CANAF GROUP INC

Management's Discussion & Analysis

YEAR ENDED
October 31, 2016
(Expressed in U.S. Dollar)

INTRODUCTION

Date Prepared: February 22, 2017

This Management Discussion and Analysis (ñMDAò) covers the operations of Canaf Group Inc. (ñCanafò or the ñCorporationò) and should be read in conjunction with the audited consolidated Financial Statements for the year ended October 31, 2016 and related notes. The Financial Statements are presented in accordance with International Financial Reporting Standards (ñIFRSò). Canafôs accounting policies are described in Note 2 of the Annual Financial Statements for the year ended October 31, 2016. 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 Corporationôs website at canafgroup.com.

DESCRIPTION OF BUSINESS

Canaf is incorporated in the Province of Alberta and wholly owns a Corporation in South Africa, Quantum Screening and Crushing (Proprietary) Limited (ñQuantumò). Quantum, through its wholly owned subsidiary, Southern Coal (Pty) Ltd. (ñSouthern Coalò), 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 sintering processes. Calcined anthracite is produced by feeding anthracite coal through a rotary kiln, at temperatures between 900 and 1100 degrees centigrade; the volatiles are driven off and the effective carbon content increased.

Quantumôs two largest clients are world leaders in steel and ferromanganese production. Quantum has an operation near Newcastle, KwaZulu Natal, where its three kilns operate. Quantum, through its wholly owned subsidiary Southern Coal, has been profitably carrying on this business since 2004.

OVERALL PERFORMANCE AND OUTLOOK

The fiscal year ended 31 October 2016 was one of significantly reduced sales, continuing on from the second half of the previous fiscal year. Depressed global commodity prices affected the Corporationôs customers negatively, which was reflected in one customer closing down for 7 months of the year and another reducing demand by 50%.

Revenue for the year decreased to $4,703,528 from $9,156,927 the previous year, and the Corporation recorded a net loss of $179,155 in comparison to a profit of $128,442 the previous year. EBITDA for the year was recorded at $104,691, approximately C$140,208.

The final quarter of the year, however, reflects the continued turnaround of the business and increase in demand, during which the Corporation recorded a net profit of $136,764, generated from sales of $1,796,330. Sales for the 3-month period end 31 January 2017, are expected to increase by a further 50%. The Corporation expects overall revenue for the next fiscal year-end 31 October 2017 to reflect an increase of approximately 100% in comparison to the reported year.

During a challenging year, the Corporation successfully commissioned a new, and more efficient, calcining facility, which finally began to produce saleable product during the latter stages of Q2, 2016. The new facility enabled the Corporation to sustain a quarter of depressed sales, due to its reduced operating costs; management expects to see an increase in its gross margin and profits during the next fiscal year, as demand increases and the efficiencies of the new facility begin to reflect.

Having weathered the storm during the market reprieve, the Corporation believes it is in a strong position in South Africa. Quantum is one of a few suppliers of a low volatile reductant, a situation, which has allowed the entity to emerge as a dominant player in the country.

The outlook and profitability for the coming year remains dependent on demand for the Corporationôs calcine product, which the Corporation believes looks far more promising than the reported year, with an expected increase in sales of over 100%. The Corporation intends to continue to generate positive free cash flow during the fiscal year-end 2017 and, as it accumulates cash and reduces its gearing, will continue to look at either investment to improve the efficiency of its older facilities, or investment in related business opportunities in South Africa.

Selected Financial Information

Due to the fact that the Corporation is listed on the TSX-V and is quoted in Canadian Dollars, the Corporation has prepared some key financial information. The following financial information is derived from the Corporationôs audited financial statements for the year ended October 31, 2016, with a comparison in Canadian Dollar.

	2016 US$	2015 US$	2016 CDN$	2015 CDN$
Conversion 1.00 US Dollar Rate			1.339	1.314
Revenue from Sales	4,703,528	9,156,927	6,299,250	12,029,500
Cost of Sales	4,600,463	8,365,883	6,161,220	10,990,300
Gross Profit	103,065	791,044	138,030	1,039,200
Expenses	(415,283)	(494,413)	(556,172)	(649,515)
Income Tax Expenses	133,063	(168,189)	178,206	(220,952)
Net Income (Loss) for the year	(179,155)	128,442	(239,936)	168,733
Adjusted EBITDA*	104,691	719,080	140,208	944,663
Total Assets	2,729,318	3,512,225	3,655,270	4,614,050
Bank Loan	702,230	950,137	940,469	1,248,200
Total Equity	1,468,974	1,631,039	1,967,340	2,142,710

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

(in South African Rand)	2016 ZAR	2015 ZAR
Sales	70,069,886	113,212,076
Cost of sales	(68,089,999)	(103,022,995)
Gross Profit	1,979,887	10,189,081
Expenses	(7,095,346)	(4,406,530)
Income tax expense	1,432,328	(1,628,523)
Net income (loss) for the period	(3,683,131)	4,154,028

The table above clearly illustrates the reduction of sales recorded during the period. Sales tonnes recorded were in fact 40% lower than the previous fiscal year-end 31 October 2015. The Corporation expects sales tons for the next fiscal year-end 31 October 2017 to reflect an increase of over 100% in comparison to the reported period.

