
AFFINITY METALS CORP.

Management Discussion and Analysis

For the Six Months Ended December 31, 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 unaudited condensed interim financial statements and accompanying notes for the six months ended December 31, 2019. The unaudited condensed interim 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 February 28, 2020.

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 December 31, 2019, the Company had negative working capital of \$217,430.

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 unaudited condensed interim 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 six months ended December 31, 2019 the Company incurred exploration and evaluation expenditures in the amount of \$620,492. This amount includes a payment under the option agreement of the Regal Property of \$20,000 and 100,000 common shares valued at \$8,000. Costs related to an exploration program on the Company's Regal Property were incurred in the amount of \$596,492. Approximately 2,000 meters of diamond drilling were completed on November 5, 2019 along with extensive prospecting, mapping and sampling on key areas on the property. Assay results from the sampling program were released on October 15, 2019 and can be viewed on the Company's website (www.affinity-metals.com). Assays results for the drill program have been sent to MSA Laboratories and will be completed in due course.

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 (paid November 14, 2019) and 100,000 shares to be issued to the vendor on the second anniversary of the agreement (issued November 14, 2019);
- 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%.

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.

FINANCIAL SUMMARY

During the six months ended December 31, 2019, the Company was actively investigating various mineral properties for potential acquisition, operating a diamond drill program as well as an extensive prospecting program on the Company's Regal property. Other expenses were in the normal course of operations for the Company and were minimized where possible to conserve working capital.

The Company expended a total of \$620,492 on exploration interests during the six months ended December 31, 2019. Other components of the Company's operations for the period ended December 31, 2019 included business development and property investigation costs of \$34,784, consulting fees of \$120,000, interest expenses of \$500, office and miscellaneous expenses of \$9,857, professional fees of \$26,062, stock-based compensation expense of \$32,122 and transfer agent and filing fees of \$6,856. The Company also received

proceeds from the issuance of shares to investors in the amount of \$596,250 to fund exploration and operations. As such, there was a net increase in cash and cash equivalents of \$20,447 for the six months ended December 31, 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.

RESULTS OF OPERATIONS

The net loss for the six months ended December 31, 2019 was \$198,059 compared to a net loss of \$99,431 in the prior year in the same period, reflecting an overall increase to net loss of \$98,628. Business development and property investigation expenses increased by \$34,784. Consulting fees increased over the comparative period by \$32,500 due to the additional time spent by consultants as the Company has become more active in raising capital and in exploration and operational activities. Office and miscellaneous expenses increased accordingly by \$9,029 and professional fees increased by \$19,044 as additional legal assistance was required in the current year six month period as compared to last. Transfer agent and filing fees increased by \$2,771 over the comparative period due to work related to the Company's annual general meeting and private placements.

SUMMARY OF QUARTERLY RESULTS

The following table sets forth a comparison of revenues and earnings for the previous eight quarters ending with December 31, 2019. Financial information is presented in Canadian dollars and is prepared in accordance with IFRS.

	Dec 31, 2019	Sept 30, 2019	Jun 30, 2019	Mar 31, 2019	Dec 31, 2018	Sept 30, 2018	Jun 30, 2018	Mar 31, 2018
Net income (loss)	(126,933)	(103,248)	(70,775)	(55,652)	(55,192)	(52,239)	(59,185)	(36,712)
Net income (loss) per share (Basic and diluted)	(0.004)	(0.004)	(0.001)	(0.002)	(0.002)	(0.002)	(0.009)	(0.007)

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 unaudited condensed interim financial statements for the six months ended December 31, 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 unaudited financial statements.

LIQUIDITY AND CAPITAL RESOURCES

At December 31, 2019, the Company held cash in the amount of \$24,835 compared to \$3,086 at December 31, 2018. Accounts payable and accrued liabilities of \$328,129 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 \$11,154.

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.

	Six Months Ended	
	December 31, 2019	December 31, 2018
Interest expense – Directors of the Company	\$ 500	\$ -

Key management personnel compensation

	Six Months Ended	
	December 31, 2019	December 31, 2018
Consulting fees - payments accrued or paid to officers	\$ 120,000	\$ 87,500

Related party balances

Included in trade payables and accrued liabilities at December 31, 2019 is \$41,500 (December 31, 2018 – \$107,404) owed to officers of the Company for accrued consulting fees. As at December 31, 2019, the Company had promissory notes of \$11,154 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 unaudited condensed interim financial statements for the six months ended December 31, 2019.

SUBSEQUENT EVENTS

On February 6, 2020, the Company announced that it will be offering on a non-brokered private placement basis up to 5,000,000 units at a price of \$0.20 per Unit for proceeds of \$1,000,000 if the Offering is fully subscribed.

Each Unit consists of one common share of the Company and one non-transferrable Common Share purchase warrant. Each Warrant may be exercised for one additional Common Share at a price of \$0.30 for a period of 24 months from the closing date of the offering.

OUTSTANDING SHARE CAPITAL

At February 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, 2020
Warrants	1,000,000	0.15	April 1, 2020
Warrants	6,000,000	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	43,331,435	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 unaudited condensed interim financial statements for the six months ended December 31, 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 6 to the unaudited condensed interim financial statements for the six months ended December 31, 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.