

Affinity Metals Corp.
Financial Statements
Six Month Period Ended December 31, 2022
(Unaudited – prepared by Management)
(Expressed in Canadian Dollars)

NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the 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 interim condensed financial statements have been prepared by and are the responsibility of the management.

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

Affinity Metals Corp.
Condensed Interim Statements of Financial Position
As at December 31, 2022 and June 30, 2022
(Unaudited – prepared by Management)
(Expressed in Canadian Dollars)

	Note	December 31, 2022	June 30, 2022
ASSETS			
Current assets			
Cash and cash equivalents		\$ 56,323	\$ 68,547
Marketable securities	3, 10	108,983	116,530
GST receivable		5,971	5,375
Prepaid expenses		429	429
		171,706	190,881
Non-current assets			
Exploration and evaluation assets	4	1,882,998	1,875,798
TOTAL ASSETS		\$ 2,054,704	\$ 2,066,679
LIABILITIES			
Current Liabilities			
Trade payables and accrued liabilities	5, 10	\$ 254,261	\$ 42,199
Promissory note payable	6, 10	142,410	140,535
TOTAL LIABILITIES		396,671	182,734
SHAREHOLDERS' EQUITY			
Share capital	8	19,871,122	19,871,122
Reserves	3, 8	3,624,733	3,632,280
Deficit		(21,837,822)	(21,619,457)
TOTAL SHAREHOLDERS' EQUITY		1,658,033	1,883,945
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		\$ 2,054,704	\$ 2,066,679

NATURE AND CONTINUANCE OF OPERATIONS (Note 1)

Approved on Behalf of the Board:

/s/ "Robert Edwards"

Robert Edwards, Director

/s/ "Sean Pownall"

Sean Pownall, Director

Affinity Metals Corp.
Condensed Interim Statements of Loss and Comprehensive Loss
For the Periods Ended December 31, 2022 and 2021
(Unaudited – prepared by Management)
(Expressed in Canadian Dollars)

	Notes	Three Months ended		Six Months ended	
		December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Expenses					
Business development and property investigation		\$ 9,175	\$ 13,063	\$ 18,300	\$ 51,247
Consulting fees	11	90,000	90,000	180,000	180,000
Interest on long term debt		938	-	1,875	-
Office and miscellaneous		9,189	11,841	10,520	13,063
Professional fees		5,244	4,816	5,269	4,918
Stock-based compensation	10	-	-	-	-
Transfer agent and filing fees		1,500	-	2,401	905
		(116,046)	(119,720)	(218,365)	(250,132)
Net loss		(116,046)	(119,720)	(218,365)	(250,132)
Other comprehensive income (loss)					
<i>Items that may be reclassified subsequently to profit or loss</i>					
Unrealized gain (loss) on short-term investments	4	(1,042)	6,641	(7,547)	(30,418)
Total comprehensive income (loss)		\$ (117,088)	\$ (119,720)	\$ (229,112)	\$ (280,550)
Loss per share - basic and diluted		\$ 0.002	\$ 0.002	\$ 0.005	\$ 0.005

Affinity Metals Corp.
Statements of Changes in Equity
For the Periods Ended December 31, 2022 and 2021
(Unaudited – prepared by Management)
(Expressed in Canadian Dollars)

	Note	Share Capital		Reserves				Deficit	Total
		Number of shares	Amount	Stock option reserve	Warrant reserve	Debt discount reserve	Investment revaluation reserve		
Balance at June 30, 2021		47,032,101	\$19,758,460	\$1,557,858	\$ 1,992,437	\$ -	\$ 143,554	\$(21,051,580)	\$2,400,729
Net loss for the period		-	-	-	-	-	-	(250,133)	(250,133)
Shares issued for acquisition of exploration and evaluation assets	5, 8	250,000	25,000	-	-	-	-	-	25,000
Unrealized loss on marketable securities	3	-	-	-	-	-	(30,418)	-	(37,059)
Balance at December 31, 2021		47,282,101	\$ 19,783,460	\$ 1,557,858	\$ 1,992,437	\$ -	\$ 113,136	\$(21,301,713)	\$2,145,178
Balance at June 30, 2022		47,858,165	\$ 19,871,122	\$ 1,557,858	\$ 1,992,437	\$17,455	\$ 64,530	\$(21,619,457)	\$1,883,945
Net loss for the period		-	-	-	-	-	-	(218,365)	(218,365)
Unrealized loss on marketable securities	3	-	-	-	-	-	(7,547)	-	(7,547)
Balance at December 31, 2022		47,858,165	\$ 19,871,122	\$ 1,557,858	\$ 1,992,437	\$17,455	\$ 56,983	\$(21,837,822)	\$1,658,033

See accompanying notes to the financial statements

Affinity Metals Corp.
Statements of Cash Flows
For the Periods Ended December 31, 2022 and 2021
(Unaudited – prepared by Management)
(Expressed in Canadian Dollars)