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 Corporationøs 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*

	2016 US$	2015 US$	2015 CDN$	2015 CDN$
Conversion 1.00 US Dollar Rate			1.339	1.314
Net Income (Loss)	(179,155)	128,442	(239,935)	168,736
Financial cost	71,721	78,045	96,053	102,528
Depreciation	345,188	344,404	462,296	452,447
Taxes	(133,063)	168,189	(178,206)	220,952
Adjusted EBITDA	104,691	719,080	140,208	944,663

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

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, (õKMLö). 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 Companyøs appointed Ugandan Advocates have notified the board that the Arbitrator has stepped down for personal reasons. The Companyøs Uganda Advocates and the Governmentøs Solicitor General have agreed to a new Arbitrator, Retired Justice James Ogoola. The parties held a preliminary meeting with the Arbitrator who requested them to provide him with their fee estimate for the conduct of the Arbitration. The estimate has since been provided to the Arbitrator who is yet to confirm whether or not he is agreeable to it.

(Expressed in U.S. Dollar)

In the meantime the Company appointed SRK Consultants to prepare a brief document to quantify the ölost opportunityô 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 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

Year Ended October 31, 2016

The Corporation reported net loss of $179,155 compared to net income of $128,442 for the previous year. The decrease in net income was directly related to a decrease in sales during the period, caused by the global economic slowdown, primarily stemmed from China.

	2016 $	2015 $
Sales	4,703,528	9,156,927
Cost of sales	(4,600,463)	(8,365,883)
Gross Profit (Loss)	103,065	791,044
Expenses	(415,283)	(494,413)
Income tax expense	133,063	(168,189)
Net income (loss) for the year	(179,155)	128,442

Sales

Revenue decreased 49% to $4,703,528 from $9,156,927 the same period last year. The decrease in sales was due to the global economic slowdown, and subsequent reduction, and sometimes cessation, of consumption of commodities related to Quantumôs markets. During the year, one main customer of the Corporation shutdown for a period of 7 months and the other reduced overall consumption by 50%.

(Expressed in U.S. Dollar)

Expenses

Expenses decreased by 23%; the main reason for this is due to the decrease in general and administrative expenses. Differences in expenses incurred are as follows:

	2016 $	2015 $
General and Administrative	372,842	458,752
Interest on Bank Loan	71,721	78,045
Interest Income	(29,280)	(42,384)
	415,283	494,413

General and administrative expenses

	2016 $	2015 $
Bank Charges and Interest	3,376	4,063
Bad Debt	5,083	-
Consulting Fees	68,559	72,380
Management Fees	100,035	123,600
Office, Insurance and Sundry	50,336	84,895
Professional Fees	78,877	92,392
Promotion	848	1,229
Telephone	14,493	16,700
Transfer Agent and Filing Fees	9,465	10,103
Travel	41,771	53,390
	372,842	458,752

- Directors and officers of Quantum, a subsidiary of the Corporation in South Africa, billed the Corporation $100,035 (2015-$123,600) for management services.
- The Corporation incurred $68,559 (2015-$72,380) in consulting fees relating to consulting and management services by the President of the Corporation. The President works full-time for the Corporation.
- Professional fees included audit, tax, accounting fee and legal of $78,877 (2015-$92,392).
- Transfer agent and filing fees of $9,465 (2015-$10,103) consisted of fees paid to regulatory bodies in Canada in connection with routine filings and TSX sustaining fee for the year.
- The Corporation incurred $41,771 (2015-$53,390) in travel costs.

Interest Income

- The Corporationös interest income for $29,280 (2015-$42,384) for the year ended October 31, 2016 for interest earned on cash on hand and interest charges on accounts receivable. The interest income decreased due to less cash on hand to invest in interest bearing financial assets and decreased interest in accounts receivable.

Finance Cost

- The bank loan is subject to interest at 9.25% per annum compounded monthly, with $71,721 (2015-$78,045) of interest expense for the period.

(Expressed in U.S. Dollar)

Income Taxes

The Corporation reported income taxes recovery of $133,063, which reflects 179% decrease compared to the year ended October 31, 2016.

A majority of the future income tax assets originating in Canada include tax losses carried forward for which a valuation allowance has been recorded. The deferred tax liability included in the balance sheet of $17,108 (2015- $120,258) was recorded to reflect the temporary difference originated on the value assigned to plant and equipment in South Africa.

