Canaf Group Inc.

(formerly CanAfrican Metals and Mining Group)

Consolidated Financial Statements

October 31, 2007 and 2006

(Expressed in U.S. dollars)

BDO Dunwoody LLP
Chartered Accountants and Advisors

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AUDITORS' REPORT

To the Shareholders of
Canaf Group Inc.

We have audited the consolidated balance sheet of Canaf Group Inc. (formerly CanAfrican Metals and Mining Corp.) as at October 31, 2007 and the consolidated statements of operations and deficit and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at October 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The consolidated financial statements as at October 31, 2006 and for the year then ended were audited by other auditors who expressed an opinion without reservation on those statements in their report dated February 2, 2007.

(signed) "BDO Dunwoody LLP"

Chartered Accountants

Vancouver, Canada
March 31, 2008

Canaf Group Inc.

(formerly CanAfrican Metals and Mining Corp.)
Consolidated Balance Sheets
October 31,
(Expressed in U.S. Dollars)

		2007		2006
ASSETS				
Current Assets				
Cash and cash equivalents	$	751,677	$	10,813
Reclamation bond		4,994		-
Accounts receivable		1,336,836		47,638
Inventories (Note 11)		492,017		-
Prepaid expenses		-		643
		2,585,524		59,094
Long-term investments (Note 4)		445,863		-
Property, plant and equipment (Note 5)		2,052,440		40,727
Mineral properties (Note 6)		96,128		3,572
Intangible assets (Note 7)		2,023,165		-
	$	7,203,120	$	103,393
LIABILITIES				
Current Liabilities				
Accounts payable and accrued liabilities	$	1,569,224	$	92,766
Due to related parties (Note 10)		1,093,317		368,064
Current portion of long term debt (Note 8)		6,391		-
Income tax payable		37,024		-
		2,705,956		460,830
Long-term debt (Note 8)		797,216		-
Future income tax (Note 13)		1,164,000		-
Non-controlling interest		155,808		-
		4,822,980		460,830
SHAREHOLDERS' EQUITY				
Share capital (Note 9)		7,174,545		4,000,623
Contributed surplus (Note 9)		685,223		400,103
Deficit		(5,479,628)		(4,758,163)
		2,380,140		(357,437)
	$	7,203,120	$	103,393

Nature of Operations and Ability to Continue as a Going Concern (Note 1)
Commitments (Notes 9 and 13)

Approved by the Directors:

"David Way"	Director	*"Mike Hopley"*	Director
David Way		**Mike Hopley**	

Canaf Group Inc.

(formerly CanAfrican Metals and Mining Corp.)

Consolidated Statements of Operations and Deficit
for the years ended October 31, 2007 and 2006
(Expressed in U.S. Dollars)

	2007	2006
Revenue		
Product revenue (Notes 12 and 14)	$ 6,193,884	$ -
Manufacturing expenses (Schedule 1)	(5,455,041)	-
	738,843	-
Expenses		
Accounting and legal fees	36,609	54,751
Amortization	325,702	5,330
Auto	15,328	-
Bank charges	1,721	1,761
Consulting fees (Note 10)	82,847	70,257
Directors' fees (Note 10)	110,556	44,120
Finance fees	68,983	-
Foreign exchange	1,869	-
Management fees (Note 10)	-	40,408
Office and sundry	148,522	8,640
Office rent	4,479	6,871
Project investigation fees	100,000	-
Promotion	6,216	14,004
Property exploration expenses	28,102	261,132
Salaries and benefits	-	24,493
Stock-based compensation (Note 9)	272,355	85,329
Telephone	11,591	10,992
Transfer agent and filing fees	28,084	22,981
Travel	38,905	5,793
Loss before other items and income taxes	(543,026)	(656,862)
Other items		
Interest income	16,558	4,660
Loss on disposal of equipment	(50,592)	-
Write-off of mineral property costs (Note 6)	(31,312)	(1,933,369)
Non-controlling interest	(76,093)	-
Loss before income taxes	(684,465)	(2,585,571)
Income taxes - current	(189,000)	-
- future	152,000	-
Net loss for the year	(721,465)	(2,585,571)
Deficit - beginning of year	(4,758,163)	(2,172,592)
Deficit - end of year	$ (5,479,628)	$ (4,758,163)
Basic and diluted loss per share	$ (0.02)	$ (0.10)
Weighted average number of common shares outstanding	34,854,780	25,380,754

See notes to consolidated financial statements

Canaf Group Inc.

