Canaf Group Inc.

Management Discussion & Analysis
FORM 51-102F

For the Period Ended
JULY 31, 2009

September 25, 2009

The following discussion and analysis of financial condition and results of operations should be read in conjunction with the Company's Management's Discussion and Analysis of Operating Results, the unaudited interim consolidated financial statements and the accompanying notes for the nine month period ended July 31, 2009 and the audited consolidated financial statements for the year ended October 31, 2008.

FORWARD-LOOKING STATEMENTS

This MD&A together with the Company's financial statements for the period ended July 31, 2009 contain certain statements that may be deemed "forward-looking statements". All statements in this MD&A, other than statements of historical fact, that address exploration drilling, exploitation activities and events or developments that the Company expects to occur, are forward looking statements. Forward looking statements in this document are statements that are not historical facts and are generally, but not always, identified by the words "expects", "plans", "anticipates", "believes", "intends", "estimates", "projects", "potential" and similar expressions, or that events or conditions "will", "would", "may", "could" or "should" occur. Information inferred from the interpretation of drilling results and information concerning resource estimates may also be deemed to be forward looking statements, as it constitutes a prediction of what might be found to be present when and if a project is actually developed. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results may differ materially from those in the forward-looking statements.

Inherent in forward-looking statements are risks and uncertainties beyond the Company's ability to predict or control, including risks that may affect the Company's operating or capital plans, including risks generally encountered in the exploration and development of natural resource properties, such as unusual or unexpected geological formations, unanticipated metallurgical difficulties, ground control problems, process upsets and equipment malfunctions; risks associated with labour and unavailability of skilled labour; fluctuations in the market prices of the Company's principal products, which are cyclical and subject to substantial price fluctuations; risks created through competition for natural resource properties; risks associated with lack of access to markets; risks associated with mineral and resource estimates, including the risk of errors in assumptions or methodologies; risks posed by fluctuations in exchange rates and interest rates, as well as general economic conditions; risks associated with environmental compliance and permitting, including those created by changes in environmental legislation and regulation; risks associated with the Company's dependence on third parties in the provision of transportation and other critical services; risks associated with aboriginal title claims and other title risks; social and political risks associated with operations in foreign countries; and risks associated with legal proceedings.

Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this MD&A. Such statements are based on a number of assumptions which may prove to be incorrect, including, but not limited to, the following assumptions: that there is no material deterioration in general business and economic conditions; that there is no unanticipated fluctuation of interest rates and foreign exchange rates; that the supply and demand for, deliveries of, and the level and volatility of commodity prices develop as expected; that the Company receives regulatory and governmental approvals as are necessary on a timely basis; that the Company is able to obtain financing as necessary on reasonable terms; that there is no unforeseen deterioration in the Company's activity costs; that the Company is able to continue to secure adequate transportation as necessary for its exploration activities; that the Company is able to procure equipment and supplies, as necessary, in sufficient quantities and on a timely basis; that exploration activity timetables and capital costs for the Company's planned projects are not incorrectly estimated or affected by unforeseen circumstances; that costs of closure of various operations are accurately estimated; that there are no unanticipated changes to market competition; that the Company's estimates in relation to its natural resource interests are within reasonable bounds of accuracy (including with respect to size, grade and recoverability of mineral projects) and that the geological, operational and price assumptions on which these are based are reasonable; that no environmental and other proceedings or disputes arise; and that the Company maintains its ongoing relations with its employees, consultants and advisors.

Readers are cautioned that the foregoing list of important factors and assumptions is not exhaustive. Forward-looking statements are not guarantees of future performance. Events or circumstances could cause the Company's actual results to differ materially from those estimated or projected and expressed in, or implied by, these forward-looking statements. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking statements or the foregoing list of factors, whether as a result of new information or future events or otherwise, except as may be required under applicable laws.

OVERALL PERFORMANCE

Canaf Group Inc. (the "Company") is incorporated in the Province of Alberta, is engaged in the acquisition and exploration of mineral properties in Canada, Uganda and Sierra Leone. The Company has a 100% interest in Quantum Screening and Crushing (Proprietary) Limited ("Quantum"). 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.

