



Management's Discussion & Analysis

For the Period Ended
July 31, 2015

(Expressed in U.S. Dollar)

INTRODUCTION

The following Management's Discussion and Analysis ("MD&A") is intended to assist the reader to assess material changes in financial conditions and results of operations of Canaf Group Inc. ("the Corporation") as at July 31, 2015 and for the six-month period ended, in comparison to the same period in 2014.

This MD&A should be read in conjunction with the consolidated financial statements for the year ended October 31, 2014 and supporting notes. These consolidated financial statements have been prepared using accounting policies consistent with IFRS and in accordance with International Accounting Standard 34 ("IAS 34") – Interim Financial Reporting.

Additional information relating to the Company is available on SEDAR at www.sedar.com.

The effective date of this MD&A is September 17, 2015.

DESCRIPTION OF BUSINESS

Canaf Group Inc., (the "Company") is incorporated in the Province of Alberta and wholly owns a company in South Africa, Quantum Screening and Crushing (Proprietary) Limited ("Quantum"). Quantum, through its wholly owned subsidiary, Southern Coal (Pty) Ltd., processes anthracite coal into de-volatised (calcined) anthracite for sale mostly to steel and ferromanganese manufacturers as a substitute product for coke.

Quantum – Calcined Anthracite, South Africa

Quantum produces calcined anthracite, a product used primarily as a substitute to coke in the manufacturing process of steel and manganese. Quantum's two largest clients are African leaders in steel and ferromanganese production. Quantum has an operation near Newcastle, KwaZulu Natal, where its three kilns operate, de-volatising the raw material anthracite, known as calcining. The majority of Quantum's feedstock anthracite is supplied by the neighbouring Springlake Colliery, which has reserves in excess of 15 years.

Calcining is a process whereby anthracite coal is fed through a rotary kiln, at temperatures between 850 and 1100 degrees centigrade; the volatiles are burnt off and the effective carbon content increased. The final product, referred to as 'calcined anthracite' is used as a coke substitute. Calcined anthracite is used as a reductant in the manufacture of steel and manganese, as well as other sintering processes. Quantum, through its wholly owned subsidiary Southern Coal (Proprietary) Limited, ("Southern Coal") has been profitably carrying on this business since 2004.

OVERALL PERFORMANCE AND OUTLOOK

Despite the 3-month period end July 31, 2015 representing a significant reduction in sales, the Company did successfully commission its new efficient and environmentally compliant facility.

Revenue for the nine-month period decreased to US\$8,162,896 from US\$9,175,307 the previous year, and net income after tax decreased to US\$208,058 from US\$330,239; this was as expected due to the global economic slowdown, stemmed from China, which has subsequently adversely affected the steel and manganese markets in South Africa.

Despite these challenging conditions, the Company remains confident that the long-term outlook is positive for its product. The successful commissioning of the new efficient calcining facility combined with the Company's strong financial position of holding relatively high levels of cash, positions the Company so that it will be able to take full advantage of a turnaround in the commodity market, when it comes.

The Company remains hopeful that a new supply contract will be finalised during Q4 2015, as well as recovery in the market during Q2, 2016.

COMMISSIONING OF NEW CALCINING FACILITY

During the quarter, the Company successfully commissioned the new environmentally compliant and electrically efficient Calciner 3, within budget and on time.

Since commissioning, in specification product has been produced. During the final quarter Calciner 3 will be utilized to produce product, albeit at productions below the design rate, as final modifications and improvements are implemented, which should be completed by the end of the current financial year.

Calciner 3 will produce the same product as Quantum's existing two plants; however, the design is far more environmentally beneficial and does not use electricity as its source of heat. This new, autogenous (self-sustaining) calciner will offer the following benefits to the Company, which include:

1. Reduction of electricity consumption by 95% for each tonne of calcine product produced (from the new calciner).
2. Increase of current overall capacity of Quantum by up to 40-60%.
3. Significant environmental improvements compared to Quantum's existing calciners.