(formerly CanAfrican Metals and Mining Corp.)
Consolidated Statements of Cash Flows
for the years ended October 31, 2007 and 2006
(Expressed in U.S. Dollars)

	2007	2006
CASH PROVIDED BY (USED FOR):		
Operating Activities		
Net loss for the year	$ (721,465)	$ (2,585,571)
Items not affecting cash:		
Amortization	837,076	5,330
Loss on disposal of equipment	50,592	-
Write-off of mineral property costs	31,312	1,933,369
Non-controlling interest	76,093	-
Stock-based compensation	272,355	85,329
	545,963	(561,543)
Changes in non-cash working capital accounts:		
Amounts receivable	(356,717)	(23,920)
Reclamation bond	(4,994)	-
Prepaid expenses	1,360	2,670
Inventories	(492,017)	-
Accounts payable	100,163	50,748
Income tax payable	(115,215)	-
Due to related parties	725,253	85,646
	403,796	(446,399)
Financing Activities		
Long-term debt	(3,998)	-
Issuance of share capital (net of issue costs)	2,060,985	438,486
Dividend paid to non-controlling interest	(28,283)	-
	2,028,704	438,486
Investing Activities		
Proceeds on disposal of equipment	70,896	-
Long-term investments	(115,061)	-
Mineral property exploration costs	(123,868)	(255,808)
Purchase of plant and equipment	(44,480)	-
Purchase of Quantum, net of cash acquired (Note 3)	(1,479,123)	-
	(1,691,636)	(255,808)
Increase (decrease) in cash during the year	740,864	(263,721)
Cash and cash equivalents, beginning of year	10,813	274,534
Cash and cash equivalents, end of year	$ 751,677	$ 10,813

Supplementary Disclosure of Non-Cash Investing and Financing Activities:

- *During the year ended October 31, 2006, equipment amortization of $17,884 was recorded as deferred mineral property costs.*
- *During the year ended October 31, 2007, the Company issued 5,929,876 common shares valued at $1,125,702 for the acquisition of Quantum (Note 3)*
- During the year ended October 31, 2007, interest paid was $Nil (2006: $Nil); income taxes paid was $Nil (2006: $Nil).

See notes to consolidated financial statements

Canaf Group Inc.

(formerly CanAfrican Metals and Mining Corp.)

Schedule of Manufacturing Expenses

for the year ended October 31, 2007

(Expressed in U.S. Dollars)

		2007
Direct expenses		
Analysis fees	$	24,390
Amortization		511,374
Commission		62,503
Consultation costs		33,691
Electricity		244,944
Fuel, oil and lubricants		5,423
Professional and project management fee		7,993
Medical expenses		339
Product purchases		4,176,733
Site establishment		137
Protective clothing		5,073
Rent – machinery		46,627
– buildings		5,378
Repairs and maintenance		202,357
Salaries, wages and labour		135,039
Transportation		480,908
Design fees		4,149
Closing inventory		(492,017)
	$	5,455,041

Canaf Group Inc.

(formerly CanAfrican Metals and Mining Corp.)

Consolidated Schedule of Mineral Properties

(Expressed in U.S. Dollars)

	October 31, 2005	Net Expenditures	Net Write-off	October 31, 2006	Net Expenditures	Net Write-off	October 31, 2007
	$	$	$	$	$	$	$
British Columbia,Canada							
Bonaparte Property							
Deferred exploration costs							
Company and field costs	587	2,985	-	3,572	92,556	-	96,128
Uganda, Africa							
Kilembe Mine Property							
Deferred exploration costs							
Accommodation and travel	81,193	16,964	(98,157)	-	-	-	-
Amortization	15,695	12,059	(27,754)	-	-	-	-
Drilling	418,990	53,275	(472,265)	-	-	-	-
Exploration salaries and wages	65,336	25,992	(91,328)	-	-	-	-
Field camp and exploration costs	154,134	27,834	(181,968)	-	-	-	-
Foreign exchange	(31,143)	1,263	29,880	-	-	-	-
Fuel	50,533	6,981	(57,514)	-	-	-	-
Geological consulting	356,844	119,745	(476,589)	-	-	-	-
Mine/underground maintenance	170,460	72,421	(242,881)	-	-	-	-
Office and sundry	32,784	12,261	(45,045)	-	-	-	-
Professional fees	27,363	11,831	(39,194)	-	-	-	-
Repair and maintenance	5,270	792	(6,062)	-	-	-	-
Vehicles	10,832	5,254	(16,086)	-	-	-	-
	1,358,291	366,672	(1,724,963)	-	-	-	-
Nyanga Property							
Acquisition costs	12,479	-	(12,479)	-	-	-	-
Deferred exploration costs							
Accommodation and travel	8,682	-	(8,682)	-	-	-	-
Amortization	17,900	-	(17,900)	-	-	-	-
Company and field costs	48,691	-	(48,691)	-	-	-	-
Drilling	20,000	-	(20,000)	-	-	-	-
Foreign exchange	1,052	-	(1,052)	-	-	-	-
Fuel	3,599	-	(3,599)	-	-	-	-
Geological consulting	32,627	-	(32,627)	-	-	-	-
Office and sundry	26,989	-	(26,989)	-	-	-	-
Sample analysis	7,094	-	(7,094)	-	-	-	-
Vehicle	7,153	-	(7,153)	-	-	-	-
Wages	22,140	-	(22,140)	-	-	-	-
	208,406	-	(208,406)	-	-	-	-
Alaska, United States							
Bowser Creek Property							
Acquisition costs				-	25,000	(25,000)	-
Deferred exploration costs							
Company and field costs				-	6,312	(6,312)	-
				-	31,312	(31,312)	-
Total mineral property costs	**1,567,284**	**369,657**	**(1,933,369)**	**3,572**	**123,868**	**(31,312)**	**96,128**