Sierra Leone

On December 1, 2008, the Company announced that it had secured a small scale mining lease encompassing 25 acres in Sierra Leone through its newly incorporated, majority-owned subsidiary company, Canaf (SL) Limited, ("Canaf (SL)"), incorporated under the laws of Sierra Leone. In August 2008, the Company commissioned SRK Exploration Services, ("SRK"), to complete a prospectivity report for 5 alluvial diamond claims in different regions of Sierra Leone. After the confirmation from SRK that the identified concessions were prospective and warranted further exploration, Canaf (SL) was created. Canaf Group Inc. owns 51% of this new company and will provide all initial funding as a loan to the company to be repaid back to

Canaf with interest before any proceeds or profits are distributed to shareholders. The remaining shares of Canaf (SL) are owned by local Sierra Leoneans who have a wealth of diamond mining experience and highly respected reputations in the country.

The first small scale mining lease that Canaf (SL) Limited has acquired is located on the river Sewa near Gendema, in the district of Bo. Canaf (SL) Limited has registered 25 mining acres (in two areas) along the north bank of the river, stretching along a distance of over 1.5km. Other areas of this river have been previously mined before the war in Sierra Leone and the location of Canaf (SL) concessions has been well documented by the renowned British geologist, P.K.Hall

Canaf (SL) Ltd. has now completed its first mining season and has well established itself in country. To date receipts of approximately US$28,000.00 have been received from the sale of 272.31 carats of diamonds. The most valuable diamond discovered to date was valued at $1,200/carat and weighed 2.40 carats The discoveries have warranted further exploration and investment.

The company is currently planning to resume mining operations by means of a dredge. All equipment has been prepared and the company plans to start the dredging operation in late October/early November 2009. Further details on performance during the quarter will be published in a forthcoming news release.

Quantum Screening and Crushing, South Africa

In 2007, the Company acquired 100% of Quantum Screening and Crushing Limited (Quantum). Quantum a private South African company is one of South Africa's largest producers of calcined coke, a product that is vital in the manufacturing process of steel and manganese. The company's two largest clients are Mittal Steel and BHP Billiton, world leaders in steel and manganese production respectively. Quantum has a plant in Newcastle, KwaZulu Natal, where its two kilns operate around the clock calcining the raw material anthracite. The majority of Quantum's feedstock anthracite is supplied by Springlake Colliery, which has reserves in excess of 35 years and is based in Dundee, the neighbouring town to Newcastle.

Calcining is a process whereby anthracite coal is fed through a rotary kiln (at temperatures between 1000 and 1200 degrees centigrade) and devolatilisation takes place; sulphur content is lowered and gases such as nitrogen are burnt off. The final product is calcine which is a coke substitute with a high carbon content of between 82% and 85%. The final product is used as a reductant in the manufacture of steel and manganese. Quantum, through its wholly owned subsidiary Southern Coal (Proprietary) Limited, ("Southern Coal") has been profitably carrying on this business for the last 6 years.

The last year has been a difficult one due to the worldwide recession. BHPBilliton took no product for some eight months whilst and Mittal have cut their orders by one half and did not take any product for two months. The board have made sure that costs are contained as far as possible and feel that it is essential to retain the facility as it appears that the recession is near its end and recovery is in sight.

SELECTED ANNUAL INFORMATION

The following financial data, which has been prepared in accordance with Canadian generally accepted accounting principles, is derived from the Company's audited consolidated financial statements for the years ended October 31, 2008, 2007 and 2006.

	2008 $	2007 $	2006 $
Sales	9,038,397	6,193,884	-
Cost of Sales	(8,207,714)	(5,455,041)	-
Gross Profit	830,683	738,843	-
Interest Income	13,042	16,558	4,660
Net loss for the year	(2,639,324)	(721,465)	(2,585,591)
Long-term debt	521,838	797,216	-
Total Assets	3,134,842	7,203,120	103,393
Basic and diluted per shares	(0.06)	(0.02)	(0.10)

Financial position

Revenue from the sale of calcine and coal is derived substantially from two customers and as a result the company is dependent on these customers for its revenue.

The Company earned $13,042 of interest income during the year on its cash held in Canadian and South Africa banking institutions. The decrease is due to less cash on hand to invest in interest bearing financial assets.