	Six Months Ended	
	December 31, 2022	December 31, 2021
Operating activities		
Net loss	\$ (218,365)	\$ (250,132)
Adjustments for:		
Interest	1,875	-
Changes in non-cash working capital items:		
GST receivable	(596)	102,935
Prepaid expenses and deposits	-	4,213
Trade Payables	212,062	9,852
Net cash flows used in operating activities	(5,024)	(133,132)
Investing activities		
Exploration and Evaluation asset expenditures	(7,200)	(55,236)
Mining exploration tax credit received	-	-
Net cash flows from (used in) investing activities	(7,200)	(55,236)
Financing activities		
Proceeds from promissory note	-	150,000
Net cash flows from financing activities	-	150,000
Decrease in cash and cash equivalents	(12,224)	(38,368)
Cash and cash equivalents, beginning	68,547	97,646
Cash and cash equivalents, ending	\$ 56,323	\$ 59,278

Affinity Metals Corp.
Condensed Interim Notes to the Financial Statements
For the Periods Ended December 31, 2022 and 2021
(Unaudited – prepared by Management)
(Expressed in Canadian Dollars)

1. Nature and continuance of operations

Affinity Metals Corp. (the “Company”) was incorporated on July 10, 1978, under the laws of the province of British Columbia, Canada, and its principal activity is the acquisition and exploration of mineral properties in Canada. The Company’s shares are listed on the TSX Venture Exchange (“TSX-V”) under the symbol “AFF.V”.

The head office, principal address and records office and registered office of the Company are located at 600- 890 West Pender Street, Vancouver, British Columbia, Canada, V6C 1J9.

These financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. As at December 31, 2022, the Company had not advanced its exploration and evaluation assets to commercial production and is not able to finance day to day activities through operations. The Company’s continuation as a going concern is dependent upon the successful results from its exploration activities and its ability to attain profitable operations and generate funds therefrom and/or raise equity capital or borrowings sufficient to meet current and future obligations. These conditions raise significant doubt about the Company’s ability to continue as a going concern. Management intends to finance operating costs over the next twelve months with cash on hand, loans from directors and companies controlled by directors and or private placement of common shares.

2. Significant accounting policies and basis of presentation

The financial statements were authorized for issue on February 24, 2023 by the directors of the Company.

Statement of compliance

The condensed interim financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”). These condensed interim financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting (“IAS 34”).

These interim unaudited condensed financial statements do not include all of the information required for full annual financial statements and is intended to provide users with an update in relation to events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the end of the last annual reporting period. It is therefore recommended that this unaudited condensed interim financial report be read in conjunction with the annual audited financial statements of the Company for the year ended June 30, 2021. The effects of the adoption of new and amended IFRS pronouncements have been disclosed in Note 3 of the most recent annual audited statements.

The accounting policies and methods of application applied by the Company in these condensed interim financial statements are the same as those applied in the Company’s most recent annual financial statements for the year ended June 30, 2022.

Basis of presentation

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.

Affinity Metals Corp.
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For the Periods Ended December 31, 2022 and 2021
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3. Investment in Marketable securities

As at December 31, 2022, the Company holds 800,000 (June 30, 2022 – 800,000) common shares of American Creek Resources Ltd. (“American Creek Shares”) at fair value of \$104,000 (June 30, 2022: \$112,000) and 90,592 (2021 – 90,592) common shares of Stinger Resources Inc. at fair value of \$4,983 (June 30, 2022 – \$4,530). The total unrealized loss on marketable securities for the period ended December 31, 2022 is \$7,547 (June 30, 2022 – \$79,024) which is recorded in other comprehensive loss. American Creek Resources Ltd. and the Company has directors in common (Note 10).

4. Exploration and evaluation assets

	Balance December 31, 2022	Current Expenditures (Impairment)	Balance June 30, 2022	2021 Expenditures	Balance June 30, 2021
Regal Property, BC					
Property acquisition costs	188,500	-	188,500	65,000	123,500
Exploration and evaluation costs					
Accommodation and meals	36,808	-	36,808	-	36,808
Assays	36,993	-	36,993	539	36,454
Diamond drilling	934,931	-	934,931	-	934,931
Equipment rental	8,555	-	8,555	-	8,555
Fuel	7,248	-	7,248	-	7,248
Geologist	119,098	-	119,098	7,497	111,601
Helicopter	708,040	-	708,040	-	708,040
Licenses and permitting	21,646	-	21,646	-	21,646
Mining Exploration Tax Credit	(457,294)	-	(457,294)	(263,984)	(193,310)
Property Bond	22,000	-	22,000	-	22,000
Prospecting	120,384	-	120,384	2,250	118,134
Reporting costs	5,540	-	5,540	-	5,540
Staking costs	3,658	-	3,658	-	3,658
Supplies and Miscellaneous	80,945	7,200	73,745	14,400	59,345
Support wages	23,087	-	23,087	-	23,087
Travel and transport	2,412	-	2,412	-	2,412
	1,674,051	7,200	1,666,851	(239,298)	1,906,149
Total Regal Property, BC	1,862,551	7,200	1,855,351	(174,298)	2,029,649
Windfall North Property, QC					
Property acquisition costs	20,447	-	20,447	-	20,447
Total Windfall North Property, QC	20,447	-	20,447	-	20,447
Total exploration and evaluation assets	\$ 1,882,998	\$ 7,200	\$ 1,875,798	\$ (174,298)	\$ 2,050,096

The following is a description of the Company’s exploration and evaluation assets and the related spending commitments:

(a) Regal Property, British Columbia

On November 15, 2017, the Company entered into an option agreement to acquire 100% interest in the Regal Property located near Revelstoke, British Columbia.