See notes to consolidated financial statements

1. NATURE OF OPERATIONS AND ABILITY TO CONTINUE AS A GOING CONCERN

Canaf Group Inc. (the "Company") is incorporated in the Province of Alberta and through its subsidiaries, Nabisoga Mining Ltd. ("Nabisoga") and Rwenzori Cobalt Company Ltd. ("Rwenzori"), is engaged in the acquisition and exploration of mineral properties in British Columbia and Uganda, Africa. On March 1, 2007, the Company acquired an 85% interest in Quantum Screening and Crushing (Proprietory) Limited ("Quantum") (Note 3). Quantum is a South African company carrying on the business of processing of coal products into carbon for sales. On May 3, 2007, the Company changed its name from CanAfrican Metals and Mining Group to Canaf Group Inc.

These financial statements have been prepared in accordance with generally accepted accounting principles applicable to a going concern, which assumes that the Company will be able to meet its obligations and continue its operations for its next fiscal year. Realization values may be substantially different from carrying values as shown and these financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. At October 31, 2007, the Company had not yet achieved profitable operations, has accumulated losses of $5,479,628 since inception, has a working capital deficiency of $120,432 and expects to incur further losses in the development of its business, all of which casts substantial doubt about the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent upon its ability to generate future profitable operations and/or obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements are prepared in accordance with generally accepted accounting principles ("GAAP") in Canada and include the accounts of the Company and its wholly-owned subsidiaries Nabisoga and Rwenzori, of Kampala, Uganda and its 85%-owned subsidiary, Quantum.

All significant intercompany transactions and balances have been eliminated on consolidation.

Mineral Properties and Deferred Exploration Costs

Mineral property costs include concession acquisition and exploration expenditures, which are recorded at cost and deferred until the property is brought into production, sold or abandoned. If production commences, these costs will be amortized using the unit-of-production method. The carrying values of properties are subject to review at each reporting period. When a property is determined by management to be non-commercial, non-productive, or otherwise subject to an impairment in value, the remaining unamortized costs are charged to operations in the period in which that determination is made.

Cost of Maintaining Mineral Properties

The Company does not accrue the estimated future costs of maintaining its mineral properties in good standing.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Plant and Equipment

Canadian and Ugandan equipment is stated at cost less amortization, which is calculated on a declining-balance basis as follows: Vehicles 30%; Equipment 20%; Computer hardware 30%.

For plant and equipment located in South Africa, amortization is calculated on the straight-line method over their estimated useful lives. the amortization rates applicable to each category are as follows:

Leasehold improvements	20% per annum
Plant and equipment	20% per annum
Office equipment	20% per annum
Computer equipment	33-1/3% per annum
Vehicles	20% per annum

When there is an indication that the value of an asset has decreased, the recovering amount of the asset is calculated. An impairment loss is recognized when the carrying value of the asset exceeds the recovering value.

Translation of Foreign Currency

The Company translates its foreign operations into U.S. dollars on the following basis: monetary assets and liabilities are translated at the rate of exchange in effect at the balance sheet date and non-monetary assets and liabilities are translated at the historical rates. Revenues and expenses are translated at rates prevailing at the date of the transaction, except for amortization which is translated at the historical rate. Foreign exchange gains and losses from the translation of foreign operations are recognized in the statement of operations for the period in which they occurred, or are included in deferred exploration costs.

Use of Estimates

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the dates of the financial statements, as well as the reported amounts of revenues and expenses incurred during the periods. Actual results could differ from those estimated.

Change in Accounting Policy

On November 1, 2006, the Company adopted CICA Handbook Sections 1530, “Comprehensive Income”, Section 3251, “Equity, Section 3855, “Financial Instruments – Recognition and Measurement”, Section 3861, “Financial Instruments – Disclosure and Presentation” and Section 3865, “Hedges”. Section 1530 establishes standards for reporting ad presenting comprehensive income, which is defined as the change in equity from transactions and other events from non-owner sources. Other comprehensive income refers to items recognized in comprehensive income that are excluded from net income calculated in accordance with Canadian generally accepted accounting principles.