Financing Terms for Calciner 3

The total investment for the new calcining facility is approximately R22.5million comprised of the cost of the facility (R20million) and associated infrastructure costs (R2.5million approx). R8.5million has been funded from the Company's working capital and R14million is being debt financed by a South African bank. The Company is confident that after commissioning of the new facility, operating cash-flow will increase by up to 30% due to significant improvements in operating efficiencies, and based on existing orders remaining constant. The bank facility will be paid down over 42 months.

Financial Highlights

During the 9-month Period Ended July 31, 2015, the Company:

- recorded an EBITDA of US\$688,524, net income after tax of \$208,058 and a revenue of \$8,162,896.
- invested US\$765,167 in new plant and equipment, mostly comprised of deposits and interim payments for the new calcining plant which was commissioned in July 2015.
- completed a successful trial test for supply to a new customer; negotiations are ongoing and the company is hoping to start supply during Q4, 2015.
- successfully commissioned a new environmentally compliant and electrically efficient calcining facility.

Selected Financial Information

Due to the fact that the Company is listed on the TSX-V and is quoted in Canadian Dollars, the Company has prepared some key financial information. The following financial information is derived from the Company's audited financial statements for the 6-month periods ended July 31, 2015, with a comparison in Canadian Dollar.

	9-month end July 31,		9-month end July 31,	
	2015	2014	2015	2014
	US\$	US\$	CDN\$	CDN\$
Conversion 1.00 US Dollar Rate			1.298	1.087
Revenue from Sales	8,162,896	9,175,307	10,594,600	9,975,300
Cost of Sales	7,361,595	8,282,513	9,554,610	9,004,670
Gross Profit	801,301	892,794	1,039,990	970,630
Expenses	(409,774)	(363,089)	(531,846)	(394,747)
Income Tax Expenses	(183,469)	(199,466)	(238,124)	(216,857)
Net Income for the period	208,058	330,239	270,020	359,026
Adjusted EBITDA*	688,524	443,626	893,634	482,306
Total Assets	3,838,055	4,135,113	4,981,410	4,495,650
Bank Loan	1,116,919	-	1,449,650	-
Debentures	-	100,000	-	108,719
Due to Related Parties	-	-	-	-
Total Equity	1,831,738	1,845,054	2,377,410	2,005,920

**Reconciliation of Adjusted EBITDA and Profit*

	9-month end July 31,		9-month end July 31,	
	2015	2014	2015	2014
	US\$	US	CDN\$	CDN\$
Conversion 1.00 US Dollar Rate			1.202	1.087
Net Income	208,058	130,127	270,038	141,473
Financial cost	52,692	7,748	68,389	8,424
Depreciation	244,305	106,285	317,083	115,552
Taxes	183,469	199,466	238,124	216,857
Adjusted EBITDA	688,524	443,626	893,634	482,306

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

South African Business Performance - Quantum Screening and Crushing (Pty) Ltd

(in South African Rand)	3-month end July 31,	
	2015	2014
	ZAR	ZAR
Sales	25,394,649	36,233,044
Cost of sales	(23,786,424)	(32,956,643)
Gross Profit	1,608,225	3,276,401
Expenses	(1,036,341)	(1,122,728)
Income tax expense	(542,037)	(603,029)
Net income for the period	29,847	1,550,644

The table above shows that Quantum's revenue for the 3-month period end July 31, 2015, decreased by 30% to R25,394,649 in comparison to the same period last year, and was 40% down in comparison to the previous quarter. The decrease of revenue to these reduced levels was due to the reduction in demand of Quantum's product, caused by an immediate slowdown in production of manganese and steel in South Africa, which has ultimately been caused by the global slowdown in commodity consumptions, stemmed from the economic slowdown in China. The Company expects demand for its product from existing contracts, to remain at low levels until mid 2016. That being said, the Company is hopeful that a new supply contract will materialize during Q4, 2015.

Update on Ugandan Case 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"), and in April 2009, successfully won an injunction preventing the sale and privatisation of the Kilembe Copper-Cobalt Project by the Government of Uganda. In January 2013, the high court of Uganda referred the case back to arbitration for settlement.

