
AFFINITY METALS CORP.
Management Discussion and Analysis
For the Year Ended June 30, 2019

INTRODUCTION

The following management discussion and analysis (MD&A) of the financial position of Affinity Metals Corp. (“Company”) and results of operations should be read in conjunction with the audited financial statements and accompanying notes for year ended June 30, 2019. The audited financial statements together with the following management discussion and analysis are intended to provide readers with a reasonable basis for assessing the financial performance of the Company as well as forward-looking statements relating to potential future performance. All statements, other than those of historical fact, included in this MD&A, including without limitation, statements regarding potential mineralization and reserves, exploration results and future plans and objectives of the Company, are forward-looking statements that involve various risks and uncertainties. There can be no assurance such statements will prove accurate and actual results and future events could differ materially from those anticipated in such statements.

DATE

This MD&A includes material occurring up to and including October 28, 2019.

FORWARD LOOKING STATEMENTS

This MD&A contains certain statements that may constitute “forward looking statements”. Forward looking statements include, but are not limited to, statements regarding future anticipated property acquisitions, the content, cost, timing and results of future anticipated exploration programs, the anticipated discovery and delineation of mineral resources/reserves, proposed business and financing plans (including private placements of equity securities), anticipated business trends and potential future operating revenues. Although the Company believes that such statements are reasonable, it can give no assurance that such expectations will prove to be correct. Forward-looking statements are typically identified by words such as: believe, expect, anticipate, intend, estimate, postulate and similar expressions or are those which, by their nature, refer to future events. The Company cautions investors that any forward-looking statements by the Company are not guarantees of future performance, and that actual results may differ materially from those in forward-looking statements as a result of various factors, including, but not limited to, the Company’s inability to negotiate successfully for the acquisition of interests in mineral properties, the Company’s inability to identify one or more economic deposits on its properties, variations in the nature, quality and quantity of any mineral deposits that may be located, the Company’s inability to obtain any necessary permits, consents or authorizations required for its activities, to produce minerals from its properties successfully or profitably, to continue its projected growth, to raise the necessary capital or to be fully able to implement its business strategies.

Historical results of operations and trends that may be inferred from this MD&A may not necessarily indicate future results from operations. In particular, the current state of the global securities markets may cause significant reductions in the price of the Company’s securities and render it difficult or impossible for the Company to raise the funds necessary to continue operations.

All of the Company’s public disclosure filings, including its most recent management information circular, material change reports, press releases and other information, may be accessed via www.sedar.com under Affinity Metals Corp. and readers are urged to review these materials, including the technical reports filed with respect to the Company’s mineral properties.

DESCRIPTION OF BUSINESS

Affinity Metals Corp. is incorporated in the Province of British Columbia. The Company is a reporting issuer in British Columbia and its shares trade on the TSX Venture Exchange. The Company is engaged in the acquisition, exploration and developing of mineral properties in British Columbia and the Yukon. The Company is currently focusing on identifying new exploration opportunities and joint ventures for its properties.

OVERALL PERFORMANCE

At this time, the Company does not own any operating mines and has no operating income/sales from mineral production. Funding for operations is raised primarily through public and private share offerings. Future operations and the Company’s ability to meet mineral property option commitments are dependent on the Company’s ability to raise sufficient funding through share offerings or operations to support current and future expenditures. At June 30, 2019, the Company had negative working capital of \$52,569.

Realization of the carrying value of mineral interests is dependent upon funding, the ability of the Company and third parties to bring mineral interests into profitable production, or recovery from sale.

The audited financial statements have been prepared on a going concern assumption which contemplates the Company will continue in operation and realize its assets and discharge its liabilities in the normal course of operations. Should the going concern assumption not continue to be appropriate, further adjustments to carrying values may be required.

RESULTS OF OPERATIONS – MINERAL PROPERTIES

During the year ended June 30, 2019 the Company incurred exploration and evaluation costs in the amount of \$32,234. This amount includes costs related to acquisition under the option agreement and obtaining a permit for exploration on the Company's Regal Property. The Company also conducted a preliminary exploration program on the property where 20 grab and chip samples were collected and sent for assay. Assay results were reported in the Company's press release dated February 11, 2019.

