For the Nine Months Ended July 31, 2016

Condensed Consolidated Interim Financial Statements

(Expressed in U.S. dollars)

(Unaudited – Prepared by Management)

- Notice of No Auditor Review of Consolidated Financial Statements
- Consolidated Interim Statements of Financial Position
- Consolidated Interim Statements of Comprehensive Loss
- Consolidated Interim Statements of Changes in Equity
- Consolidated Interim Statements of Cash Flows
- Notes to the Consolidated Financial Statements

NOTICE OF NO AUDITOR REVIEW OF CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3), if an auditor has not performed a review of the consolidated interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited consolidated interim financial statements of Canaf Group Inc. for the period ended July 31, 2016 have been prepared by management and approved by the Audit Committee and the Board of Directors of the Company and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these consolidated interim financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of consolidated interim financial statements by an entity's auditor.

CANAF GROUP INC.

Consolidated Interim Statements of Financial Position

(Expressed in U.S. Dollars)

(Unaudited)

	Note	July 31, 2016 $	October 31, 2015 $
ASSETS			
CURRENT			
Cash		772,784	881,322
Trade Receivables	14	513,819	694,907
Sales Tax Receivable	4	4,670	22,121
Inventories	5	167,974	512,000
Prepaid Expense and Deposits		26,389	26,761
		1,485,636	2,137,111
NON-CURRENT			
Property, Plant and Equipment	6	1,237,226	1,375,113
Intangible		1	1
		2,722,863	3,512,225
LIABILITIES			
CURRENT			
Trade and Other Payables	7	508,839	761,276
Sales Tax Payable		13,295	-
Income Taxes Payable		41,380	49,515
Current Portion of Bank Loan	8	85,230	341,278
		648,744	1,152,069
NON-CURRENT			
Bank Loan	8	664,816	608,859
Deferred Tax Liability		131,668	120,258
		1,445,228	1,881,186
SHAREHOLDERS' EQUITY			
Share Capital	9	8,079,463	8,079,463
Accumulated Other Comprehensive Loss – Foreign Currency Translation Reserve		(1,416,059)	(1,378,574)
Deficit		(5,385,769)	(5,069,850)
		1,277,635	1,631,039
		2,722,863	3,512,225

Nature of Operations (Note 1)
Economic Dependence (Note 14)
Commitment (Note 15)
Segment Information (Note 16)

The accompanying notes are an integral part of the consolidated financial statements.

Approved on Behalf of the Board:

"Christoper Way"	"Kevin Corrigan"
Christopher Way, Director	Kevin Corrigan, Director

CANAF GROUP INC.

Consolidated Interim Statements of Comprehensive Income

(Expressed in U.S. Dollars)

(Unaudited)

	Notes	Three Months Ended July 31, 2016 $	Three Months Ended July 31, 2015 $	Nine Months Ended July 31, 2016 $	Nine Months Ended July 31, 2015 $
SALES		1,126,582	2,075,219	2,907,198	8,162,896
COST OF SALES	12	1,027,616	1,946,994	2,898,329	7,361,595
GROSS PROFIT		98,966	128,225	8,869	801,301
EXPENSES					
General and Administrative	13	86,452	106,270	263,129	363,680
Interest on Bank Loan		17,288	26,421	55,661	52,692
		(103,740)	(132,691)	(318,790)	(416,372)
INCOME (LOSS) BEFORE OTHER ITEM		(4,774)	(4,466)	(309,921)	384,929
Interest Income		2,848	2,922	4,921	6,598
INCOME (LOSS) BEFORE INCOME TAXES		(1,926)	(1,544)	(305,000)	391,527
Income Taxes		21,871	(44,357)	(10,919)	(183,469)
NET INCOME (LOSS) FOR THE PERIOD		19,945	(45,901)	(315,919)	208,058
OTHER COMPREHENSIVE INCOME					
Foreign Currency Translation Income (Loss)		28,437	(107,352)	(37,485)	(292,577)
NET COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD		48,382	(153,253)	(353,404)	(84,519)
BASIC AND DILUTED EARNINGS PER SHARE		0.00	(0.00)	(0.00)	(0.00)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING – BASIC		47,426,195	47,426,195	47,426,195	47,426,195
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING – DILUTED		47,426,195	47,426,195	47,426,195	47,426,195

The accompanying notes are an integral part of the consolidated financial statements.

CANAF GROUP INC.

