Management's Discussion & Analysis

YEAR ENDED
October 31, 2018
(Expressed in U.S. Dollar)

INTRODUCTION

Date Prepared: February 27, 2019.

This Management Discussion and Analysis ("MDA") covers the operations of Canaf Investments Inc. (formerly Canaf Group Inc.) ("Canaf" or the "Corporation") for the year ended October 31, 2018 and should be read in conjunction with the audited consolidated Financial Statements for the year ended October 31, 2018 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 Annual Financial Statements for the year ended October 31, 2018. 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. 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 and wholly owns a company in South Africa, Quantum Screening and Crushing (Proprietary) Limited ("Quantum"). Quantum, through its 70% owned subsidiary, Southern Coal (Pty) Ltd. ("Southern Coal"), processes anthracite coal into de-volatised (calcined) anthracite for sale mostly to steel and ferromanganese manufacturers as a substitute product for coke.

Southern Coal – Calcined Anthracite, South Africa

Southern Coal produces calcined anthracite, a product used primarily 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 two largest clients are world leaders in steel and ferromanganese production. Southern Coal's three kilns operate near Newcastle, KwaZulu Natal.

OVERALL PERFORMANCE AND OUTLOOK

The Corporation reports another strong year of sales and earnings with revenues for the twelve months of $14,673,658 (2017: $10,699,117) a 37.1% increase, and gross profits of $1,171,328 (2017: $1,223,110) a 4.1% decrease. Net income for the year increased 15.1% to $623,884 (2017: $541,808).

While revenues and net income have grown, gross margin suffered as Southern Coal experienced increased costs of production primarily due to increased cost of its anthracite feedstock material. The Corporation expects its gross margins to remain squeezed into next year. In addition to pressure from suppliers, the Corporation carried out major essential maintenance and re-commissioning during the year on one of its old calcining plants.

The Corporation expects to continue to operate profitably into 2019, however management expects revenues to be significantly reduced in comparison to the year ended October 31, 2018, mostly due to global pressure on the steel and manganese markets, which subsequently filters back to demand for Southern Coal's product.

During Q1 2019, the Corporation is pleased to confirm that a trial load of its calcined product was delivered to a new potential and significant customer. Trials will be ongoing into Q2 2019, and should this convert to an ongoing supply, the Corporation feels that there is potential to return to the revenue levels of the year ended October 31, 2018.

An important achievement of the Corporation during the year was the sale of 30% of Quantum's shares in Southern Coal for 18 million Rand, which enabled, and contributed, to Southern Coal achieving a Level 4 Broad-Based Black Economic Empowerment ("B-BBEE") rating. Achieving this rating will enable Southern Coal to engage in long-term supply contracts with its customers. The Corporation can confirm that long-term (24 month) contracts with both its existing main customers should be renewed during Q2 and Q3, 2019.

During Q1 2019, Southern Coal made its final payment for the 14 million Rand loan from ABSA bank, which was drawn down in February 2015. Repayment of this loan now releases Southern Coal from monthly installments of approximately 392,000 Rand (approx. C$37,000 or US$28,000), which the Corporation plans to allocate to future diversification or expansion projects. As of January 2019, the Corporation has zero long-term liabilities.

Whilst the Corporation reports another profitable and financially positive year, the board can confirm that it is actively looking for new opportunities that will offer long-term growth potential for shareholders, be it related to its existing anthracite calcining operation in South Africa or another new, and un-related, sector. 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 do so. In the meantime, the Corporation will continue to grow its shareholder's equity, which as of October 31, 2018, stands at approximately $3.5 million (C$4.6 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, 2018, with a comparison in Canadian Dollars.

	2018	**2017**	**2018**	**2017**
	US$	**US$**	**CDN$**	**CDN$**
Conversion 1.00 US (av. 12 months)			**1.303**	**1.283**
Revenue from Sales	14,673,658	10,699,117	19,126,492	13,726,571
Cost of Sales	(13,502,330)	(9,476,007)	(17,599,716)	(12,157,366)
Gross Profit	**1,171,328**	**1,223,110**	**1,526,776**	**1,569,205**
Expenses	(587,312)	(504,788)	(765,537)	(624,580)
Interest Income	101,284	17,962	132,019	23,045
Other Income	11,967	0	15,598	0
Income Tax Recovery (Expense)	(73,383)	(194,476)	(95,652)	(249,506)
Net Income for the year	**623,884**	**541,808**	**813,204**	**718,164**
Attributable to the Shareholders	585,134	541,808	762,697	718,164
Attributable to the Non-Controlling Interest	38,750	0	50,509	0
Adjusted EBITDA	**1,028,094**	**1,195,844**	**1,340,076**	**1,534,224**
Conversion 1.00 US (closing position)			**1.302**	**1.283**
Total Assets	**4,774,438**	**3,315,232**	**6,216,776**	**4,253,443**
Bank Loan	**78,412**	**416,882**	**102,100**	**534,860**
Total Equity	**3,595,840**	**1,908,638**	**4,682,128**	**2,448,783**

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*

	2018 US$	2017 US$	2018 CDN$	2017 CDN$
Conversion 1.00 US Dollar Rate			1.303	1.283
Net Income for the year	623,884	541,808	813,204	695,120
Interest Paid	27,853	86,837	36,305	111,409
Interest Received	(101,284)	(17,962)	(132,019)	(23,045)
Foreign Exchange Gain/ (Losses)	(5,679)		(7,402)	
Depreciation	409,937	390,685	534,335	501,235
Income Taxes	73,383	194,476	95,652	249,506
Adjusted EBITDA	**1,028,094**	**1,195,844**	**1,340,076**	**1,534,224**

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.

