)	(89,289)	(32,784)	(56,505)	172%	(157,550)	(26,192)	(131,358)	502%
Deferred Income Tax Recovery	-	-	-				-	
NET INCOME (LOSS) FOR THE PERIOD	222,208	65,008	157,200	242%	413,286	516,105	(102,819)	-20%

Sales

Revenue for Q3 was $3,422,222 (2018: $3,444,253), which was similar levels to the same quarter last year. Year to date revenues are 37% behind compared to the same nine months in 2018 (2019: $7,680,313, 2018:$12,137,604). Despite the overall sales year-to-date lagging last year, Q3 reflects a significant increase which the Company can confirm will continue in to Q4 2019.

Cost of Sales

Cost of sales was 5% lower than the same period last year (2019: $3,037,641, 2018: $3,209,160) even though sales were on similar levels. The fall in operating costs compared to Q3 2018 was primarily due to reduced machinery rental costs generated by the acquisition of a front-end loader.

	3 Months Ended July 31		**9 Months Ended Jul 31**	
	2019 US$	**2018 US$**	**2019 US$**	**2018 US$**
Inventories, Beginning of the Year	475,645	418,389	836,551	472,221
Analysis Fees	3,491	858	4,689	5,043
Depreciation	93,514	100,490	289,891	306,258
Electricity	12,036	127,923	45,361	385,520
Fuel, Oil and Lubricants	23,334	7,821	70,805	30,096
Professional and Project Management Fees	2,131	2,768	9,575	8,318
Medical Expenses	1,872	1,853	6,899	8,330
Product Purchases	2,952,546	2,684,479	5,635,678	8,864,135
Protective Clothing	3,027	2,781	6,737	7,880
Provident Fund	5,383	3,165	13,527	9,648
Machinery Rental	36,510	112,946	67,720	369,281
Repairs and Maintenance	43,405	155,020	165,054	419,233
Salaries and Benefits	86,497	100,095	248,908	307,568
Transportation	193,002	176,555	381,171	696,869
Inventories, End of the Quarter	-894,752	-685,983	-894,752	-685,983
	3,037,641	3,209,160	6,887,814	11,204,417

General and Administrative Expenses:

	3 Months Ended July 31				9 Months Ended July 31			
	2019	**2018**	**Variance**		**2019**	**2018**	**Variance**	
	US$	**US$**	**US$**	**%**	**US$**	**US$**	**US$**	**%**
Bank Charges and Interest	4,098	11,582	7,484	183%	5,954	13,160	7,206	121%
Consulting Fees	18,626	18,709	82	0%	54,698	65,981	11,282	21%
Management Fees	26,715	29,552	2,837	11%	88,577	99,260	10,683	12%
Office, Insurance and Sundry	14,115	15,424	1,310	9%	47,589	42,218	-5,371	-11%
Professional Fees	43,494	39,339	-4,155	-10%	91,152	95,026	3,874	4%
Promotion	758	0	-758	-100%	2,243	0	-2,243	-100%
Telephone	2,157	3,512	1,355	63%	7,065	14,234	7,169	101%
Transfer Agent and Filing Fees	501	3,986	3,485	696%	8,766	12,720	3,954	45%
Travel	5,039	11,305	6,266	124%	19,292	30,575	11,283	58%
Broad-Based Black Economic Empowerment	5,878	6,601	723	12%	35,563	45,615	10,052	28%
	121,380	140,009	18,629	15%	360,900	418,788	57,888	16%
Foreign Exchange gain	-2,187	0	2,187	-100%	-59		59	-100%
Finance Costs	0	5,838	5,838		1,398	25,747	24,349	1741%
Expenses	119,194	145,847	26,654	22%	362,240	444,535	82,295	23%
Interest Income	-43,200	-8,546	34,654	-80%	-127,108	-53,645	73,463	-58%
Other Income	-2,909	0	2,909	-100%	-13,469	0	13,469	-100%
	73,084	137,301	64,217	88%	221,663	390,890	169,228	76%

Expenses

Expenses for the third quarter were $119,194, compared with $145,847 for the same quarter in 2018, and are now 23% behind the same nine-month period in 2018 (2019: $362,240, 2018: $444,535). Apart from the weaker South African Rand reducing the cost of sales in USD, a number of changes in professional fees and other support services for the Canadian parent have taken place over the course of 2018, and the impact of these are being seen in the 2019 cost base.

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 nine months ended April 30 2019.

Interest Income

Interest income for the quarter was $43,200 for interest earned on cash on hand. Total interest income this financial year equals $127,108, compared with $53,645 for the same 9 months in 2018.

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 quarters comprehensive gain on foreign exchange to the amount of $44,999 (2018: $ -115,670) is primarily as a result of the translation into USD, the reporting currency. As at July 31, 2019, the Corporation has accumulated other comprehensive losses of $1,631,276 (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.