On May 29, 2013, a preliminary meeting was held between the Company, KML and the arbitrator. The Company can confirm that further meetings were scheduled for August 2013, after filings of amended statements of defence and claims had been submitted. Since the initial meeting however the Government has awarded a deal to a Chinese Consortium to manage and operate KML. The Company's appointed

Ugandan Advocates have notified the board that the Arbitrator has stepped down on account of age. The Advocates are presently in discussions with the Government's Solicitor General to agree on a new Arbitrator who will handle the case de novo.

In the meantime the Company appointed SRK Consultants to prepare a brief document to quantify the 'lost opportunity' value of the termination of the Kilembe Project. During the current financial year the Company will utilize this document to assist in the submission of a revised claim against KML.

The Company has received no new information since Q2, 2014, and the Company remains unable to give an indication of either the quantum or any likely date by which a settlement will or will not be reached. The original claim, before costs, is for a money sum of US\$10,370,368 as at the 24th January 2007.

RESULTS OF OPERATIONS

Nine Month Period Ending July 31, 2015

For the period ended July 31, 2015, the Company reported a net income of \$208,058 decreased from \$330,239 for the previous year. The decrease in net income was directly related to a decrease in sales during the period.

	<u>July 2015</u>	<u>July 2014</u>
Sales	\$ 8,162,896	\$ 9,175,307
Cost of sales	<u>(7,361,595)</u>	<u>(8,282,513)</u>
Gross Profit	801,301	892,794
Expenses	(409,774)	(363,089)
Income tax expense	<u>(183,469)</u>	<u>(199,466)</u>
Net income for the period	<u>\$ 208,058</u>	<u>\$ 330,239</u>

Sales

For the period ended July 31, 2015 revenue decreased 11% to \$8,162,896 from \$9,175,307 the same period last year. The decrease in Sales was due to the global economic slowdown and subsequent reduction of consumption of commodities.

Expenses

For the period ended July 31, 2015 expenses increased by 0.59%; the main reason for this is due to the increase in financing cost of the bank loan to facilitate the new calcining facility. Differences in expenses incurred are as follows:

	July 31, 2015 \$	July 31, 2014 \$
General and Administrative	363,680	361,557
Interest on Bank Loan	52,692	865
Interest on Debentures	-	6,883
Interest Income	<u>(6,598)</u>	<u>(6,216)</u>
	<u>409,774</u>	<u>363,089</u>

General and administrative expenses

- Directors and officers of Quantum, a subsidiary of the Company in South Africa, billed the Company \$98,567 (2014-\$99,717) for management services.
- The Company incurred \$54,163 (2014-\$54,880) in consulting fees relating to consulting and management services by the President of the Company. The President works full-time for the Company.
- Professional fees included audit, tax, accounting fee and legal of \$75,164 (2014-\$78,734).
- Transfer agent and filing fees of \$9,771 (2014-\$12,178) consisted of fees paid to regulatory bodies in Canada in connection with routine filings.
- The Company incurred \$37,762 (2014-\$52,631) in travel costs.

Interest Income

- The Company's interest income increased to \$6,598 (2014-\$6,216) for the period ended July 31, 2015 due to more cash on hand to invest in interest bearing financial assets.

Finance Cost

- The bank loan was subject to interest at 9.25% per annum compounded monthly, with \$52,692 (2014-\$865) of interest expense for the period.

Income Taxes

For the period ended July 31, 2015, the Company reported income taxes of \$183,469, which reflects 8% decrease compared to the same period last year.

A majority of the future income tax assets originating in Canada include tax-loss carry forwards for which a valuation allowance has been recorded. The deferred tax liability included in the balance sheet of \$108,053 (October 31, 2014-\$50,392) was recorded to reflect the temporary difference originated on the value assigned to plant and equipment in South Africa.

Comprehensive Income

The Company is not subject to currency fluctuations in its core activities however the Company is subject to transactions in various currencies and the volatility in international currency markets does have an impact on some costs and translation into the reporting currency of the Company. The current period comprehensive loss on foreign exchange in the amount of \$292,577 (2014-\$200,112) mostly as a result of the translation of foreign-currency denominated balances from the functional currency to the reporting currency. As at July 31, 2015, the Company has accumulated other comprehensive loss of \$1,257,491 (October 31, 2014 - \$964,914). The Company does not hedge net asset translation movements, but where necessary and appropriate hedge currency risk for trading items.