The main components making up the balance of $3,134,842 of total assets as at October 31, 2008 are $1,222,559 million in property, plant and equipment, $377,539 in cash and cash equivalents and $878,132 in accounts receivable. The total assets have decreased due to write downs of mineral property cost and intangible assets.

Long term debt of $521,838 represents the non-current portion of a balance of $524,276 in debt existing as at October 31, 2008. The debt is held in South Africa and secured with a long term investment at Liberty Life.

The Company's loss has increased significantly in 2008 due mainly to the write-offs of the following: mineral properties costs of $146,208, deposits on acquisition of subsidiary of $661,567 and intangible assets of $1,996,709.

RESULTS OF OPERATIONS

Nine Month Period Ending July 31, 2009

For the period ended July 31, 2009, the Company reported a loss of $373,457 (2008 - $1,002,351). The Company's loss per share was $0.01 (2008 - $0.02). The decrease in loss relative to the corresponding period in the prior year is primarily due to the write of mineral property, a non-cash compensation cost, increased in accounting and legal fee and income taxes expenses in 2008.

		Nine months ended		
		July 2009	July 2008	%Change
Sales	$	3,115,862	$ 5,894,002	(47%)
Production Cost		(3,116,705)	(5,553,199)	(44%)
Administrative expenses		(362,342)	(1,144,074)	(68%)
Other items		8,654	(56,818)	(115%)
Income taxes expenses		(18,926)	(142,262)	(87%)
Total loss for the period		(373,457)	(1,002,351)	(63%)

Sales

All of the sales during the last nine months have been generated by Quantum Screening and Crushing, the calcining operation, except for the sale of one small parcel of diamonds by Canaf (SL) Ltd.

During the last nine months sales have decreased by 47% due to the recession. As mentioned above orders from customers reduced considerably with one customer actually taking no product for approximately eight months. Production costs also decreased by 44% due to decrease in production volumes and the cutting of all costs wherever possible.

Canaf (SL) Ltd. sold its first parcel of diamonds in June 2009, which was valued at $15,000. All proceeds were used for further exploratory working capital.

Expenses

Expenses for the period ended July 31, 2009 decreased by 68% compared to the same period in 2008. The larger loss in the third quarter of fiscal 2008 was primarily due to the Company's non cash compensation cost, amortization of plant and equipment and increased in accounting and legal fee.

Differences in general administrative expenses incurred are as follows:

- Director salaries of $84,254 (2008-$67,260) were paid to directors of Quantum. The increase is due to the production manager having been appointed to the board of Quantum and his salary now being disclosed as a director's salary.

- Finance fees and office and sundry decrease due to decreased in the Company's business operation in South Africa.

- Transfer agent and filing fees of $9,430 (2008-$23,109) consisted of fees paid to regulatory bodies in Canada in connection with routine filings.

- Travel of $4,355 (2008-$69,372) management traveled throughout Vancouver, UK, and South Africa of which the Company has business office. Travel were paid primarily for executive travel; examine potential business opportunities and met with potential investors.

- Consulting fee of $27,491 (2008-$87,974) were paid and accrued to a director of the Company, in consideration of management consulting services.

- The Company uses the fair value based method of accounting for all stock-based awards. The Company recorded $Nil (2008-$279,593) of non-cash compensation costs due to the grant of stock option during the period

The Company is subject to transactions in four currencies (United States Dollars, British Pound, South African Rand and Canadian Dollars) and is therefore subject to fluctuations in international currency markets. The current period loss on foreign exchange in the amount of $5,107 is mostly the result of the settlement of foreign-currency denominated operational transactions. Though the Company does not maintain a formal strategy to manage currency movements, management works with the Company's financial institutions and the Board of Directors to manage currency fluctuations.

Other Items

- The Company's investment income has decreased by $8,654 in the period ended July 31, 2009 due to less cash on hand to invest in interest bearing financial assets.

- In fiscal 2008, the Company write off the Bonaparte property located in Kamloops Mining Division, British Columbia, Canada totalling $173,714 and write off due to related parties of $101,760.

Three Month Period Ending July 31, 2009

For the three months period ended July 31, 2009, the Company reported a loss of $101,449 (2008 - $383,373). The Company's loss per share was $0.00 (2008 - $0.01). The decrease in loss relative to the corresponding period in the prior year is primarily due to the write of mineral property, a non-cash compensation cost, increased in accounting and legal fee and income taxes expenses in 2008.