	Three Months Ended			
	Jul 31, 2019	**Apr 30, 2019**	**Jan 31, 2019**	**Oct 31, 2018**
	US$	**US$**	**US$**	**US$**
Sales	3,422,222	1,838,458	2,419,633	2,530,979
Gross Profit	384,581	78,399	329,519	233,066
Net Income (Loss)	222,208	3,711	187,367	108,996
Net Comprehensive Income (Loss) for the period	267,206	(284,388)	588,581	(342,307)
Basic and diluted earnings (loss) per share	0.00	0.00	0.00	0.00
	Three Months Ended			
	Jul 31, 2018	**Apr 30, 2018**	**Jan 31, 2018**	**Oct 31, 2017**
	US$	**US$**	**US$**	**US$**
Sales	3,444,253	5,425,213	3,273,213	2,255,450
Gross Profit	235,093	454,607	248,562	333,885
Net Income (Loss)	65,008	262,753	187,126	(53,908)
Net Comprehensive Income (Loss) for the period	(50,662)	138,299	552,815	(183,066)
Basic and diluted earnings (loss) per share	0.01	0.01	(0.00)	0.00

The Corporation expects sales at least maintain similar levels into Q4 2019. There does however remain a level of uncertainty in the steel and manganese markets, which subsequently filters back to demand for Southern Coal's product.

LIQUIDITY AND CAPITAL RESOURCES

At July 31, 2019, the Corporation had cash of $1,488,225 (October 31, 2018: $552,351) and working capital of $2,010,088 (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

	9 Months Ended	
	Jul 31, 2019	**Oct 31, 2018**
	US$	**US$**
Cash provided by (used) in operating activities	1,051,804	739,381
Cash used in investing activities	122,272	(269,949)
Cash provided by (used) in financing activities	(78,412)	(335,929)
Increase (Decrease) in cash	1,095,664	133,503

Operations used $1,051,804 in cash during the nine months of fiscal year-end 2019 (October 31, 2018 provided $739,381) largely due to timing of supplier payments, as well as payment of dividend payment of $135,442 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.

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 have substantially been derived from two customers and as a result, the Corporation is economically dependent on these customers. The Corporation's exposure to credit risk is limited to the carrying value of its accounts receivable. As at July 31, 2019, trade receivables of $1,299,636 (October 31, 2018: $1,240,730) were due from these customers and were collected subsequent to quarter-end. The Corporation has, since the reporting date, started to supply a new customer which it hopes to secure with a long-term off-take agreement.

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 ($2,490). Future minimum annual lease payments are as seen below. The Corporation hopes to agree extended terms for the lease of its premises for a further 5 years, during 2019.

	US$
2019	7,471
2020	29,885
2021	4,980
	42,337

CONTRACTUAL OBLIGATIONS

The bank loan beared interest at 10.25% per annum, and 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) appointed July 2018, David Way (Chairman of the Board and Director of the Corporation) and Kevin Corrigan (previous Independent Director of the Corporation) who subsequently resigned on the 1st August 2019 and has been replaced by Peter Wassenaar (Director).

Fees incurred for services by key management personnel during the nine-month period ended July 31, 2019 and 2018 were as follows:

		9 Months Ended	
		Jul 31 2019	Jul 31 2018
Services	**Party**	**US$**	**US$**
Professional Fees	CFO and director of the Corporation	19,755	9,490
Professional Fees	Former CFO and director of the Corporation		28,921
Consulting Fees	President, CEO and director of the Corporation	54,698	65,981
Directors Fees	Directors of the coal processing operations in South Africa	86,865	99,260

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.

a) IFRS 9 – Financial Instruments

IFRS 9 as issued reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets as defined in IAS 39. The mandatory effective date has been set for annual periods beginning on or after January 1, 2018 with early adoption permitted. The Company does not intend to early adopt IFRS 9. Based on current facts and circumstances, the Company do not expect its financial performance or disclosure to be materially affected by the application of the standard.

b) IFRS 15 – Revenue from Contracts with Customers

IFRS 15 clarifies the principles for recognizing revenue from contracts with customers. IFRS 15 will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively, and improve guidance for multiple-element arrangements. The standard is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted. The Company does not intend to early adopt IFRS 15. Based on current facts and circumstances, the Company do not expect its financial performance or disclosure to be materially affected by the application of the standard.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The details of Canaf's accounting policies are presented in Note 2 of the unaudited Financial Statements for the quarter ended July 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 $2,010,088 as at July 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, 2018. The carrying values of the Corporation's financial assets and liabilities approximate their fair values as at July 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 July 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 July 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

Although since the acquisition of Quantum, the Corporation has significant revenues from operations, the majority of sources of funds currently available to the Corporation for any future acquisition and development projects 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.

Title to Assets

Although the Corporation has or will receive title options for any concessions in which it has or will acquire a material interest, there is no guarantee that title to such concessions will be not challenged or impugned. In some countries, the system for recording title to the rights to explore, develop and mine natural resources is such that a title opinion provides only minimal comfort that the holder has title. Also, in many countries, claims have been made and new claims are being made by aboriginal peoples that call into question the rights granted by the governments of those countries.

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 quarter ended July 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