Three Month Period Ending July 31, 2015

For the three-month period ended July 31, 2015, the Company reported a net loss of \$45,901 in comparison to a net income of \$102,051 for the same quarter the previous year. This loss represents a

significant reduction in demand for the Company's product, which is directly related to the global commodity downturn stemmed from the unexpected economic slowdown in China. The Company is confident that its robust financial position will allow it to continue to trade through a significant period of reduced sales. That being said, the following quarter will represent increased efficiencies from the commissioning of the new efficient facility; the Company is also hopeful that a new supply contract will materialize during October/November 2015.

	July 31, 2015 \$	July 31, 2014 \$
Sales	2,075,219	3,428,792
Cost of sales	(1,946,994)	(3,127,160)
Gross Profit	128,225	301,632
Expenses	(129,769)	(133,925)
Income tax expense	(44,357)	(65,656)
Net income (loss) for the period	<u>(45,901)</u>	<u>102,051</u>

Sales

For the three-month period ended July 31, 2015 revenue decreased to \$2,075,219 from \$3,428,792 the previous year.

Expenses

For the three-month period ended July 31, 2015 expenses decreased to \$129,769 from \$133,925 the previous year. Differences in expenses incurred are as follows:

	July 31, 2015 \$	July 31, 2014 \$
General and Administrative	106,270	134,292
Interest on Bank Loan	26,421	110
Interest on Debentures	-	1,512
Interest Income	(2,922)	(1,989)
	<u>129,769</u>	<u>133,925</u>

General and administrative expenses

- Directors and officers of Quantum, a subsidiary of the Company in South Africa, billed the Company \$28,479 (2014-\$32,932) for management services.
- The Company incurred \$17,944 (2014-\$19,632) in consulting fees relating to consulting and management services by the President of the Company. The President works full-time for the Company.
- Professional fees included audit, tax, accounting fee and legal of \$21,609 (2014-\$29,567).

- Transfer agent and filing fees of \$3,673 (2014-\$4,248) consisted of fees paid to regulatory bodies in Canada in connection with routine filings.
- The Company incurred \$13,637 (2014-\$18,924) in travel costs.

Interest Income

- The Company's interest income increased to \$2,922 (2014-\$1,989) for the period ended July 31, 2015.

Finance Cost

- The Company issued debentures totalling \$150,000, which bears interest of 6% per annum, with \$Nil (2014-\$1,512) of interest expense for the period. \$100,000 of the loan remained outstanding as at July 31, 2014.
- The bank loan was subject to interest at 9.25% per annum compounded monthly, with \$26,421 (2014-\$110) of interest expense for the period.

Income Taxes

For the three-month period ended July 31, 2015, the Company reported income taxes of \$44,901, which reflects \$21,299 decrease compared to the same period last year.

SUMMARY OF QUARTERLY REPORTS

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

	Three Months Ended			
	July 31, 2015 \$	April 30, 2015 \$	January 31, 2015 \$	October 31, 2014 \$
Sales	2,075,219	3,408,800	2,678,877	4,081,917
Gross Profit	128,225	441,205	231,871	379,049
Net Income (Loss)	(45,901)	207,407	46,552	82,111
Basic and diluted (loss) per share	0.00	0.00	0.00	0.00

	Three Months Ended			
	July 31, 2014 \$	April 30, 2014 \$	January 31, 2014 \$	October 31, 2013 \$
Sales	3,428,792	2,491,792	3,254,723	4,363,974
Gross Profit	301,632	232,116	359,046	476,135
Net Income(Loss)	102,051	66,796	161,392	140,504
Basic and diluted loss per share	0.00	0.00	0.00	0.00

The table above shows that Quantum's revenue for the period end July 31, 2015, reflects a 39% decrease in comparison to the previous year. The last quarter also represents the first loss for the Company since fiscal year end 2009. The Company is confident that subject to the signing of a new supply contract and

the successful ramping up of its new calcining facility, results will return to being profitable.

The difference in the growth between the South African revenue and the reported Canadian revenue is due to the devaluation of the South African currency between the periods.