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 translation into the reporting currency of the Corporation. The current period comprehensive gain on foreign exchange in the amount of $17,090 (2015 Loss - $413,660) mostly as a result of the translation of foreign-currency denominated balances from the functional currency to the reporting currency. As at October 31, 2016, the Corporation has accumulated other comprehensive loss of $1,361,484 (2015 - $1,378,574). The Corporation does not hedge net asset translation movements, but where necessary and appropriate hedge currency risk for trading items.

FOURTH QUARTER OPERATIONS

	2016 $	2015 $
Sales	1,796,330	994,031
Cost of Sales	1,702,134	1,004,288
Gross Profit (Loss)	94,196	(10,257)
Expenses		
General and Administrative	109,713	95,072
Interest on Bank Loan	16,060	25,353
Interest Debenture	-	-
Interest Income	(24,359)	(35,786)
	(101,414)	(84,639)
Income Before Income Taxes	(7,218)	(94,896)
Income Tax Recovery	143,982	15,280
Net Income (Loss) for the period	136,764	(79,616)

During the fourth quarter, the Corporation reported a net income of $136,764 compared to net loss of $79,616 in the previous year. The turnaround to a profitable position is due to the increase in demand of the Corporationös main product, calcined anthracite. Management believes demand will further increase into Q1 and Q2, 2017, driven not only by the shortage of coke in South Africa, but also by the significantly increased cost of coke and related products, thus making the Corporationös product an attractive alternative.

(Expressed in U.S. Dollar)

SUMMARY OF QUARTERLY REPORTS

The following financial data is derived from the Corporationôs financial statements for the past 8 quarters.

	Three Months Ended October 31, 2016 $	July 31, 2016 $	April 30, 2016 $	January 31, 2016 $
Sales	1,796,330	1,126,582	757,843	1,022,773
Gross Profit	94,196	98,966	39,113	(129,210)
Net Income (Loss)	136,764	19,945	(41,382)	(294,482)
Basic and diluted loss per share	0.00	0.00	0.00	0.00

	Three Months Ended October 31, 2015 $	July 31, 2015 $	April 30, 2015 $	January 31, 2015 $
Sales	994,031	2,075,219	3,408,800	2,678,877
Gross Profit	(10,257)	128,225	441,205	231,871
Net Income (Loss)	(79,616)	(45,901)	207,407	46,552
Basic and diluted loss per share	0.00	0.00	0.00	0.00

The table above clearly shows the period of depressed sales and demand of the Corporationôs product, which started in Q3, 2015 for a period of 8 months. Since Q3 2016, the Corporation has seen an increase in demand and subsequent increase in sales. The Corporation expects that annual sales tons for the coming fiscal year-end 31 October 2017 will further increase by approximately 100%, in comparison to the reported period, as more confidence returns to the markets that the Corporation supplies, namely steel and manganese.

SELECTED ANNUAL INFORMATION

The following financial data is derived from the Corporationôs audited financial statements for the years ended October 31, 2016, 2015 and 2014.

	2016 $	2015 $	2014 $
Sales	4,703,528	9,156,927	13,257,224
Cost of Sales	(4,600,463)	(8,365,883)	(11,985,381)
Gross Profit	103,365	791,044	1,271,843
Income before income taxes	(312,218)	296,631	755,569
Income tax expenses	133,063	(168,189)	(343,219)
Net income for the year	(179,155)	128,442	412,350
Interest Income	29,280	42,384	7,887
Bank Loan, including current portion	702,230	950,137	-
Total Assets	2,729,308	3,512,225	3,597,561
Basic and diluted earnings (loss) per share	(0.00)	(0.00)	0.01

(Expressed in U.S. Dollar)

Financial position

Revenue from the sale of calcine and coal has historically been derived from two customers and as a result the Corporation is dependent on these customers for its revenue. Quantum 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. Should the Corporation not be successful in increasing its customer base it will continue to solidify and build on its current supply relationships by engaging in secure, long-term supply contracts.

The Corporation earned $29,280 (2015-$42,384) of interest income during fiscal year ended October 31, 2016 on its long-term investment, accounts receivables on sales and cash held in Canadian and South African banking institutions.

The main components making up the balance of $2,729,318 of total assets as at October 31, 2016 are $1,256,691 property, plant and equipment, $380,561 in cash, $643,645 in accounts receivable and $403,329 in inventories, comprising mostly of stock on hand.

LIQUIDITY AND CAPITAL RESOURCES

At October 31, 2016, the Corporation had cash of $380,561 and working capital of $633,376. All cash and cash equivalents are deposited in interest accruing accounts.