	Three months ended		
	July 2009	July 2008	%Change
Sales	$ 1,051,084	$ 1,849,853	(43%)
Production Cost	(983,854)	(1,787,832)	(45%)
Administrative expenses	(146,006)	(336,233)	(57%)
Other items	1,146	(65,289)	(102%)
Income taxes expenses	(23,819)	(44,072)	(46%)
Total loss for the period	(101,449)	(383,573)	(74%)

Sales

All of the sales during the last quarter are due to Quantum Screening and Crushing, except for the sale of Canaf (SL) Ltd's first parcel of diamonds.

Sales have decreased by 43%, again, due to the recession. As mentioned previously, orders from customers reduced considerably with one customer actually taking no product for approximately eight months. Production costs also decreased by 45% due to decrease in production volumes and the cutting of all costs wherever possible.

Canaf (SL) Ltd. sold its first parcel of diamonds in June 2009, which was valued at $15,000. All proceeds were used for further exploratory working capital.

Expenses

Expenses for the three months period ended July 31, 2009 decreased by 57% compared to the same period in 2008. The larger loss in the third quarter of fiscal 2008 was primarily due to the Company's non cash compensation cost, amortization of plant and equipment and increased in accounting and legal fee.

Differences in general administrative expenses incurred are as follows:

- Director salaries of $32,904 (2008-$15,347) were paid to directors of Quantum. The increase is due to the production manager having been appointed to the board of Quantum.

- Office and sundry decrease due to decreased in the Company's business operation in South Africa.

- Transfer agent and filing fees of $1,970 (2008-$9,937) consisted of fees paid to regulatory bodies in Canada in connection with routine filings.

- Travel of $1,752 (2008-$56,758) management traveled throughout Vancouver, UK, and South Africa of which the Company has business office. Travel were paid primarily for executive travel, examine potential business opportunities and met with potential investors.

- Consulting fee of $9,584 ($20,920) were paid and accrued to a director of the Company, in consideration of management consulting services.

- The Company uses the fair value based method of accounting for all stock-based awards. The Company recorded $Nil (2008-$15,409) of non-cash compensation costs due to the grant of stock option during the period

The Company is subject to transactions in four currencies (United States Dollars, British Pound, South African Rand and Canadian Dollars) and is therefore subject to fluctuations in international currency markets. The current period loss on foreign exchange in the amount of $5,699 is mostly the result of the settlement of foreign-currency denominated operational transactions. Though the Company does not maintain a formal strategy to manage currency movements, management works with the Company's financial institutions and the Board of Directors to manage currency fluctuations.

Other Items

- The Company's investment income has decreased by $1,146 in the period ended July 31, 2009 due to less cash on hand to invest in interest bearing financial assets.

- In fiscal 2008, the Company write off the Bonaparte property located in Kamloops Mining Division, British Columbia, Canada totalling $173,714 and write off due to related parties of $101,760.

SUMMARY OF QUARTERLY REPORTS

The selected consolidated information set out below has been gathered from quarterly financial statements for the period ending July 31, 2009:

	Three Months Ended			
	July 31, 2009 $	April 30, 2009 $	January 31, 2009 $	October 31, 2008 $
Gross Profit (Loss)	67,230	(60,186)	(7,877)	489,880
Net (loss)	(101,449)	(168,577)	(103,431)	(1,636,973)
Basic and diluted per shares	(0.01)	(0.01)	(0.00)	(0.04)

	Three Months Ended			
	July 31, 2008 $	April 30, 2008 $	January 31, 2008 $	October 31, 2007 $
Gross Profit	62,021	147,459	131,323	738,483
Net (loss)	(383,573)	(446,680)	(172,098)	(383,944)
Basic and diluted per shares	(0.01)	(0.00)	(0.00)	(0.01)

Over the last eight quarters, expenditures have been consistent reflecting operational activities. Losses and earnings varied from quarter to quarter. In the fourth quarter of fiscal 2008, the Company recorded a loss of $1,636,973. During the fourth quarter in 2008, the company wrote down the following: advanced deposits totalling $661,567 for the acquisition of New Stone Mining, mineral property and deferred cost of $146,2008 and intangible assets of $1,996,709.