Financial position

Revenue from the sale of calcine and coal has historically been derived from two customers and as a result the company is dependent on these customers for its revenue. The Company however has been actively working on increasing its customer base and has goals to be supplying at least three different facilities by the end of the current fiscal year.

The Company earned \$2,922 (2014-\$1,989) of interest income during the period ended July 31, 2015 on its long-term investment, and cash held in Canadian and South African banking institutions. The increase is due to the increase of cash on hand.

The main components making up the balance of \$3,838,055 of total assets as at July 31, 2015 are \$1,523,138 property, plant and equipment, \$991,360 in cash, \$814,593 in accounts receivable and \$459,678 in inventories, comprising mostly of stock on hand.

LIQUIDITY AND CAPITAL RESOURCES

At July 31, 2015, the Company had cash and cash equivalents of \$991,360 and working capital of \$416,652. All cash and cash equivalents are deposited in interest accruing accounts.

	July 31, 2015 \$	October 31, 2014 \$
Current assets	2,314,916	3,096,182
Plant and Equipment	1,523,138	501,378
Intangible Assets	1	1
Total Assets	<u>3,838,055</u>	<u>3,597,561</u>
Current Liabilities	1,898,264	1,630,912
Deferred Tax Liability	108,053	50,392
Total Liabilities	<u>2,006,317</u>	<u>1,681,304</u>
Shareholders' Equity	<u>1,831,738</u>	<u>1,916,257</u>
Working Capital	<u>416,652</u>	<u>1,465,270</u>

Significant working capital components include cash in current or interest bearing accounts, trade and other receivables, sales tax receivable, inventories, prepaid expenses and deposits, due to related parties, trade and other payables, sales tax payable, income tax payable, and current portion of long-term debt and due to related parties.

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

	July 31, 2015	2014
	\$	\$
Cash used in operating activities	979,118	280,847
Cash used in investing activities	(1,266,065)	(154,732)
Cash provided by financing activities	1,116,919	(77,412)
Change in cash	<u>829,972</u>	<u>48,703</u>

Operations generated \$979,118 in cash compared to \$280,847 utilized during the period ended July 31, 2014. The increase in cash generated from operations in 2015 as compared to 2014 is mainly due to a fluctuation in trade receivables and trade payables due to the purchase of equipment and inventories in our subsidiaries in South Africa.

Except as described above, the Company's management is not aware of any other trends or other expected fluctuations in its liquidity that would create any deficiencies. The Company's management believes that its cash balances will be sufficient to meet the Company's short-term and long-term requirements for ongoing operations and planned growth.

ECONOMIC DEPENDENCE

Sales from the Company's South African coal processing business are substantially derived from two customers and as a result, the Company is economically dependent on these customers. The Company's exposure to credit risk is limited to the carrying value of its accounts receivable. As at July 31, 2015, trade receivables of \$814,593 due from these customers was collected subsequent to period.

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 Company 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. The agreement offers the Company, in lieu of rent, feedstock coal to be delivered to its adjacent premises, which it purchases at market price. Should the Company decide to purchase feedstock coal from an alternative supplier which the lessor is otherwise able to provide, then a monthly rent of Rand 200,000 (\$18,103) is payable. To date, the Company has not been required to pay any rent for the premises as it has continued to purchase feedstock coal from the landlord.

CONTRACTUAL OBLIGATIONS

Shareholder's Loan ⁽¹⁾	7,921	-
ABSA Bank Limited R14 Million Facility	1,108,998	-
	1,116,919	-

- (1) The loan was unsecured, non-interest and without any fixed term of payment.
(2) The bank loan was subject to 9.25% nominal annual compounded monthly.

TRANSACTIONS WITH RELATED PARTIES

All of the undernoted fees are in respect to the period ended July 31, 2015, unless otherwise indicated.

- a) Consulting fee of \$54,614 (2014-\$54,880) was paid to a director of the Company, in consideration of management consulting services.
- b) Directors' management fees of \$98,567 (2014 - \$99,717) were paid to directors and officers of the Company for management compensation in the normal course of operation of the Company's subsidiaries in South Africa.
- c) Administrative and accounting fees of \$20,758 (2014 - \$37,589) were paid to a director of the Company for secretarial, general administrative and accounting services and overseeing regulatory filings and requirements.