Section 3861 establishes standards for presentation of financial instruments and non-financial derivatives and identifies the information that should be disclosed about them. Under the new standards, policies followed for periods prior to the effective date generally are not reversed and, therefore, the comparative figures have not been restated. Section 3865 describes when and how hedge accounting can be applied as well as the disclosure requirements. Hedge accounting enables the recording of gains, losses, revenues and expenses from derivative financial instruments in the same period as for those related to the hedged item.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Change in Accounting Policy (continued)

Section 3855 prescribes when a financial asset, financial liability or non-financial derivative is to be recognized on the balance sheet and at what amount, requiring fair value or cost-based measures under different circumstances. Under Section 3855, financial instruments must be classified into one of these five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments, including derivatives, are measured in the balance sheet at fair value except for loans and receivables, held-to-maturity investments and other financial liabilities which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification, as follows: held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net earnings; available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the investment is derecognized or impaired at which time the amounts would be recorded in net earnings.

Under adoption of these new standards, the Company designated its accounts receivable, accounts payable and accrued liabilities as other financial instruments, which are measured at amortized cost. Long-term investments are designated as held to maturity and recorded at amortized cost.

The adoption of these Handbook Sections had no impact on opening deficit.

Accounting Policy Choice for Transaction Costs

On June 1, 2007, the Emerging Issues Committee of the CICA issued Abstract No. 166, Accounting Policy Choice for Transaction Costs ("EIC-166). This EIC addresses the accounting policy choice of expensing or adding transaction costs related to the acquisition of financial assets and financial liabilities that are classified as other than held-for-trading. Specifically, it requires that the same accounting policy choice be applied to all similar financial instruments classified as other than held-for-trading, but permits a different policy choice for financial instruments that are not similar. The Company has adopted EIC-166 effective October 31, 2007 and requires retroactive application to all transaction costs accounted for in accordance with CICA Handbook Section 3855, Financial Instruments – Recognition and Measurement. The Company has evaluated the impact of EIC-166 and determined that no adjustments are currently required. Transaction costs are expensed in the year they are incurred.

Future Accounting Changes

Capital Disclosures and financial Instruments – Disclosures and Presentation

On December 1, 2006, the CICA issued three new accounting standards: Handbook Section 1535, Capital Disclosures, Handbook Section 3862, Financial Instruments – Disclosures, and Handbook Section 3863, Financial instruments – Presentation. These standards are effective for interim and annual financial statements for the Company's reporting period beginning on November 1, 2007.

Section 1535 specifies the disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance.

The new Sections 3862 and 3863 replace Handbook Section 3861, Financial Instruments – Disclosure and Presentation, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks.

The Company is currently assessing the impact of these new accounting standards on its financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Accounting Changes

In July 2006, the Accounting Standards Board ("AcSB") issued a replacement of The Canadian Institute of Chartered Accountants' Handbook ("CICA Handbook") Section 1506, Accounting Changes. The new standard allows for voluntary changes in accounting policy only when they result in the financial statements providing reliable and more relevant information, requires changes in accounting policy to be applied retrospectively unless doing so is impracticable, requires prior period errors to be corrected retrospectively and calls for enhanced disclosures about the effects of changes in accounting policies, estimates and errors on the financial statements. The standard is effective for fiscal year beginning November 1, 2007. The impact that the adoption of Section 1506 will have on the Company's results of operations and financial condition will depend on the nature of future accounting changes.

Share Capital

Common shares issued for non-monetary consideration are recorded at their fair market value based upon the trading price of the Company's shares on the TSX Venture Exchange on the date of the agreement.

Stock-based Compensation

The Company follows the Canadian Institute of Chartered Accountants Handbook section 3870, Stock-based Compensation and Other Stock-based Payments, and accounts for all grants of options to employees, non-employees and directors in accordance with the fair value method for accounting for stock-based compensation as defined by accounting principles generally accepted in Canada. The fair value of stock-based compensation awards are calculated using the Black-Scholes option pricing model ("Black-Scholes"). Option pricing models require the input of highly subjective assumptions, including the expected price volatility. Changes in these assumptions can materially affect the fair value estimate.

Future Income Taxes

The Company accounts for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be settled. When the future realization of income tax assets does not meet the test of being more likely than not to occur, a valuation allowance in the amount of the potential future benefit is taken and no net asset is recognized. Such an allowance has been applied to all potential income tax assets of the Company.

Basic and Diluted Earnings per Share

Basic loss per share is calculated by dividing the net loss available to common shareholders by the weighted average number of shares outstanding during the year. Diluted earnings per share reflect the potential dilution of securities that could share in earnings of an entity. In a loss year, potentially dilutive common shares are excluded from the loss per share calculation as the effect would be anti-dilutive. Basic and diluted loss per share are the same for the years presented.

For the years ended October 31, 2007 and 2006, potentially dilutive common shares (relating to options and warrants outstanding at year-end) totalling 9,710,260 (2006: 3,512,619) were not included in the computation of loss per share because their effect was anti-dilutive.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Cash and Cash Equivalents

Cash and cash equivalents comprise cash and other highly liquid investments with original maturities of three months or less.