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 Corporation has been engaged in an arbitration with Kilembe Mines Limited, ("KML"), whereby the Corporation seeks general damages, special damages and costs of the arbitration from KML for breach of contract.

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

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

Year Ended October 31, 2018

The Corporation reported net income of $623,884 (2017: $541,808), an increase of $82,076, 15.1%, on revenues of $14,673,658 (2017: $10,699,117) a 37.1% increase. While revenues have grown, increased cost of sales (2018: $13,502,330, 2017: $9,476,007), has produced a smaller gross margin percentage of 7.9% (2017: 11.4%).

	2018 $	2017 $
Sales	14,673,658	10,699,117
Cost of Sales	(13,502,330)	(9,476,007)
Gross Profit	1,171,328	1,223,110
Income before income taxes	697,267	736,284
Income Tax (Expense) Recovery	(73,383)	(194,476)
Net income (Loss) for the year	623,884	541,808

Sales

Revenue for the year was $14,673,658 (2017: $10,699,117), 37.1% increase due to high demand for Southern Coal's calcine product from both of its main customers. Sales for the year-end October 31, 2019 are expected to reflect a significant reduction in comparison to the current year, assuming no new customers are secured. The expected reduction in sales is primarily down to global uncertainties in the steel and manganese markets that Southern Coal supplies in to. Despite the expected reduction in sales, management can confirm that it is working on ensuring that gross margins improve by implementing efficiencies in Sothern Coal’s operations.

General and Administrative Expenses:

	2018	2017	Variance	
	$	$	$	%
Bank Charges and Interest	14,087	3,890	10,197	262%
Consulting Fees	84,209	67,117	17,092	25%
Management Fees	127,024	119,504	7,520	6%
Office, Insurance and Sundry	79,376	75,422	3,954	5%
Professional Fees	108,637	80,452	28,185	35%
Promotion	-	1,063	(1,063)	(100%)
Telephone	16,948	15,769	1,179	7%
Transfer Agent and Filing Fees	14,617	10,543	4,074	39%
Travel	44,668	44,191	477	1%
Broad-Based Black Economic Empowerment	75,573	-	75,573	100%
	565,138	417,951	147,188	35%
Foreign Exchange gain	(5,679)	-	(5,679)	(100%)
Finance Costs	27,853	86,837	(58,984)	(68%)
Expenses	587,312	504,788	82,524	16.35%
Interest Income	(101,284)	(17,962)	83,322	464%
Other Income	(11,967)	-	(11,967)	(100%)
	473,971	486,862	(12,855)	(3%)

Expenses

Expenses for the year were $587,312 (2017: $504,788) an increase of $82,524, 16.3%, primarily due to increased costs 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, offset by reduced interest on the bank loan. 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 during the year. The Corporation does not expect any further extra ordinary management or consultant fees going forward. Additional details of general and admin expenses can be found in the table below.

Finance Costs

Finance Cost for the year were $27,853 (2017 $86,837) a favorable variance of $58,984 (68%) as a result of nearing the end of the loan period.

Interest Income

Interest income for the year was $101,284 (2017 $17,962) for interest earned on cash on hand

Income Taxes

The Corporation reported income tax expense for the year of $73,383 (2017: expense of $194,476) an in-year reduced liability as a result of tax losses carried forward.

During the year, Southern Coal sold the plant and related machinery to Quantum Crushing at an amount equal to their net book values. This, combined with the fact that Quantum is an investment company, and not a manufacturing company like Southern Coal, there is no difference between rates used for depreciation. Therefore, the deferred tax liability is no longer present as at October 31, 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 US$ the reporting currency of the Corporation. The current years comprehensive loss on foreign exchange to the amount of $325,740 (2017: $102,144) is primarily as a result of the translation into US$ the reporting currency. As at October 31, 2018, the Corporation has accumulated other comprehensive loss of $1,778,337 (October 31, 2017: $1,463,628.).

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			
	October 31 2018 $	**July 31 2018 $**	**April 30 2018 $**	**January 31 2018 $**
Sale	$ 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	187,126
Net Comprehensive Income (Loss) for the period	(342,307)	(50,662)	138,299	552,815
Basic and diluted earnings (loss) per share	$ 0.002	$ 0.005	$ 0.006	$ (0.001)

	Three Months Ended			
	October 31 2017 $	**July 31 2017 $**	**April 30 2017 $**	**January 31 2017** $
Sale	$ 2,255,450	$ 1,961,208	$ 3,490,753	$ 2,991,706
Gross Profit	333,885	204,320	299,024	385,881
Net Income (Loss)	(53,908)	166,064	231,961	197,691
Net Comprehensive Income (Loss) for the period	(183,066)	187,796	236,713	198,221
Basic and diluted earnings (loss) per share	$ 0.004	$ 0.004	$ 0.005	$ 0.004

The Corporation annual sales for fiscal year-ended 31 October 2018 again delivered a promising result with sales growth of 37% (2018: $14,673,658 and 2017: $10,699,117).

