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**AFFINITY METALS CORP.**

**Management Discussion and Analysis**

**For the Nine Month Period Ended March 31, 2021**

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## **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 interim condensed financial statements and accompanying notes for the period ended March 31, 2021. The unaudited interim condensed 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 May 18, 2021.

## **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](http://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, the Yukon, Ontario and Quebec. The Company is currently focusing on exploring its current properties, identifying new exploration opportunities and identifying potential 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 March 31, 2021, the Company had working capital of \$547,309.

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 interim condensed 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 nine month period ended March 31, 2021 the Company incurred exploration and evaluation expenditures in the amount of \$1,644,138 which includes Mining Exploration Tax Credit amounts received in the amount of \$193,510. All expenditures during the period related to the Company's diamond drill program on the Regal Property and the Carscallen Extension Property.

Approximately 3,442 meters of diamond drilling were completed on the Regal Property along with additional prospecting, mapping and sampling on key areas on the property. The drill core has been logged, split and sent to the lab for analysis. Assay results from the sampling program are pending and have been delayed several times due to overall volume at the assay labs. Assays are expected in the second quarter 2021.

Diamond drilling on the Carscallen Extension property in the first quarter 2021 included approximately 1850 meters drilled to test several high priority geophysical anomalies. Drill core from the holes that have been drilled are being logged and sent for assay. Assay results were released on April 5, 2021 and can be found on the Company's website at [www.affinity-metals.com](http://www.affinity-metals.com) and on SEDAR. The Company is currently evaluating other targets to test through diamond drilling and is awaiting drill rig availability to do so.

## 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 during the year ended June 30, 2020) and 100,000 shares to be issued to the vendor on the second anniversary of the agreement (issued during the year ended June 30, 2020);
- 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%.

Assays from a completed diamond drill program where 3,442 meters were drilled are currently pending.

### *Carscallen Extension Property, ON*

The Company's Carscallen Extension Property immediately adjoins the Melkior/Kirkland Lake Gold JV Carscallen Project located approximately 6 km west of Pan American Silver's West Timmins Mine and approximately 25 KM West of Timmins, Ontario.

On September 29, 2020, the Company entered into an option agreement to acquire up to 100% interest in the Carscallen Extension Property. Terms of the agreement are as follows:

#### Initial 70% Earn-in

- i) \$1,540 outstanding assay fees from previous drill hole
- ii) \$30,000 cash payment
- iii) Complete at least 1,300m of diamond drilling on the property
- iv) Grant 1% NSR to the optionor along with \$25,000 advance royalty payment

#### Additional 10% Earn-in (80%)

- i) Issue 400,000 common shares of the Company
- ii) Complete an additional 6,000m of diamond drilling within 4 months of completing the 70% earn-in

#### Additional 10% Earn-in (90%)

- i) Issue 500,000 common share purchase warrants of the Company

ii) Complete an additional 4,000m of diamond drilling within 15 months of TSXV Exchange approval of the agreement  
Additional 10% Earn-in (100%)

i) \$5,000,000 cash payment

Advance royalty payments of \$25,000 every 6 months subsequent to the first royalty payment to an aggregate total of \$250,000 must be made to maintain the property in good standing.

Further drilling is expected on the property to test structurally identified targets in the coming months.

### ***Windfall North Property, QC***

The Company acquired, through staking, a mineral property in Quebec, Canada that adjoins Osisko's world class Windfall Lake project claim holdings. The property has been named the Windfall North. The property consists of 96 mineral tenures spanning 5143.15 hectares and straddles the very prospective main lithological contact and structural trend along strike 9 km northeast from Osisko's rapidly growing Windfall Lake deposit within the prolific Abitibi Greenstone Belt. Exploration plans are currently being developed for this property.