Impairment of Long-lived Assets

Canadian generally accepted accounting principles require that long-lived assets and intangibles to be held and used by the Company be reviewed for possible impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If changes in circumstances indicate that the carrying amount of an asset that an entity expects to hold and use may not be recoverable, the fair value of the assets, being the future cash flows expected to result from the use of the asset and its disposition must be estimated. If the undiscounted value of the future cash flows is less than the carrying amount of the asset, impairment is recognized. Management believes there has been no impairment of the Company's long-lived assets as at October 31, 2007 and 2006.

Asset Retirement Obligations ("ARO")

The Company records a liability for the fair value of the statutory, contractual or legal asset retirement obligations associated with the retirement and reclamation of tangible long-lived assets when the related assets are put into use, with a corresponding increase to the carrying amount of the related assets. This corresponding increase to capitalized costs is amortized to earnings on a basis consistent with depreciation, depletion and amortization of the underlying assets. Subsequent changes in the estimated fair value of the ARO are capitalized and amortized over the remaining useful life of the underlying asset. The ARO liabilities are carried on the consolidated balance sheet at their discounted present value and are accreted over time for the change in their present value, with this accretion charge included in depreciation, depletion and amortization.

As at October 31, 2007 and 2006, the Company had no asset retirement obligations.

Inventory

Inventories are valued at the lower of cost or estimated net realizable value. Estimated net realizable value is the estimated selling price in the ordinary course of business less any cost of disposal. Cost is determined on the following basis:

Raw materials and packing material are valued at average cost.

Finished goods are valued at raw material cost plus labour cost and an appropriate portion of related fixed and variable manufacturing overhead expenses based on normal capacity.

Revenue Recognition

Revenue, net of trade discounts and excluding value added tax, comprises the total invoice value of goods, services, co-marketing fees and royalties. Revenue from the sale of Calcine (carbon) is recognized upon transfer of title which is completed when the physical product is delivered to customers, the amount of revenue is fixed or determinable, invoiced and collectibility is reasonably assured.

Interest income is recognized on a time proportion basis, taking account of the principal outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to the Company. Dividends are recognized when the right to receive payment is established.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Intangible Assets

Intangible assets represent the value of customer contracts acquired on the purchase of Quantum (Note 3). Intangible assets are amortized straight line over the length of the contract terms of five years.

Flow-through Shares

Effective March 19, 2004, the Canadian Institute of Chartered Accountants issued additional guidance on the accounting treatment of Canadian flow-through shares through its Emerging Issues Committee Abstract ("EIC") No. 146. All flow-through shares issued by the Company on or after March 19, 2004 are accounted for in accordance with this Abstract. The Abstract recommends that, upon renunciation to the shareholders, the Company will reduce share capital and recognize a temporary future income tax liability for the amount of tax reduction renounced to the shareholders except to the extent where the Company has sufficient available tax loss carry forwards or other deductible temporary differences available for deduction against which a valuation allowance has been provided. In these circumstances, the future tax liability reduces the valuation allowance and this reduction is recognized in earnings.

3. ACQUISITION OF QUANTUM SCREENING AND CRUSHING (PROPRIETARY) LIMITED

On March 1, 2007, the Company completed its acquisition of 85% of the outstanding share capital of Quantum, a private South African company, pursuant to an agreement dated January 30, 2007 in exchange for the issuance of 5,929,876 common shares of the Company valued at $1,125,702 (based on the quoted market price of the Company's shares on the date of the agreement) and cash of $2,222,339 to certain existing shareholders of Quantum.

The acquisition has been accounted for using the purchase method of accounting and the consolidated financial statements include 85% of the operations of Quantum from March 1, 2007, the acquisition date.

The following table summarizes the fair value of the assets acquired and the liabilities assumed at the date of acquisition.

Assets		
Current assets (including cash and cash equivalents of $743,216)	$	1,676,414
Investments		330,802
Plant and equipment		2,614,541
Intangible asset		2,334,421
		6,956,178
Liabilities		
Current liabilities		1,376,295
Long-term debt		807,605
Future income tax liability		1,316,239
Non-controlling interest		107,998
		3,608,137
Total consideration	$	3,348,041
Consideration		
Common shares	$	1,125,702
Cash		2,222,339
	$	3,348,041

4. LONG-TERM INVESTMENT, AT COST

A monthly investment of $14,383 is made to provide for the capital repayment of $793,637 due on July 1, 2010 to settle a loan agreement from a financial institution. This long-term investment is classified as held to maturity (Refer to Note 8).

5. PLANT AND EQUIPMENT

	2007		
	Cost	Accumulated Amortization	Net
Plant and equipment*	$ 3,497,821	$ 1,578,203	$ 1,919,618
Office equipment	12,029	5,811	6,218
Computer equipment	26,858	23,698	3,160
Vehicles*	87,835	30,337	57,498
Leasehold improvements	200,061	134,115	65,946
	$ 3,824,604	$ 1,772,164	$ 2,052,440

* Fixed assets with a carrying value of US$268,067 are secured by instalment sale agreements (Refer to Note 8).