Revenue in fiscal 2009 is significantly lower than the previous year. In fact, Quantum has experienced extremely difficult conditions during the last financial year; inconsistent power supply, a scheduled overhaul and subsequent slowdown of Arcelor Mittal's plant in Newcastle and a significant reduction in orders from BHPBilliton for approximately eight months; with all this in mind, the Company has still managed to operate profitably. The board does not expect the coming months and quarters to improve dramatically or at all, and anticipates a continued reduction in orders from both Arcelor Mittal and BHP Billiton. The global economic recovery is in sight, which the company anticipates will have a positive effect on orders when it finally arrives. The company is actively looking at other markets and potential customers are testing the suitability of Quantum's product for their use.

Over the last quarter the Company started to earn revenue on our Sierra Leone property, although on a small scale as the operation was primarily exploratory. The company is now preparing for a dredging operation in November after discovering some promising locations.

LIQUIDITY AND CAPITAL RESOURCES

On July 31, 2009, the Company had cash and cash equivalent net of $425,461 (October 31, 2008- $377,539) and working deficiency of $1,267,593 (October 31, 2008-$1,046,539).

Shares Issued for Debt

On January 12, 2009, the Board of Directors approved the issuance of 2,892,442 common shares with a deemed value of CDN$0.25 per share in settlement of amounts of CDN$723,111 owing to a company controlled by the President of the Company.

Debt Financing

In January 2009, the Company completed debt financing totalling $150,000 which included $50,000 being funded by a company controlled by the President of the Company. The debentures bear interest at 12% per annum compounded annually, is repayable by January 31, 2010, and is secured by a first floating charge on all property and assets of the Company.

Possible sources of funds available to the Company to finance its capital expenditure program and operations include cash flows from operations, which are expected to continue increasing with anticipated increases in production and the issuance of additional common shares.

CONTRACTUAL OBLIGATIONS

	Less than 1 year	1-3 years	4-5 years	After 5years
Long term debt	$660,693	-	-	-

The above debts are secured with a fixed income investment (Note 4) to financial statements made to provide for the capital repayable in fiscal 2010. The debts bear interest at rates between 11.0% to 13.5% per annum. The Company incurred finance fees totalling $37,668 for the period ended July 31, 2009 (2008 - $36,376).

TRANSACTIONS WITH RELATED PARTIES

All of the undernoted fees are with respect to the current period ended July 31, 2009, unless otherwise indicated.

a) Consulting fee of $27,491 (42,974) were paid and accrued to a director of the Company, in consideration of management consulting services and overseeing the Company's exploration activities and management in Sierra Leone properties. This director was owed $19,018 at July 31, 2009 (2008 – nil).

b) Director's salaries of $ 84,254 (2008 – $67,260), were paid to directors and officers of the

Company for management compensation in the normal course of operation of the Company's subsidiaries in South Africa.

c) Administrative and accounting fees of $36,950 (2008 - $37,148) were paid to a director of the Company for secretarial, general administrative and accounting services and overseeing regulatory filings and requirements.

d) The Company issued 2,892,442 common shares for the settlement of US$587,513 in debt owing to a private Company controlled by the President of the Company. At July 31, 2009, the aggregate balance due to this director is $792,553 (2008-$1,194,434) including interest of $93,246 (2008-$97,452).

e) $12,718 (2008-Nil) due to a director of the Company.

ECONOMIC DEPENDENCE

The Company's revenue is substantially derived from two customers, and as a result is economically dependent upon these two customers. The Company's exposure to credit risk is limited to the carrying value of its accounts receivable. As at July 31, 2009, accounts receivable included $391,371 due from these two customers.

In light of the continuing deterioration in the global economy, these customers have indicated its intention to significantly reduce its purchases from the Company in 2009 and beyond. Reduced sales may have a significant adverse impact on the Company

FINANCIAL INSTRUMENTS

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's financial instruments consist of cash, receivables, due to related parties and accounts payable and accrued liabilities.