EXPLORATION EXPENDITURES

Regal Property, BC

The Company's Regal Property is located in the prolific Kootenay Arc near Revelstoke, BC. On November 15, 2017, the Company entered into a four year option agreement to purchase 100% interest in the property. Upon execution of the agreement, the Company issued 50,000 common shares with a fair value of \$3,000 and paid \$5,000 cash. The extensive property package hosts three former past producing mines and in 2011 the property has had an extensive airborne geophysical survey conducted that defined high potential linear targets correlating with the mineralization of the three past producing mines.

The remaining terms and payments of the option agreement are as follows:

- i) \$10,000 cash payment (paid during the year ended June 30, 2019) and 50,000 shares issued to the vendor on the first anniversary of the agreement (issued during the year ended June 30, 2019);
- ii) \$20,000 cash payment and 100,000 shares to be issued to the vendor on the second anniversary of the agreement;
- iii) \$30,000 cash payment and 150,000 shares to be issued to the vendor on the third anniversary of the agreement;
- iv) \$40,000 cash payment and 250,000 shares to be issued to the vendor on the fourth anniversary of the agreement.

The vendor will retain a 3% NSR which can be fully bought out anytime for \$500,000 cash and 100,000 shares per each 1%.

The Company completed an exploration program that included mapping, sampling and other prospecting during the year ended June 30, 2019. Exploration expenses for the program for the current year were \$17,484 (2018: \$72,969).

Nor Property, Yukon

The Nor IOCG (iron oxide-copper-gold) property is located on the east flank of the Richardson Mountains, about 65 km east of the Dempster Highway and 395 km north of Dawson City. During fiscal 2009 the Company earned a 100% interest in the property. The Company paid \$207,500 cash and issued 66,667 shares.

Certain claims are subject to a 2% NSR royalty. The Company has the right to purchase 50% of the NSR royalty retained by the Optionor for a purchase price of \$2,000,000 and the right of first refusal on the remaining 50%.

The Nor Property is currently in an area where there is dispute called the 'Peel Watershed Regional Use Plan' ("Plan") between the Yukon Government and First Nations Group. Therefore, the Plan has restricted the Company from exploration activities. Subsequent to the year end, the Plan has been settled, however the area where the property is located is not yet finalized, with respect to mining activities. Management has kept the claims and titles in good standing and intends to continue exploration once a conclusion with respect to the mining activities has been finalized. The Company completed no exploration on the Nor property during the current or prior year.

Middle Lake Property (Carswell), Saskatchewan

The Middle Lake uranium property is located in the uranium-rich Athabasca Basin. During October, 2004, the Company staked 1 claim, consisting of 5,990 acres in the Athabasca Basin area of Saskatchewan. The Company's claim, in the Cluff Lake Structure, also known as the Carswell Dome, is located on the west side by the mining licenses of the past producing Cluff Lake Mine. The claim covers 2,416 hectares (5,970 acres).

During the year ended June 30, 2018, the Company disposed of its interest in the Middle Lake Property for \$5,000 cash and recorded a loss of \$5,780 in the statement of comprehensive loss.

FINANCIAL SUMMARY

During the year ended June 30, 2019, the Company was actively investigating various mineral properties for potential acquisition and working through the process to obtain an exploration permit for exploration on the Regal Property. The Company also conducted a preliminary exploration program in preparation for a drill program in 2019. Other expenses were minimized to conserve working capital.

The Company expended a total of \$32,234 on acquisition and exploration of mineral interests during the year ended June 30, 2019. Other components of the Company's operations for the year ended June 30, 2019 included business development and property investigation costs of \$10,993, consulting fees of \$192,500, interest expenses of \$654, office and miscellaneous expenses of \$5,972, professional fees of \$12,867, and transfer agent and filing fees of \$10,872. The Company also received proceeds from the issuance of shares to investors in the amount of \$192,220 and loans from insiders to the Company to provide cash for operations of \$10,000. As such, there was a net decrease in cash and cash equivalents of \$9,872 for the year ended June 30, 2019.

As the Company has no revenues, increased exploration activity and operations causes an increase in losses. Other losses can be caused by write-downs or write-offs of carrying value of impaired mineral assets.