	2006		
	Cost	Accumulated Amortization	Net
Vehicles	$ 98,551	$ 68,928	$ 29,623
Office equipment	33,247	28,809	4,438
Computer equipment	10,968	4,302	6,666
	$ 142,766	$ 102,039	$ 40,727

6. MINERAL PROPERTIES AND DEFERRED EXPLORATION COSTS

British Columbia, Canada

Bonaparte Property

The Company owns six mining claims located approximately 45 kilometres west of the Thompson River in the Kamloops Mining Division.

Alaska, USA

Bowser Creek Property

The Company signed an option agreement dated November 15, 2006 to earn up to 75% interest in the Bowser Creek property located in Alaska. In order for the Company to earn a 50% interest it must spend CDN$1,500,000 (US$1,571,700) in exploration expenditures and a further CDN$1,000,000 (US$1,047,800) in exploration expenditures to earn the remaining 25%. During the year ended October 31, 2007, the Company terminated the agreement and, therefore, previously capitalized mineral and deferred explorations costs totalling $31,312 have been charged to operations.

7. INTANGIBLE ASSETS

Intangible assets acquired represent the value of customer contracts acquired on the purchase of Quantum valued at $2,334,421 net of amortization of $311,256.

These intangible assets are amortized straight line over the customer contract term of five years.

8. LONG-TERM DEBT

	Current	Long-term	Total
a) Ford Ranger – Ford Credit			
Instalments payable in monthly instalments of $286	$ 3,437	$ 873	$ 4,310
Less: finance charges	(344)	(19)	(363)
	3,093	854	3,947
b) Coal Devolatising Plant – Standard Bank			
Instalments payable in monthly instalments of $7,761, at interest rates between 8.5% to 11.5%	93,130	910,503	1,003,633
Less: finance charges	(89,832)	(114,141)	(203,973)
	3,298	796,362	799,660
	$ 6,391	$ 797,216	$ 803,607

The above debts are secured with an investment at Liberty Life made to provide for the capital repayable on July 1, 2010 (Refer to Note 4)

Long-term debt repayments over the next three years are as follows:

2008 (Current)	$ 6,391
2009	3,579
2010	793,637
	$ 803,607

9. SHARE CAPITAL

a) Authorized: an unlimited number of common and preferred shares without par value

9. SHARE CAPITAL *(continued)*

b) Issued:

Common shares	2007		2006	
	Shares	Amount	Shares	Amount
Issued – beginning of year	25,865,545	$ 4,000,623	23,407,926	$ 3,562,137
Shares issued for:				
Private placement (1)	1,758,260	131,424	2,357,619	429,917
Private placement (2)	1,000,000	85,807	-	-
Exercise of stock option	453,000	40,595	100,000	8,569
Acquisition of subsidiary (Note 3)	5,929,876	1,125,702	-	-
Private placement (3)	8,000,000	1,790,394	-	-
Issued – end of year	43,006,681	$ 7,174,545	25,865,545	$ 4,000,623

(1) On December 29, 2006, the Company completed a flow-through private placement of 1,758,260 shares at a price of $0.07 (CDN$0.115) per share for a total proceeds of $131,424 (CDN$202,200). Each unit will consist of one common share and one common share purchase warrant. Each warrant will entitle the holder to purchase one additional common share of the Company at a price of CDN$0.15 until December 29, 2007 and CDN$0.20 until December 29, 2008. Finders, corporate and legal costs totaling CDN$28,856 have been offset against the proceeds and 175,826 agents warrants were also issued at a fair value of $12,765.

(2) During the year ended October 31, 2007, the Company completed a private placement of 1,000,000 units at $0.10 per unit for proceeds of CDN$100,000 to one subscriber. Each unit consists of one common share and one share purchase warrant. Each warrant will entitle the subscriber to purchase one common share for $0.15 per share until October 31, 2008.

(3) During the year ended October 31, 2007, the Company completed a private placement of 8,000,000 units at CDN$0.25 for proceeds of CDN$2,000,000. Each unit consists of one common share and one half of a share purchase warrant. Each whole warrant entitles the holder to acquire one additional common share at the price of CDN$0.35 until October 31, 2008. Finders' fees, corporate and legal costs totaling CDN$136,647 have been offset against the proceeds.