Consolidated Interim Statements of Changes in Equity

(Expressed in U.S. Dollars)

(Unaudited)

	Number of Common Shares	Share Capital $	Reserve for Stock Options $	Foreign Currency Translation Reserve $	Deficit $	Total Shareholders' Equity $
Balance, October 31, 2014	47,426,195	8,079,463	-	(964,914)	(5,198,292)	1,916,257
Net Income for the Period	-	-	-	-	208,058	208,058
Foreign Currency Translation Loss	-	-	-	(292,577)	-	(292,577)
Balance, July 31, 2015	47,426,195	8,079,463	-	(1,257,491)	(4,990,234)	1,831,738
Balance, October 31, 2015	47,426,195	8,079,463	-	(1,378,574)	(5,069,850)	1,631,039
Net Loss for the Period	-	-	-	-	(315,919)	(315,919)
Foreign Currency Translation Loss	-	-	-	(37,485)	-	(37,485)
Balance, July 31, 2016	47,426,195	8,079,463	-	(1,416,059)	(5,385,769)	1,277,635

The accompanying notes are an integral part of the consolidated financial statements.

CANAF GROUP INC.

Consolidated Interim Statements of Cash Flows

(Expressed in U.S. Dollars)
(Unaudited)

	Notes	Three Months Ended July 31, 2016 $	Three Months Ended July 31, 2015 $	Nine Months Ended July 31, 2016 $	Nine Months Ended July 31, 2015 $
CASH PROVIDED BY (USED FOR):					
OPERATING ACTIVITIES					
Net Income (Loss) for the Period		19,945	(45,901)	(315,919)	208,058
Non-Cash Items					
Depreciation – Cost of Sales		87,627	89,760	254,989	244,305
		107,572	43,859	(60,930)	452,363
Changes in Non-Cash Working Capital Accounts	11(a)	57,697	45,872	307,070	526,755
		165,269	89,731	246,140	979,118
FINANCING ACTIVITIES					
Loan Payable		-	(64,547)	-	1,116,919
Principal Repayments of Bank Loan		(46,967)	-	(200,091)	-
		(46,967)	(64,547)	(200,091)	1,116,919
INVESTING ACTIVITY					
Purchase of Property, Plant and Equipment		(136,924)	(375,611)	(117,102)	(1,266,065)
INCREASE (DECREASE) IN CASH		(18,622)	(350,427)	(71,053)	829,972
Effect of Exchange Rate Changes on Cash		28,437	(107,352)	(37,485)	(292,577)
Cash, Beginning of the Period		762,969	1,449,139	881,322	453,965
CASH, END OF THE PERIOD		772,784	991,360	772,784	991,360

Supplemental Cash Flow Information (Note 11)

The accompanying notes are an integral part of the consolidated financial statements.

NOTE 1 – NATURE OF OPERATIONS

Canaf Group Inc. (the "Company") is incorporated in the Province of Alberta and owns and operates a coal processing plant in South Africa which processes coal and coal products into calcine, a coke substitute with a high carbon content.

The head office, principal address, and records office of the Company are located at Suite 500 – 666 Burrard Street, Vancouver, British Columbia, Canada, V6C 2P6.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") on the basis that the Company is a going concern and will be able to meet its obligations and continue its operations for its next fiscal year.

The Company's ability to continue as a going concern is dependent upon its ability to generate profitable operations from its coal processing business, which the Company has been able to achieve in the last four fiscal years. The Company has working capital of $836,892 as at July 31, 2016. Management believes that the Company has sufficient cash resources to meet its obligations for at least twelve months from the end of the reporting period.

Sales of the Company are substantially derived from two customers, and as a result, the Company is economically dependent on these customers (Note 14). The Company is dependent on the operating cash flows from its coal processing business and the financial support of its shareholders and related parties to finance its operations and to discharge liabilities in the normal course of business. Loss of a customer or reduced sales from a customer may have a material adverse effect on the Company's financial condition.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

a) Statement of Compliance

The consolidated interim financial statements have been prepared in accordance to IAS 34 *Interim Financial Reporting* using accounting policies consistent with the International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

These consolidated financial statements were approved and authorized for issue by the Board of Directors on September 23, 2016.

b) Basis of Preparation

These consolidated interim financial statements have been prepared on a historical cost basis. Cost is the fair value of the consideration given in exchange for net assets. These consolidated interim financial statements do not include all the information required for full annual financial statements. The consolidated interim financial statements should be read in conjunction with the Company's annual financial statements for the year ended October 31, 2015. The accounting policies, methods of computation and presentation applied in these financial statements are consistent with those of the previous financial year.