SELECTED ANNUAL INFORMATION

| | June 30, 2019 | June 30, 2018 | June 30, 2017 |
|--|---------------|---------------|---------------|
| Total Revenues | NIL | NIL | NIL |
| Net loss | (\$233,858) | (\$197,752) | (\$64,966) |
| Net loss per share (basic and diluted) | (\$0.01) | (\$0.01) | (\$0.00) |
| Total assets | \$524,580 | \$498,120 | \$453,843 |
| Total long term financial liabilities | NIL | NIL | NIL |

RESULTS OF OPERATIONS

The net loss for the year ended June 30, 2019 was \$233,858 compared to a net loss of \$197,752 in the prior year, reflecting an overall increase to net loss of \$36,106. Consulting fees increased during the year by \$72,500 due to the additional time spent by consultants as they have been actively revitalizing the Company including evaluating and acquiring new exploration properties, managing and conducting exploration programs and obtaining necessary permits for exploration. Professional fees decreased by \$7,656 as less legal assistance was required in the current year as compared to last. Transfer agent and filing fees decreased by \$2,354 during the year due to less work related to the Company's annual general meeting and private placements. Stock based compensation decreased by \$25,476 as no options were issued in the current year.

SUMMARY OF QUARTERLY RESULTS

The following table sets forth a comparison of revenues and earnings for the previous eight quarters ending with June 30, 2019. Financial information is presented in Canadian dollars and is prepared in accordance with IFRS.

| | Jun 30, 2019 | Mar 31, 2019 | Dec 31, 2018 | Sept 30, 2018 | Jun 30, 2018 | Mar 31, 2018 | Dec 31, 2017 | Sept 30, 2017 |
|---|--------------|--------------|--------------|---------------|--------------|--------------|--------------|---------------|
| Net income (loss) | (70,775) | (55,652) | (55,192) | (52,239) | (59,185) | (36,712) | (65,741) | (36,114) |
| Net income (loss) per share (Basic and diluted) | (0.001) | (0.002) | (0.002) | (0.002) | (0.009) | (0.007) | (0.003) | (0.002) |

Discussion

The Company is an exploration company without revenues.

The operating results of junior exploration companies are capable of demonstrating wide variations from period to period and year to year due to variances in exploration expenditures and write-downs of mineral properties. Other than the descriptions regarding administrative costs already discussed, management of Affinity Metals does not believe that meaningful information about the Company's operations can be derived from an analysis of quarterly fluctuations in any more detail than presented herein.

A complete list of significant accounting policies can be found in the annual audited financial statements for the year ended June 30, 2019. All financial amounts are in Canadian dollars.

The audited financial statements for the year ended June 30, 2019 have been prepared on a going concern assumption which contemplates the Company will continue in operation and realize its assets and discharge its liabilities in the normal course of operations as disclosed in Note 1 of the audited financial statements.

LIQUIDITY AND CAPITAL RESOURCES

At June 30, 2019, the Company held cash in the amount of \$4,388 compared to \$14,260 at June 30, 2018. Accounts payable and accrued liabilities of \$84,948 are comprised of normal trade payables for ongoing operations and accrued liabilities. Other current liabilities include notes payable and related accrued interest to companies owned by officers of the Company in the amount of \$10,654.

The Company requires additional cash to continue funding its current property maintenance and administrative costs presumably within this fiscal year. The Company will also need to raise further funds should it decide to undertake future exploration programs and/or acquire additional exploration assets.

The Company periodically seeks additional financing through the issuance of equity. While the Company has been successful in raising capital in the past, there can be no assurance it will be able to do so in the future.

The Company has no material debt obligations, other than short-term liabilities incurred in normal activities. The Company has no long-term debt.

OFF BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements that would potentially affect current or future operations, or the financial condition of the Company.

TRANSACTIONS WITH RELATED PARTIES

The Company incurred the following related party transactions with companies that were controlled by a relative of a director of the Company.

| | Year Ended | |
|---|------------------|------------------|
| | June 30, 2019 | June 30, 2018 |
| Interest expense – Directors of the Company | \$ 654 | \$ - |

Key management personnel compensation

| | Year Ended | |
|--|------------------|------------------|
| | June 30, 2019 | June 30, 2018 |
| Consulting fees - payments accrued or paid to officers | \$ 192,500 | \$ 120,000 |

Related party balances

Included in trade payables and accrued liabilities at June 30, 2019 is \$67,651 (June 30, 2018 – \$16,419) owed to officers of the Company for accrued consulting fees. As at June 30, 2019, the Company had promissory notes of \$10,654 outstanding to companies controlled by officers of the Company.