	October 31, 2016 $	October 31, 2015 $
Current assets	1,472,626	2,137,111
Plant and Equipment	1,256,691	1,375,113
Intangible Assets	1	1
Total Assets	2,729,318	3,512,225
Current Liabilities	839,250	1,152,069
Bank Loan	403,986	608,859
Deferred Tax Liability	17,108	120,258
Total Liabilities	1,260,344	1,881,186
Shareholdersô Equity	1,468,974	1,631,039
Working Capital	633,376	985,042

Significant 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.

(Expressed in U.S. Dollar)

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

	October 31, 2016 $	October 31, 2015 $
Cash used in operating activities	(11,722)	884,544
Cash used in investing activities	(204,424)	(1,448,785)
Cash provided by financing activities	(248,377)	1,076,759
Change in cash	(464,523)	512,518

Operations utilized $11,722 in cash compared to $884,544 generated during the year ended October 31, 2016. The decrease in cash generated from operations in 2016 as compared to 2015 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 Corporationœs management is not aware of any other trends or other expected fluctuations in its liquidity that would create any deficiencies. The Corporationœs management believes that its cash balances will be sufficient to meet the Corporationœs short-term and long-term requirements for ongoing operations and planned growth.

ECONOMIC DEPENDENCE

Sales from the Corporationœs South African coal processing business are substantially derived from two customers and as a result, the Corporation is economically dependent on these customers. The Corporationœs exposure to credit risk is limited to the carrying value of its accounts receivable. As at October 31, 2016, trade receivables of $643,645 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. The agreement offers the Corporation, in lieu of rent, feedstock coal to be delivered to its adjacent premises, which it purchases at market price. Should the Corporation 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 ($14,465) is payable. To date, the Corporation has not been required to pay any rent for the premises as it has continued to purchase feedstock coal from the landlord.

CONTRACTUAL OBLIGATIONS

	October 31, 2016 $	October 31, 2015 $
Bank Loan	702,230	950,137
Less: Current Portion	(298,244)	(341,278)
	403,986	608,859

(Expressed in U.S. Dollar)

The bank loan bears interest at 9.25% per annum, matures on January 7, 2019, and is secured by the Corporationôs processing facility acquired with the proceeds from the loan. The bank loan is repayable over 42 months in blended monthly payments of Rand 393,779 ($29,230 translated at October 31, 2016 exchange rate). During the year ended October 31, 2016, the Corporation incurred interest expense totalling $71,721 (2015 ï $78,045).

TRANSACTIONS WITH RELATED PARTIES

At the report date, key management consists of Christopher Way (CEO, President and a Director of the Corporation), Zeny Manalo (CFO and a Director of the Corporation); 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 period ended October 31, 2016 and 2015 were as follows:

Services	Party	October 31, 2016 $	October 31 2015 $
Consulting Fees	Charges by the President, CEO and director of the Corporation	68,559	72,380
Professional Fees	Charges by the CFO and director of the Corporation	40,873	44,842
Management Fees	Charges by the President and a director of the Corporation in relation with coal processing business in South Africa	100,035	123,600

Other related party:

Management Fee of $20,805 (2015-$57,004) charges by a P. Cronje (Director) of Quantum, through its wholly owned subsidiary, Southern Coal (Pty) Ltd.

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 Companyôs 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. 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, 2018 with early adoption permitted. The Company does not intend to early adopt IFRS 15. The Company has not yet determined the impact of this standard on its consolidated financial statements.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The details of Canafôs accounting policies are presented in Note 2 of the consolidated financial statements ended October 31, 2016. These policies are considered by management to be essential to understanding the processes and reasoning that go into the preparation of the Corporationôs 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 Corporationôs financial assets and liabilities by category are summarized in Note 2(o) of the consolidated financial statements. The Corporationôs 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 Corporationôs short to medium-term cash flows and raising finances for the Corporationôs 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 Corporationôs 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 counterpartyôs 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 Corporationôs holdings of cash. The Corporation has a working capital of $633,376 as at October 31, 2016. 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 Corporationõs bank loan is based on a fixed rate, and as such, the Corporation is not exposed to significant interest rate risk.

Commodity Price Risk

The Corporationõs 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 Corporationõs financial assets measured at fair value through profit or loss use Level 1 valuation techniques during the years ended October 31, 2016 and 2015. The carrying values of the Corporationõs financial assets and liabilities approximate their fair values as at October 31, 2016.

CAPITAL RISK MANAGEMENT

The Corporationõs 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, 2016, totalled $8,079,463 (2015 ï $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 Corporationõs approach to capital management during the year ended October 31, 2016.

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 Corporationõs 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 Corporationõs 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 and certain of the directors and officers of the Corporation 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 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, 2016 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 Corporationõs 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 Corporationõs 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 Corporationõs 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 Corporationõs 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 Corporationõs 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 Corporationõs 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 (ñNIò) 52-109 (Certification of Disclosure in Issuerõs 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 financial statements and respective accompanying Managementõs 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