(Expressed in U.S. Dollars)

NOTE 3 – ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

A number of new accounting standards, amendments to standards, and interpretations have been issued but not yet effective up the date of issuance of the Company's consolidated financial statements. The Company intends to adopt the following standards when it becomes effective.

a) IFRS 9 – Financial Instruments

IFRS 9 as issued reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets as defined in IAS 39. The standard was initially effective for annual periods beginning on or after January 1, 2013, but amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures, issued in December 2011, moved the mandatory effective date to January 1, 2018. The Company has not yet determined the impact of this standard on its consolidated financial statements.

b) IFRS 15 – Revenue from Contracts with Customers

IFRS 15 clarifies the principles for recognizing revenue from contracts with customers. IFRS 15 will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively, and improve guidance for multiple-element arrangements. The standard is effective for annual periods beginning on or after January 1, 2018 and is to be applied retrospectively. The Company has not yet determined the impact of this standard on its consolidated financial statements.

NOTE 4 – SALES TAX RECEIVABLE (PAYABLE)

	July 31, 2016 $	October 31, 2015 $
South African Value-Added Tax Receivable (Payable)	-	19,073
Canadian Goods and Services Tax Receivable	4,670	3,048
	4,670	22,121

NOTE 5 – INVENTORIES

Raw Materials	87,129	227,843
Finished Goods – Calcine	80,845	284,157
	167,974	512,000

(Expressed in U.S. Dollars)

NOTE 6 – PROPERTY, PLANT AND EQUIPMENT

	Land $	Building	Computer Equipment $	Leasehold Improvements $	Office Equipment $	Plant and Equipment $	Vehicles $	Total $
COST								
Balance, October 31, 2015	7,232	74,159	14,736	166,482	11,149	4,418,886	99,702	4,792,346
Additions	-		821	-	709	141,262	-	142,792
Foreign Currency Translation	-	(390)	(71)	(798)	(36)	(9,741)	(264)	(11,300)
Balance, July 31, 2016	7,232	73,769	15,486	165,684	11,822	4,550,407	99,438	4,923,838
ACCUMULATED DEPRECIATION								
Balance, October 31, 2015	-	4,944	14,494	144,606	9,834	3,177,164	66,191	3,417,233
Depreciation	-	1,018	178	9,841	550	236,999	6,403	254,989
Foreign Currency Translation	-	65	(56)	165	1	13,764	451	14,390
Balance, July 31, 2016	-	6,027	14,616	154,612	10,385	3,427,927	73,045	3,686,612
NET BOOK VALUE								
October 31, 2015	7,232	69,215	242	21,876	1,315	1,241,722	33,511	1,375,113
July 31, 2016	7,232	67,742	870	11,072	1,437	1,122,480	26,393	1,237,226

(Expressed in U.S. Dollars)

NOTE 7 – TRADE AND OTHER PAYABLES

	July 31, 2016 $	October 31, 2015 $
Trade Payables	492,839	733,776
Accrued Liability	16,000	27,500
	508,839	761,276

NOTE 8 – BANK LOAN

Bank Loan	750,046	950,137
Less: Current Portion	(85,230)	(341,278)
	664,816	608,859

The bank loan is subject to interest at 9.25% per annum, repayable over 42 months in blended monthly payments of Rand 393,235 ($28,440 translated at year-end exchange rate), and is secured by an instalment sale agreement on the Company's new furnace acquired with the proceeds from the loan. During the period ended July 31, 2016, the Company incurred interest expense totaling $55,661, (October 31, 2015 – 78,045).

NOTE 9 – SHARE CAPITAL

The Company is authorized to issue an unlimited number of common shares without par value. As at July 31, 2016, the Company had 47,426,195 common shares issued and outstanding as presented in the consolidated statements of changes in shareholders' equity. There are no stock options and share purchase warrants outstanding as at October 31, 2015 and April 30, 2016.

NOTE 10 – RELATED PARTY TRANSACTIONS

Key management includes directors (executive and non-executive) and senior management, including our Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"). The remuneration of key management personnel during the periods ended July 31, 2016 and 2015 follows:

a) During the period ended July 31, 2016, the Company incurred accounting fees of $30,434 (2015 – $34,182) to an Officer (also a Director) of the Company for administration and bookkeeping services.

b) During the period ended July 31, 2016, the Company incurred consulting fees of $51,677 (2015 – $54,163) to an Officer (also a Director) of the Company for administration and management services.

d) The Company paid management fees of $156,035 (2015 – $98,567) to three Directors of the Company for administration and management services in relation to the Company's coal processing business in South Africa.