Cash and cash equivalent is designated as held-for-trading and therefore carried at fair value, with the unrealized gains or losses recognized in net income. Receivables are classified as loans and receivables, which are measured at amortized cost, if assets is derecognized or impaired, recognized in net income. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost, if liability is derecognized, recognized in net income.

RISKS AND UNCERTAINTIES

The Company is subject to a number of risk factors due to the nature of the mining business in which it is engaged, including movements in commodity prices, which are difficult to forecast. The Company seeks to counter these risks as far as possible by selecting exploration areas on the basis of their recognized geological potential to host economic deposits.

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

Exploration and Development

The Company's properties are in exploration stage and pre-development stage only and although they contain historic resources of gold and other metals, the Company has yet to determine whether its properties are economically viable. At this stage, it is not known if there is commercial ore. Development of the properties will only follow upon obtaining satisfactory results. Exploration and development of natural resources involve a high degree of risk and few properties which are explored are ultimately developed into producing properties. There is no assurance that the Company's exploration and development activities will result in any discoveries of commercial bodies of ore. The long term profitability of the Company's operations will be in part directly related to the cost and success of its exploration programs, which may be affected by a number of factors. Substantial expenditures are required to establish reserves through drilling, to develop processes to extract the resources and, in the case of new properties, to develop the extraction and processing facilities and infrastructure at any site chosen for extraction. Although substantial benefits may be derived from the discovery of a major deposit, no assurance can be given that resources will be discovered in sufficient quantities to justify commercial operations or that the funds required for development can be obtained on a timely basis.

Operating Hazards and Risks

Exploration for natural resources involves many risks, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. Operations in which the Company has a direct or indirect interest will be subject to all the hazards and risks normally incidental to exploration, development and production of resources, any of which could result in work stoppages, damage to persons or property and possible environmental damage. Although the Company has or will obtain liability insurance in an amount which it considers adequate, the nature of these risks is such that liabilities might exceed policy limits, the liabilities and hazards might not be insurable, or the Company might not elect to insure itself against such liabilities due to high premium costs or other reasons, in which event the Company could incur significant costs that could have a material adverse effect upon its financial condition.

Metal Prices

Factors beyond the control of the Company affect the price and marketability of gold and other metals. Metal prices have fluctuated widely, particularly in recent years and are affected by numerous factors including international, economic and political trends, expectations of inflation, currency exchange fluctuations, interest rates, global or regional consumption patterns, speculative activities and worldwide production levels. The effect of these factors on the Company's future prospects cannot accurately be predicted.

Political Risk

Quantum is located in South Africa and consequently the Company will be subject to certain risks, including currency fluctuations, electricity outages and possible political or economic instability, and exploration and production activities may be affected in varying degrees by political stability and government regulations relating to the industry. Any changes in regulations or shifts in political attitudes are beyond the control of the Company and may adversely affect its business. Exploration may be affected in varying degrees by government regulations with respect to restrictions on future exploitation and production, price controls, export controls, foreign exchange controls, income taxes, expropriation of property, environmental legislation and site safety.

Environmental Factors

All phases of the Company's operations will be subject to environmental regulation in South Africa.

Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. In addition, certain types of operations require the submission and approval of environmental impact assessments. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers and employees. The cost of compliance with changes in governmental regulations has a potential to reduce the profitability of operations. The exploration, development and production activities of the Company will require certain permits and licenses from various governmental authorities and such operations are and will be governed by laws and regulations governing exploration, development and production, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection, safety and other matters. Companies engaged in exploration activities generally experience increased costs and delays as a result of the need to comply with applicable laws, regulations and permits. There can be no assurance that all licenses and permits which the Company may require to carry out exploration and development of its projects will be obtainable on reasonable terms or on a timely basis, or that such laws and regulations would not have an adverse effect on any project that the Company may undertake.

Cash Flows and Additional Funding Requirements

Although since the acquisition of Quantum, the Company has significant revenues from operations, the majority of sources of funds currently available to the Company for its acquisition and development projects are in large portion derived from the issuance of equity. Although the Company presently has sufficient financial resources and has been successful in the past in obtaining equity and debt financing to undertake its currently planned exploration and development programs, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company.

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company is dependent upon on the availability of credit from its supplier and its ability to generate sufficient fund from equity financing or from third parties to meet current and future obligations. There can be no assurances that such financing will be available on terms acceptable to the Company.