OFF-BALANCE SHEET ARRANGEMENTS

The Company 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 standard was initially effective for annual periods beginning on or after January 1, 2013, but amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures, issued in December 2011, moved the mandatory effective date to January 1, 2015. The Company has not yet determined the impact of this standard on its consolidated financial statements.

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, 2017 and is to be applied

retrospectively. The Company has not yet determined the impact of this standard on its consolidated financial statements.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The details of Canaf's accounting policies are presented in Note 2 of the consolidated financial statements ended July 31, 2015. These policies are considered by management to be essential to understanding the processes and reasoning that go into the preparation of the Company's financial statements and the uncertainties that could have a bearing on its financial results.

MANAGEMENT FINANCIAL RISKS

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

Foreign Currency Risk

Foreign exchange risk arises because of fluctuations in exchange rates. The Company conducts a significant portion of its business activities in foreign currencies. The Company's subsidiaries, principally located in South Africa, routinely transact in the local currency, exposing the Company 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 Company has outstanding debt obligations that are payable in Canadian dollars and has issued securities convertible or exercisable into common shares at values expressed in Canadian dollars. The Company 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 Company 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 Company has a credit risk exposure related to its economic dependence on two customers for its calcine sales. The Company 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 Company will not be able to meet its financial obligations when they become due. The Company 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 Company's holdings of cash. The Company has a working capital of \$416,652 as at July 31, 2015. There can be no assurance that the Company 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. Interest on the Company's bank loan, debentures, and amount due to a related party is based on fixed rates, and as such, the Company is not exposed to significant interest rate risk.

Commodity Price Risk

The Company'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 Company has the ability to address its price-related exposures through the use of sales contracts.

Fair Value

The Company 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 Company's financial assets measured at fair value through profit or loss use Level 1 valuation techniques during the period ended July 31, 2015 and 2014. The carrying values of the Company's financial assets and liabilities approximate their fair values as at July 31, 2015.

CAPITAL RISK MANAGEMENT

The Company'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 Company manages its share capital as capital, which as at July 31, 2015, totalled \$8,079,463 (October 31, 2014 - \$8,079,463).

The Company 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 Company will be able to obtain debt or equity capital in the case of operating cash deficits.

The Company 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 Company 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 Company 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 Company's approach to capital management during the period ended July 31, 2015.

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 Company will file a Venture Issuer Basic Certificate with respect to the financial information contained in the unaudited interim financial statements and the audited annual 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.

RISKS AND UNCERTAINTIES

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

Exploration and Development

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

Operating Hazards and Risks

Operations in which the Company 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 Company 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 Company might not elect to insure itself against such liabilities due to high premium costs or other reasons, in which event the Company 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 Company 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 Company's future prospects cannot accurately be predicted.

Political Risk

Quantum is located in South Africa and consequently the Company 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 Company 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 Company'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 Company 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 Company 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 Company may undertake.

Cash Flows and Additional Funding Requirements

Although since the acquisition of Quantum, the Company has significant revenues from operations, the majority of sources of funds currently available to the Company for any future acquisition and development projects will in large portion be derived from the issuance of equity or project finance debt. Although the Company 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 Company.

Title to Assets

Although the Company 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 Company will be located outside of Canada and certain of the directors and officers of the Company will be resident outside of Canada. As a result, it may be difficult or impossible to enforce judgments granted by a court in Canada against the assets of the Company or the directors and officers of the Company residing outside of Canada.

Management

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

CAUTIONARY STATEMENTS ON FORWARD-LOOKING INFORMATION

This MD&A together with the Company's consolidated financial statements for the period ended July 31, 2015 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 Company 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 Company 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 Company's ability to predict or control, including risks that may affect the Company'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 Company'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 Company'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 Company receives regulatory and governmental approvals as are necessary on a timely basis; that the Company is able to obtain financing as necessary on reasonable terms; that there is no unforeseen

deterioration in the Company's activity costs; that the Company is able to continue to secure adequate transportation as necessary for its exploration activities; that the Company 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 Company'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 Company'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 Company 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 Company's actual results to differ materially from those estimated or projected and expressed in, or implied by, these forward-looking statements. The Company 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.

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