All related party transactions were in the normal course of operations and were measured at the exchange value, which represented the amount of consideration established and agreed to by the related parties.

(Expressed in U.S. Dollars)

NOTE 11 – SUPPLEMENTAL CASH FLOW INFORMATION

a) Change in Non-Cash Working Capital Accounts

	Three Months Ended July 31,		Nine Months Ended July 31,	
	2016	2015	2016	2015
	$	$	$	$
Trade Receivables	(211,444)	515,668	181,088	1,439,231
Sales Tax Receivable	(78)	(20,160)	17,451	(20,160)
Inventories	191,889	11,206	344,026	(103,790)
Prepaid Expenses and Deposits	2,429	4,339	372	3,380
Trade and Other Payables	93,119	(465,926)	(252,437)	(837,599)
Sales Tax Payable	3,386	(21,687)	13,295	(32,374)
Income Tax Payable	(21,604)	22,432	3,275	78,067
	57,697	45,872	307,070	526,755

b) Other Items

Interest Paid	17,288	26,421	56,661	52,692
Interest Received	2,848	2,922	4,921	6,598

NOTE 12 – COST OF SALES

	Three Months Ended July 31,		Nine Months Ended July 31,	
	2016	2015	2016	2015
	$	**$**	$	**$**
Inventories, Beginning of the Period	359,863	470,884	512,000	355,888
Analysis Fees	5,330	3,690	12,044	18,917
Depreciation	87,627	89,760	254,989	244,305
Electricity	24,250	90,780	87,587	350,107
Fuel, Oil and Lubricants	2,885	6,920	7,387	20,233
Machinery Rent	40,846	3,596	92,088	21,373
Medical Expenses	35	673	1,551	3,548
Product Purchases	517,011	1,446,051	1,581,593	5,566,233
Professional and Project Management Fee	-	4,158	11,480	27,119
Protective Clothing	2,640	3,638	5,492	9,331
Provident Fund	2,661	3,388	7,979	10,338
Repairs and Maintenance	39,479	19,977	108,734	185,269
Salaries, Wages and Labour	71,548	77,681	213,394	265,804
Transportation	41,415	210,749	180,655	799,132
Foreign Exchange Gain/Loss	-	(10,071)	(10,670)	(41,122)
Inventories, End of the Period	(167,974)	(474,880)	(167,974)	(474,880)
	1,027,616	1,946,994	2,898,329	7,361,595

(Expressed in U.S. Dollars)

NOTE 13 – GENERAL AND ADMINISTRATIVE EXPENSES

	Three Months Ended July 31,		Nine Months Ended July 31,	
	2016	2015	2016	2015
	$	$	$	$
Bank Charges and Interest	688	1,004	2,171	4,177
Consulting Fees	17,046	17,944	51,677	54,163
Management Fees	23,319	28,479	74,415	98,567
Office, Insurance and Sundry	11,425	16,471	34,521	71,946
Professional Fees	21,262	21,609	58,022	75,164
Promotion	340	99	665	448
Telephone	3,942	3,354	11,025	11,682
Transfer Agent and Filing Fees	724	3,673	6,752	9,771
Travel	7,706	13,637	23,881	37,762
	86,452	106,270	263,129	363,680

NOTE 14 – ECONOMIC DEPENDENCE

Sales from the Company's South African coal processing business are substantially derived from two customers and as a result, the Company is economically dependent on these customers. The Company's exposure to credit risk is limited to the carrying value of its accounts receivable. As at July 31, 2016, trade receivables of $513,819 were due from these customers and were collected subsequent to period-end.

NOTE 15 – COMMITMENT

The Company has an agreement to lease premises for its coal processing plant in South Africa for a term of ten years, expiring on December 31, 2020. The agreement offers the Company, in lieu of rent, feedstock coal to be delivered to its adjacent premises, which it purchases at market price. Should the Company decide to purchase feedstock coal from an alternative supplier which the lessor is otherwise able to provide, then a monthly rent of Rand 200,000 ($14,465) is payable. To date, the Company has not been required to pay any rent for the premises as it has continued to purchase feedstock coal from the landlord.

(Expressed in U.S. Dollars)

NOTE 16 – SEGMENT INFORMATION

The Company operates in two reportable operating segments: the head office operations in Canada and the coal processing business in South Africa.