9. SHARE CAPITAL *(continued)*

c) The continuity of stock options is as follows:

	2007 CDN Number of Shares	2007 CDN Weighted Price	2006 CDN Number of Shares	2006 CDN Weighted Price
Opening balance	1,155,000	0.16	2,135,000	0.20
Granted during the year	2,550,000	0.10	2,000,000	0.25
Granted during the year	200,000	0.28	-	-
Exercised during the year	(453,000)	0.10	(100,000)	0.10
Expired/forfeited during year	(500,000)	0.10	(2,880,000)	0.26
Ending balance	2,952,000	0.18	1,155,000	0.16
Weighted remaining life in years		3.60		1.92
Range of exercise prices		$0.10-$28		$0.10-$0.45
Exercisable, end of year	1,485,333		1,155,000	

d) The continuity of share purchase warrants is as follows:

	2007 CDN Number of Shares	2007 CDN Weighted Price	2006 CDN Number of Shares	2006 CDN Weighted Price
Opening balance	2,357,619	0.21	9,642,888	0.34
Granted during the year	1,758,260	0.15	2,357,619	0.21
Granted during the year	1,000,000	0.15	-	-
Granted during the year	4,000,000	0.35	-	-
Expired during year	(2,357,619)	0.21	(9,642,888)	0.34
Ending balance	6,758,260	0.27	2,357,619	0.21
Weighted remaining life in years		0.95		0.36
Range of exercise prices		$0.10-$35		0.21

e) Shares in escrow:

The Company does not have any shares held in escrow.

9. SHARE CAPITAL *(continued)*

f) Stock-based compensation:

Stock Option Plan

The Company has established a stock option plan (the "Plan") for directors, officers, employees and other key personnel of the Company and its subsidiaries. The board of directors may designate which directors, officers, employees and other key personnel of the Company or its subsidiaries are to be granted options to acquire common shares, subject to the restriction that the aggregate number of common shares issuable upon the exercise of options granted thereunder shall not exceed the maximum number of shares permitted under the rules of any stock exchange on which the common shares are listed (being 10% of the number of issued and outstanding common shares as at the date options are granted). The directors, in compliance with the requirements of the stock exchange or exchanges on which the common shares are listed, determine the exercise price, vesting restrictions and expiry of any options granted under the Plan. The maximum period permitted by the TSX Venture Exchange for options is currently five years from the date of grant, provided that any outstanding options will expire on a date not exceeding 90 days following the date that the holder ceases to be an officer, director, employee or consultant of the Company (30 days in the case of certain consultants). In the event of the death of an officer, director, employee or consultant, options held by such person will expire 12 months following the date of death. Options granted under the Plan are non-assignable. Outstanding options granted under the Plan may be adjusted in certain events, as to exercise price and number of common shares, to prevent dilution or enlargement.

The Company expensed $272,355 (2006 – $85,329) in connection with the fair value of stock options that vested during the year ended October 31, 2007. The compensation amounts were charged to contributed surplus. The 200,000 stock options granted vest as follows: 25% upon date of grant, 25% on the 4 month anniversary of the grant date and 50% on the 12 month anniversary of the grant date. The 2,550,000 stock options vest as follows: 33-1/3% immediately upon date of grant, 33-1/3% on the 12 month anniversary of the grant date and the final third vests on the 18 month anniversary of the grant date. Options granted have an expiry date 5 years from the date of grant.

The fair value of stock options granted was estimated using the Black-Scholes Option Pricing Model with the following assumptions; risk-free interest rate - 3.5% (2006 – 3.0%); expected dividend yield – $Nil (2006 – $Nil); weighted-average expected stock price volatility – 113% (2006 – 132%); expected option life in years – 5 years (2006 – 5 years).

10. RELATED PARTY TRANSACTIONS

	October 31, 2007	October 31, 2006
Due to a private company of which a director of the Company is a significant shareholder.	$ -	$ 282,418*
Due to a company controlled by a President of the Company, unsecured, interest at 7% per annum and no specific terms of repayment. The amount includes accrued interest of $61,293 (2006 - $Nil).	723,111	-
Due to a company controlled by a former director of the Company.	19,197*	19,026
Due to a director of the Company.	282,418*	22,500
Due to former directors of the Company.	68,591*	44,120
Included in due to related parties	**$ 1,093,317**	**$ 368,064**

* Amounts are unsecured, non-interest bearing and have no specific terms for repayment.

During the year ended October 31, 2007, the Company entered into the following transactions with related parties:

a) Accrued and paid management fees and expense reimbursements of $Nil (2006 - $20,817) to a corporation controlled by a director and former president of the Company.

b) Paid consulting fees and expense reimbursements of $62,902 (2006 - $53,225) to a director of the Company.

c) Paid directors' fees of $110,556 to the directors of a subsidiary of the Company.

These expenditures were measured by the exchange amount which is the amount agreed upon by the transacting parties.

11. INVENTORIES

Inventory consists of anthracite coal and calcine.

12. PRODUCT REVENUE

Product revenue includes $169,053 received as a Small and Medium Enterprises Development Program subsidy. This subsidy is received from the South Africa Department of Trade and Industry and is only recorded upon receipt.