Credit Risk

Credit risk on financial instruments arises from the potential for counterparties to default on their obligations to the Company. Current credit exposure is on the loss that would be incurred if the Company’s counterparties were to default at the same time.

The Company has a credit risk exposure related to its counterparties under its calcine and coke sales as disclosed in Notes 16 to the consolidated financial statements. The Company has assessed its exposure to credit risk and has determined that no significant risks exist from these concentrations of credit.

Interest Rate Risk

Interest on the Company's long-term debt is based on both fixed and variable rates and exposes the Company to interest rate risk. The Company has not entered into any derivative agreements to mitigate this risk.

Foreign Currency Risk

Foreign exchange risk arises because of fluctuations in exchange rates. The Company conducts a significant portion of its business activities in foreign currencies. The Company's subsidiaries, principally located in South Africa, routinely transact in the local currency rather than the United States dollar, exposing the Company to potential foreign exchange risk in its financial position and cash flows.

The assets, liabilities, revenue and expenses that are denominated in foreign currencies will be affected by changes in the exchange rate between the United States dollar and these foreign currencies. The Company has outstanding debt obligations that are payable in Canadian dollars and has issued securities convertible or exercisable into common shares at values expressed in Canadian dollars.

The Company does not currently use financial instruments to mitigate this risk.

Commodity Price Risk

The Company's revenues, earnings and cash flows are directly related to the volume and price of calcine and coke sold and are sensitive to changes in market prices for calcine and coke over which it has little or no control. The Company has the ability to address its price-related exposures through the use of calcine and coke sales contracts.

The Company is in great deal of uncertainty in the medium term future owing to the fact that Quantum Screening & Crushing Ltd the South African subsidiary is experiencing vast reductions in orders - down more than 50% at the date of this report.

Fair Value Risk

Due to the short term nature of cash and cash equivalents, accounts receivable and other current assets, accounts payable and accrued liabilities, their carrying values approximate their fair values.

Title to Assets

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

Enforcement of Civil Liabilities

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

Management

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

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangement

CHANGES IN ACCOUNTING POLICIES

Effective November 01, 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".

Effective November 01, 2007, the Company adopted Sections 3862 "Financial Instruments – Disclosure" and 3863 "Financial Instruments – Presentation" which place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks.

These standards have been adopted on a prospective basis with no restatement to the prior years' financial statements.

a) Comprehensive Income

Comprehensive income consists of net earnings and other comprehensive income. Other comprehensive income is the change in net assets from transactions related to non-shareholder sources, and includes items that would not normally be included in net earnings such as foreign exchange gains or losses arising from the translation of the financial statements of a self-sustaining foreign operation. The Company's comprehensive income and its components are presented in the statements of comprehensive income and accumulated other comprehensive income.

Prior to the adoption of new standards on November 01, 2007, foreign exchange gains and losses arising from the translation of the financial statements of self-sustaining foreign operations were recorded in the cumulative translation account as a separate component of shareholders' equity. Upon adoption of the new standard, such gains and losses are recognized in a separate component of other comprehensive income with restatement of prior periods pursuant to the transition rules. There was no cumulative translation adjustment from years prior to 2008.

b) Financial Instruments

Financial instrument guidelines require all financial assets, except those held to maturity and derivative financial instruments, to be measured at fair market value. All financial liabilities are measured at fair value if they are held for trading. Other financial liabilities are measured at amortized cost.

Under the new Handbook sections, 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 as loans and receivable which are measured at amortized costs. Accounts payable and accrued liabilities, amounts owing to related parties, and long-term debts are classified as other financial liabilities which are measured at amortized cost. Long-term investments are designated as held-to-maturity investments, and are recorded at amortized cost.

The classification and remeasurement of the Company's opening balances for financial instruments has no impact on the Company's opening deficit balance as at November 01, 2006.

c) Hedging

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. The Company currently does not have any financial instruments which qualify for hedge accounting.

d) Capital Disclosure

Effective October 1, 2007, Handbook Section 1535 "Capital Disclosures" requires disclosure of information on the Company's objectives, policies and processes for managing capital, quantitative data about what the entity regards as capital, whether the entity has complied with any externally imposed capital requirements, and if the entity has not complied, the consequences of such noncompliance.