	Canada $	South Africa $	Total $
July 31, 2016			
Net (Loss) Income for the Period	(128,247)	(187,672)	(315,919)
Revenues (Note 14)	-	2,0907,198	2,0907,198
Gross Profit (Loss)	-	(2,898,329)	(2,898,329)
Depreciation – Cost of Sales	-	254,989	254,989
Interest Expense	-	55,661	55,661
Deferred Income Taxes Expense	-	10,919	10,919
Current Assets	56,822	1,428,814	1,485,636
Property, Plant and Equipment	-	1,237,226	1,237,226
Intangible Assets	-	1	1
Total Assets	56,822	2,666,041	2,722,863
October 31, 2015			
Net (Loss) Income for the Year	(228,537)	356,979	128,442
Revenues (Note 14)	-	9,156,927	9,156,927
Gross Profit	-	791,044	791,044
Depreciation – Cost of Sales	-	344,404	344,404
Interest Expense	-	78,045	78,045
Current Income Taxes Expense	34,713	42,820	77,533
Deferred Income Taxes Expense	-	90,626	90,626
Current Assets	47,624	2,089,488	2,137,112
Property, Plant and Equipment	-	1,375,113	1,375,113
Intangible Assets	-	1	1
Total Assets	47,624	3,464,602	3,512,226

NOTE 17 – CAPITAL RISK MANAGEMENT

The Company's objectives in managing its capital are to ensure adequate resources are available to fund its coal processing business in South Africa, to seek out and acquire new projects of merit, and to safeguard its ability to continue as a going concern. The Company manages its share capital as capital, which as at July 31, 2016, totalled $8,079,463 (2015 – $8,079,463).

The Company manages its capital structure in a manner that provides sufficient funding for operational and capital expenditure activities. Funds are secured through the sale of calcine in South Africa and, when necessary, through debt funding or equity capital raised by means of private placements. There can be no assurances that the Company will be able to obtain debt or equity capital in the case of operating cash deficits.

The Company may, from time to time, invest capital that is surplus to immediate operational needs in short-term, liquid, and highly rated financial instruments held with major financial institutions, or in marketable securities. The Company may also, from time to time, enter into forward foreign exchange and commodity price contracts to hedge a portion of its exposure to movements in foreign exchange and commodity prices.

The Company has no externally imposed capital requirements and has not paid or declared any dividends since the date of incorporation, nor are any contemplated in the foreseeable future. There were no changes in the Company's approach to capital management during the period ended July 31, 2016.

NOTE 18 – FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company is exposed to various risks in relation to financial instruments. The Company's financial assets and liabilities by category are summarized in Note 2(o) of the Company's annual financial statements for the year ended October 31, 2015. The Company's risk management is coordinated at its head office in Canada in close co-operation with the board of directors and focuses on actively securing the Company's short to medium-term cash flows and raising finances for the Company's capital expenditure program. The Company does not actively engage in the trading of financial assets for speculative purposes. The most significant financial risks to which the Company is exposed are described below.

a) Foreign Currency Risk

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

The assets, liabilities, revenue and expenses that are denominated in foreign currencies will be affected by changes in the exchange rate between the United States dollar and these foreign currencies. The Company has outstanding debt obligations that are payable in South African Rand. The Company does not currently use financial instruments to mitigate this risk.

NOTE 18 – FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

b) Credit Risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company limits its exposure to credit loss for cash by placing its cash with high quality financial institutions and for trade receivables by performing standard credit checks. The credit risk for cash and trade receivables is considered negligible since the counterparties are reputable banks with high quality external credit ratings and customers with no history of default.

The Company has credit risk exposure related to its economic dependence on two customers for its calcine sales (Note 14). The Company has assessed its exposure to credit risk and has determined that no significant risk exists from these concentrations of credit.

c) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations when they become due. The Company ensures, as far as reasonably possible, that it will have sufficient capital in order to meet short-term business requirements, after taking into account cash flows from operations and the Company's holdings of cash. The Company has working capital of $836,892 as at July 31, 2016. There can be no assurance that the Company will continue to be successful with generating and maintaining profitable operations or will be able to secure future debt or equity financing for its working capital and expansion activities.

d) Interest Rate Risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. Interest on the Company's bank loan is based on fixed rates, and as such, the Company is not exposed to significant interest rate risk.

e) Commodity Price Risk

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

NOTE 18 – FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

f) Fair Value

The Company uses the following hierarchy for determining fair value measurements:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: Techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

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