13. INCOME TAXES

A reconciliation of the income tax provision computed at statutory rates to the reported income tax provision is as follows:

	2007	2006
Loss for the year before taxes and non-controlling interest	$ (609,070)	$ (2,585,571)
Statutory income tax rate	34.12%	34.12%
Expected income tax recovery	$ (208,000)	$ (882,000)
Ugandan taxes not provided for	21,000	748,000
Net adjustment for non-deductible amounts	149,000	29,000
Non-taxable subsidy	(49,000)	-
Lower tax rate in foreign jurisdiction	(11,000)	-
Effect of reduction in statutory rate	148,000	-
Change in valuation allowance	(13,000)	105,000
Provision for taxes	$ 37,000	$ -
Provision for taxes applicable to:		
Current income tax expense	$ 189,000	$ -
Future income tax recovery	(152,000)	-
Current and future income tax expense	$ 37,000	$ -

The significant components of the Company's Canadian and South African future income tax assets and liabilities are as follows:

	2007	2006
Future income tax assets:		
Mineral properties	$ 12,000	$ 5,000
Non-capital losses carried forward	345,000	427,000
Share issue costs	36,000	-
	393,000	432,000
Valuation allowance for future income tax assets	(393,000)	(432,000)
Net future income tax assets	$ -	$ -

	2007	2006
Future income tax liabilities		
Plant and equipment	$ 549,000	$ -
Intangible assets	615,000	-
Net future income tax liabilities	$ 1,164,000	$ -

13. INCOME TAXES *(continued)*

Subject to certain restrictions, the Company has mineral property expenditures of approximately $143,000 (2006: $19,000) available to reduce taxable income in future years.

The Company has accumulated non-capital losses of approximately $1,327,000 (2006: $1,251,000) which are available to reduce future taxable income in Canada and which expire as follows:

Year	Amount
2008	$ 74,000
2009	82,000
2010	50,000
2011	185,000
2015	382,000
2026	320,000
2027	234,000
	$ 1,327,000

The Company has not recognized any future benefit for these tax losses and resource deductions as it is considered more likey-than-not that they will not be utilized.

No provision for Ugandan income taxes has been recorded. The Company is unable to accurately determine the amount of its loss carry forwards and other tax attributes at this time. The Company expects to have non-capital operating loss carry forwards available to offset any taxable income that may exist for the years ended October 31, 2007 and 2006. Future tax benefits which may arise as a result of these losses have not been recognized in these financial statements and would be offset by a valuation allowance.

Subsequent to October 31, 2007, the Company renounced exploration expenditures relating to flow-through shares totaling $202,200. As at October 31, 2007, the Company has spent $93,000 and is committed to spend an additional $109,200 on Canadian exploration expenditures. Amounts renounced to shareholders are not deductible by the Company.

14. ECONOMIC DEPENDENCE

The Company's revenue is derived from two customers and as a result is dependent on these two contracts for its revenue.

15. SUBSEQUENT EVENTS

Subsequent to October 31, 2007; the Company

- entered into a purchase agreement with New Stone Mining SPRL, a privately-owned mining company registered in the Democratic Republic of the Congo (DRC). New Stone Mining currently has four mining concessions in the DRC. Under the purchase agreement, Canaf will acquire 51% of the outstanding share capital of New Stone Mining for US$20,000,000. The Company will pay deposits of US$1,000,000, comprising US$75,000 on signing of the agreement (paid), $925,000 on certain conditions being satisfied and $19,000,000 on closing. On closing, the balance payable is due within 24 months and is without interest.

15. SUBSEQUENT EVENTS (continued)

- acquired the remaining 15% of Quantum as follows:
  - 5% for $143,400 (R1,000,000) by the issuance of 573,000 common shares (issued) at a deemed price of $0.25
  - 10% for $190,695 (R1,388,889) and by the issuance of 953,472 common shares (issued) at a deemed price of $0.20.

16. SEGMENTED INFORMATION

The Company operates in two reportable operating segments, one being the exploration of mineral resource properties in Canada and Uganda. The other segment relates to the production and sale of Calcine (carbon) in South Africa. Information from South Africa included below were from March 1, 2007, date of acquisition.

	Canada	Uganda	South Africa	Total
Year ended October 31, 2007				
Net loss (income)	$ 1,167,260	$ 61,492	$ (507,287)	$ 721,465
Current assets	$ 136,183	$ 251	$ 2,449,090	$ 2,585,524
Long-term investments	-	-	445,863	445,863
Equipment	46,022	8,176	1,998,242	2,052,440
Mineral properties	96,128	-	-	96,128
Intangible assets	-	-	2,023,165	2,023,165
Total Assets	$ 278,333	8,427	6,916,360	$ 7,203,120
Year ended October 31, 2006				
Net loss	$ 393,597	$ 2,191,974	$ -	$ 2,585,571
Current assets	$ 48,311	$ 10,783	$ -	$ 59,094
Equipment	2,336	38,391	-	40,727
Mineral properties	3,572	-	-	3,572
Goodwill	-	-	-	-
Total Assets	$ 54,219	$ 49,174	$ -	$ 103,393

17. COMPARATIVE FIGURES

Certain of the comparative figures for the year ended October 31, 2006 have been reclassified to conform with the presentation adopted in the current year.