FUTURE ACCOUNTING CHANGE

a) Going Concern

The CICA approved amendments to Handbook Section 1400, *General Standards of Financial Statement Presentation.* These amendments require management to assess an entity's ability to continue as a going concern. When management is aware of material uncertainties related to events or conditions that may cast doubt on an entity's ability to continue as a going concern, those uncertainties must be disclosed. In assessing the appropriateness of the going concern assumption, the standard requires management to consider all available information about the future, which is at least, but not limited to, twelve months from the balance sheet date. The new requirements of the standard are applicable for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008.

b) Goodwill and Intangible Assets

Effective for fiscal years beginning on or after October 01, 2008 the CICA introduced new CICA Handbook Section 3064 to replace existing standards and guidance on accounting for goodwill and other intangible assets. The new section specifically excludes mining activities related to prospecting, acquisition of mineral rights, exploration, drilling and mineral development as intangibles, as existing Handbook Section 3061 Property, Plant and Equipment contains standards for measurement, presentation, and disclosure of mining properties.

The financial reporting impact of this new standard cannot be reasonably estimated at this time.

c) International Financial Reporting Standards ("IFRS")

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008 the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011 and will be applicable to the Company commencing with its fiscal year beginning October 1, 2011. The transition date of October 1, 2011 for the Company will require the restatement for comparative purposes of amounts reported by the Company for the year ended September 30, 2012.

While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

e) Comparative Figures

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted for the current year. These reclassifications have no effect on the consolidated net loss for the years ended October 31, 2008 and 2007.

OUTLOOK

The outlook for the Company during the next years holds the potential to generate a positive cash-flow from its new venture in Sierra Leone after the discovery of some promising grades of diamond bearing gravels. The outlook for the Company's coal processing operation, Quantum, is one of improvement as the end of the global economic recession nears.

Quantum again made end of year profits for 2007-2008, albeit significantly lower than the previous year (due mainly to a reduction in orders for product). In fact, although Quantum experienced extremely difficult conditions during the last financial year; inconsistent power supply, a scheduled overhaul and subsequent slowdown of Arcelor Mittal's plant in Newcastle and a significant reduction in orders from BHPBilliton for approximately eight months, it still managed to operate profitably. The board does not expect the coming months and quarters to improve dramatically and anticipates a continued reduction in orders from both Arcelor Mittal and BHP Billiton.

The last 6 months has seen Canaf (SL) Ltd., the newly incorporated company in Sierra Leone start production on its first small scale mining lease on the River Sewa. The company successfully discovered the existence of diamonds. To date receipts of approximately US$28,000.00 have been received from the sale of 272.31 carats of diamonds. The most valuable diamond discovered to date was valued at $1,200 / carat and weighed 2.40 carats. The company maintains the view that the global diamond market will improve over the coming years and maintains the view that there is still great opportunity to further explore the concessions in country.

The outlook for Canaf (SL) remains positive after the discovery of some extremely promising grades of diamond bearing gravels. The company is now preparing to commission a dredge during November 2009. Canaf (SL) is now established in county and is hopeful that the coming 6 months will see the company turn profitable.

All in all, the outlook for Canaf Group Inc. is now one of improvement.

OUSTANDING SHARES

Authorized

Unlimited number of common and preferred shares without par value.

As at September 25, 2009, the Company had the following securities issued and outstanding:

Common shares outstanding: 47,426,195

Type	Number Outstanding	Exercise Price (CDN)	Expiry Date
Options	37,000	$0.32	March 3, 2010
Options	1,100,000	$0.10	November 26, 2011
Option	200,000	$0.28	June 14, 2012

DIRECTORS AND OFFICERS

David Way	*Director, Chief Executive Officer*
Mike Hopley	*Director, Chief Financial Officer*
Christopher Way	*Director*
Zeny Manalo	*Director*

OTHER REQUIREMENTS

Additional disclosure of the Company's technical reports, material change reports, news release and other information can be obtained on SEDAR at www.sedar.com and the Company's website.

On Behalf of the Board,

Canaf Group Inc.

"David Way"	"Mike Hopley"
David Way	Mike Hopley
Chief Executive Officer	*Chief Financial Officer*