### ***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 period 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 nine months ended March 31, 2021, the Company actively investigated various mineral properties for potential acquisition, completed diamond drill programs on the Regal Property and the Carscallen Extension property, 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 \$1,689,834 on exploration interests which also included a Mining Exploration Tax Credit amount received which offset the total by \$193,310 during the nine months ended March 31, 2021. Other components of the Company's operations included business development and property investigation costs of \$156,056, consulting fees of \$270,000, office and miscellaneous expenses of \$34,811, professional fees of \$14,642, and transfer agent and filing fees of \$9,783. Stock options were issued to officers, directors and contractors resulting in stock-based compensation expense of \$292,803. The Company received proceeds, net of share issuance costs, from the issuance of shares to investors in the amount of \$2,313,825 to fund exploration and operations. As such, there was a net increase in cash and cash equivalents of \$3,719 for the nine months ended March 31, 2021.

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 nine month period ended March 31, 2021 was \$778,095 compared to a net loss of \$340,227 in the comparative period reflecting an overall increase to net loss of \$437,868. Business development and property investigation increased by \$102,632 over the previous period due to drilling completed on the West Timmons property that was acquired and then subsequently relinquished. Consulting fees increased over the comparative period by \$72,000 due to the additional time spent by consultants as the Company has

become more active in raising capital and in exploration and operational activities. Less legal assistance was required overall in the current period as compared to last resulting in a decrease of \$17,397. Transfer agent and filing fees also decreased by \$2,036 over the comparative period and stock-based compensation increased in the current year period by \$260,681.

## SUMMARY OF QUARTERLY RESULTS

The following table sets forth a comparison of revenues and earnings for the previous eight quarters ending with March 31, 2021. Financial information is presented in Canadian dollars and is prepared in accordance with IFRS.

	Mar 31, 2021	Dec 31, 2020	Sept 30, 2020	Jun 30, 2020	Mar 31, 2020	Dec 31, 2019	Sept 30, 2019	Jun 30, 2019
Net income (loss)	(778,095)	(422,563)	(224,299)	(405,598)	(110,046)	(126,933)	(103,248)	(70,775)
Net income (loss) per share (Basic and diluted)	(0.003)	(0.009)	(0.005)	(0.013)	(0.003)	(0.004)	(0.004)	(0.001)

## 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, 2020. All financial amounts are in Canadian dollars.

The unaudited interim condensed financial statements for the period ended March 31, 2021 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 interim financial statements.

## LIQUIDITY AND CAPITAL RESOURCES

At March 31, 2021, the Company held cash in the amount of \$260,068 compared to \$256,349 at June 30, 2020. Accounts payable and accrued liabilities of \$106,198 are comprised of normal trade payables for ongoing operations and accrued liabilities.

In that the Company has no revenues, additional cash will be required 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.

	Nine Months Ended	
	March 31, 2021	March 31, 2020
Interest expense – directors of the Company (Note 6)	\$ -	\$ 750

### Key management personnel compensation

	Nine Months Ended	
	March 31, 2021	March 31, 2020
Consulting fees – accrued or paid to a company controlled by the CEO	\$ 135,000	\$ 99,000
Consulting fees – accrued or paid to a company controlled by the CFO	135,000	99,000
Consulting fees – accrued or paid to officers	\$ 270,000	\$ 198,000

### Related party balances

Included in trade payables at March 31, 2021 is \$Nil (2020 – \$20,563) owed to officers of the Company for accrued consulting fees (Note 6). These amounts are unsecured, non-interest bearing and due on demand.

## 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 interim condensed financial statements for the period ended December 31, 2020.

## OUTSTANDING SHARE CAPITAL

At May 18, 2021, the Company had the following number of securities outstanding:

Securities	Number	Exercise Price	Expiry Date
Common shares issued and outstanding	47,032,101	N/A	N/A
Warrants	6,000,000	0.15	September 17, 2021
Warrants	1,960,000	0.30	March 2, 2022
Warrants	612,300	0.30	March 24, 2022
Warrants	3,750,000	0.35	July 27, 2022
Warrants	4,605,137	0.33	July 27, 2022
Warrants	1,022,229	0.65	February 13, 2022
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
Share purchase options	1,000,000	0.19	October 23, 2029
Share purchase options	1,140,000	0.26	October 28, 2030
Fully diluted share Capital	69,466,767	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](http://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 interim condensed financial statements for the period ended March 31, 2021 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 interim condensed financial statements for the period ended March 31, 2021 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](http://www.SEDAR.com)) No securities commission or regulatory authority has reviewed the accuracy or adequacy of the information presented herein.