FOURTH QUARTER OPERATIONS

	2018	2017	Variance	
	$	$	$	%
Sales	2,530,979	2,255,450	275,529	11%
Cost of Sales	(2,297,913)	(1,921,565)	(376,348)	16%
Gross Profit (Loss)	233,066	333,885	(100,819)	-43%
Expenses				
General and Administrative	(140,058)	(105,122)	(34,936)	25%
Interest on Bank Loan	(2,106)	(44,417)	42,311	-2009%
Foreign Exchange Gain	5,679	-	5,679	100%
Total expenses	(136,485)	(149,539)	13,054	-10%
Interest Income	47,639	5,785	41,854	88%
Other Income	11,967	-	11,967	100%
Income (Loss) Before Income Taxes	156,187	190,131	(33,944)	-22%
Income Tax (Expense) Recovery	(47,191)	(244,039)	196,848	-417%
Net Income (Loss) for the period	108,996	(53,908)	162,904	149%

During the fourth quarter, the Corporation reported a net income of $108,996 (2017: $53,908 loss), which included a year-end adjustment to income tax expenses resulting in the negative impact on net income.

SELECTED ANNUAL INFORMATION

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

	2018	2017	2016
	$	**$**	**$**
Sales	$ 14,673,658	$ 10,699,117	$ 4,703,528
Cost of Sales	(13,502,330)	(9,476,007)	(4,600,463)
Gross Profit	1,171,328	1,223,110	103,065
Income before income taxes	697,267	736,284	(312,218)
Income Tax (Expense) Recovery	(73,383)	(194,476)	133,063
Net income (Loss) for the year	623,884	541,808	(179,155)
Interest Income	101,284	17,962	29,280
Bank Loan, including current portion	78,412	416,882	702,230
Total Assets	4,774,437	3,315,232	2,729,318
Basic and diluted earnings (loss) per share	$ 0.01	$ 0.01	$ (0.00)

The main components making up the balance of $4,774,437 (2017: $3,315,232) of total assets as at October 31 2018 are $1,250,290 (2017: $Nil) due from non-controlling interest, $868,059 (2017: $1,037,996) property, plant and equipment, $552,351 (2017: $453,609) in cash, $1,240,730 (2017: $1,314,828) in accounts receivable and $836,551 (2017: $472,221) in inventories, comprising mostly of stock on hand.

LIQUIDITY AND CAPITAL RESOURCES

At October 31, 2018, the Corporation had cash of $552,351 (October 31, 2017: $453,609) and working capital of $1,477,490 (October 31, 2017: $1,098,726). 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.

	Oct 31 2018 $	Oct 31 2017 $
Cash provided by (used) in operating activities	739,381	587,509
Cash used in investing activities	(269,949)	(222,165)
Cash provided by (used) in financing activities	(335,929)	(267,038)
Increase (Decrease) in cash	133,503	98,306

Operations provided $739,382 in cash during the year ended October 31, 2018 (October 31, 2017 provided $587,509) largely due to timing of supplier payments.

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 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 October 31, 2018, trade receivables of $1,239,453 (October 31, 2017: $1,310,828) were due from these customers and were collected subsequent to year-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 hopes to agree extended terms for the lease of its premises for a further 5 years, during 2019.

	$
2019	28,427
2020	28,427
2021	4,738
	61,592

CONTRACTUAL OBLIGATIONS

The bank loan bears interest at 10.25% per annum, matures on January 7, 2019, and is secured by the Corporation's furnace acquired with the proceeds from the loan. The bank loan is repayable in blended monthly payments of Rand 393,061 ($26,507 translated at October 31, 2018 exchange rate). During the year ended October 31, 2018, the Corporation incurred interest expense totaling $27,853 (October 31, 2017 – $86,837).

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 (Independent Director of the Corporation).

Fees incurred for services by key management personnel during the year ended October 31, 2018 and 2017 were as follows:

Services	Party	2018 $	2017 $
Professional Fees	CFO and director of the Corporation	12,039	
Professional Fees	Former CFO's and director's of the Corporation	32,316	40,909
Consulting Fees	President, CEO and director of the Corporation	84,209	67,117
Directors Fees	Directors of the coal processing operations in South Africa	127,024	119,504

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 Audited Financial Statements for the year ended October 31, 2018. 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 $1,477,490 as at October 31, 2018. 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. Interest on the Corporation's bank loan is tied to the Prime Rate, and as such, 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 and 2017. The carrying values of the Corporation's financial assets and liabilities approximate their fair values as at October 31, 2018.

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, 2018, totaled $8,079,463 (2017 - $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 year ended October 31, 2018.

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 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 year ended October 31, 2018 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.

OUSTANDING 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