PROPOSED TRANSACTIONS

The Company does not currently have any proposed transactions approved by the Board of Directors. All current transactions are fully disclosed in the audited financial statements for the year ended June 30, 2019.

ACCOUNTING POLICIES

Basis of preparation

A complete list of significant accounting policies can be found in Note 2 of the audited annual financial statements for the year ended June 30, 2019. The financial statements of the Company have been prepared on an accrual basis and are based on historical costs, modified where applicable. The financial statements are presented in Canadian dollars unless otherwise noted.

RISKS AND UNCERTAINTIES

Resource exploration is a speculative business and involves a high degree of risk. There is no certainty that the expenditures made by the Company in the exploration of properties will result in discoveries of commercial quantities of minerals. Exploration for mineral deposits involves risks which even a combination of professional evaluation and management experience may not eliminate. Significant expenditures are required to locate and estimate ore reserves, and further the development of a property. Capital expenditures to bring a property to a commercial production stage are also significant. There is no assurance the Company has, or will have, commercially viable ore bodies. There is no assurance that the Company will be able to arrange sufficient financing to bring ore bodies into production. The following are some of the risks to the Company, recognizing that it may be exposed to other additional risks from time to time

- Limited business history of the Company, including lack of revenues and no assurance of profitability
- Dependence on key management personnel
- Reliance on availability and performance of independent contractors
- Challenges by other unknown parties to property title
- Environmental issues
- Federal and provincial political risk
- Commodity price risk
- Financial markets

The Company is diligent in minimizing exposure to business risk, but by the nature of its activities and size, will always have some risk. These risks are not always quantifiable due to their uncertain nature. Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, then actual results may vary materially from those described on forward-looking statements.

SUBSEQUENT EVENTS

On September 17, 2019, the Company completed a private placement for a total of 6,000,000 units at a price of \$0.10 per unit for total gross proceeds of \$600,000. Each unit consists of one common share of the Company and one half of one non-transferrable common share purchase warrant. Each whole warrant may be exercised for one additional common share at a price of \$0.15 for a period of 12 months from the closing date of the private placement.

On September 20, 2019 the Company extended the term of 1,000,000 common share purchase warrants by 12 months. These warrants were issued pursuant to private placements and the new expiry date is November 21, 2020.

On October 23, 2019 the Company granted 250,000 options to an advisory board member under the Company's incentive option plan.

OUTSTANDING SHARE CAPITAL

At October 28, 2019, the Company had the following number of securities outstanding:

| Securities | Number | Exercise Price | Expiry Date |
|--------------------------------------|------------|----------------|--------------------|
| Common shares issued and outstanding | 30,986,435 | N/A | N/A |
| Warrants | 2,000,000 | 0.075 | May 3, 2020 |
| Warrants | 1,000,000 | 0.15 | November 21, 2019 |
| Warrants | 1,000,000 | 0.15 | April 1, 2020 |
| Warrants | 3,000,000 | 0.15 | September 17, 2020 |
| Share purchase options | 1,670,000 | 0.05 | March 6, 2027 |
| Share purchase options | 425,000 | 0.06 | November 15, 2027 |
| Share purchase options | 250,000 | 0.135 | October 23, 2029 |
| Fully diluted share Capital | 40,331,435 | N/A | N/A |

ADDITIONAL INFORMATION

Additional information relating to the Company's news releases and filings can be found on the SEDAR website: www.sedar.com.

DISCLOSURE BY VENTURE ISSUER WITHOUT SIGNIFICANT REVENUE

An analysis of the material components of the Company's general and administrative expenses is disclosed in the audited financial statements for the year ended June 30, 2019 to which this MD&A relates. An analysis of the material components of the acquisition and deferred exploration costs of the Company's mineral property is disclosed in Note 7 to the audited financial statements for the year ended June 30, 2019 to which this MD&A relates.

DISCLAIMER

The information provided in this document is not intended to be a comprehensive review of all matters concerning the Company. The users of this information, including but not limited to investors and prospective investors, should read it in conjunction with all other disclosure documents provided including but not limited to all documents filed on SEDAR (www.SEDAR.com) No securities commission or regulatory authority has reviewed the accuracy or adequacy of the information presented herein.