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4. Exploration and evaluation assets (continued)

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

All payments under the agreement have been met and the Company now holds 100% interest in the Regal Property.

(b) Windfall North, Quebec

During 2021, the Company acquired, through staking, 100% interest in the Windfall North Property located in the province of Quebec.

5. Accounts payables and accrued liabilities

	December 31, 2022	June 30, 2022
Trade payables	\$ 244,103	\$ 27,199
Accrued liabilities	10,158	15,000
	\$ 254,261	\$ 42,199

Included in trade payables and accrued liabilities at December 31, 2022 is \$180,000 (June 30, 2022 - \$Nil) owed to companies owned by officers of the Company for accrued consulting fees (Note 10).

6. Promissory notes payable

A promissory note totaling \$150,000 is payable to a company controlled by a director of the Company (Note 10). The interest rate of 2.5% is fixed until the maturity date of the promissory note. The note is due February 8, 2023. The Company estimated that the market interest rate for similar loan is 16% and recognized at the inception \$17,455 in the debt discount reserve as discount of the promissory note. The carrying value of the promissory note payable was then carried at amortized costs. The carrying value of the promissory note payable as at December 31, 2022 was \$141,473 and the interest expenses recognized were \$1,875 (2022 - \$938).

7. Restoration and environmental obligations

The Company did not provide for any possible restoration and environmental obligations as management believes that no liability exists. It is not currently possible to estimate the impact on operating results, if any, of future legislative or regulatory developments regarding restoration and environmental obligations.

8. Share capital

Authorized share capital

Unlimited number of common shares without par value.

Issued share capital

At December 31, 2022 there were 47,858,165 (June 30, 2022 – 47,032,101) issued and fully paid common shares.

Common shares

Issued during the period ended December 31, 2022

No common shares were issued during the period ended December 31, 2022.

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8. Share capital (continued)

Issued during the year ended June 30, 2022:

On November 15, 2022, the Company issued 250,000 common shares at a price of \$0.10 per share for the last payment under the Regal property agreement. The fair value of the shares was \$25,000 (Note 4).

On January 25, 2022, the Company issued 336,064 common shares with fair value of \$49,561 per share to settle debt.

On February 4, 2022, the Company issued 240,000 common shares with fair value of \$38,101 per share to settle debt.

Basic and diluted loss per share

The calculation of basic and diluted loss per share for the period ended December 31, 2022 was based on the net loss attributable to common shareholders of \$218,365 (2022 – \$250,133) and the weighted average number of common shares outstanding of 47,858,165 (2022 – 47,094,601).

Diluted loss per share did not include the effect of 4,085,000 stock options or 2,572,300 warrants as the effect would be anti-dilutive.

Warrants

Granted during the period ended December 31, 2022:

No warrants were granted for the period ended December 31, 2022.

Granted during the year ended June 30, 2022:

No warrants were granted for the year ended June 30, 2022.

On August 26, 2021 the Company extended the exercise term of certain outstanding warrants to purchase an aggregate of 6,000,000 common shares of the Company originally issued on September 17, 2019 exercisable at exercise price of \$0.15/share until September 17, 2021. The Company extended the terms of the warrants such that they all expired on September 17, 2022. All other terms of the warrants remained unchanged.

On February 24, 2022 the Company extended the exercise term of certain outstanding warrants to purchase an aggregate of 2,572,300 common shares of the Company, 625,000 of which are beneficially held by a director of the Company. 1,960,000 of these warrants were originally issued on March 2, 2020 and are exercisable at a price of \$0.30/share until March 2, 2022. 612,300 of these warrants were originally issued on March 24, 2020 and are exercisable at a price of \$0.30/share until March 24, 2022. The Company extended the terms of the warrants such that they all will now expire on March 24, 2023. All other terms of the warrants will remain unchanged.

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8. Share capital (continued)

The following table summarizes the continuity of the Company's warrants:

	December 31, 2022		June 30, 2022	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Warrants outstanding, beginning	16,927,437	\$ 0.27	18,011,888	\$ 0.29
Warrants issued	-	-	-	-
Warrants exercised	-	-	-	-
Warrants expired	(14,355,137)	0.26	(1,084,451)	0.65
Warrants outstanding, ending	2,572,300	\$ 0.30	16,927,437	\$ 0.27
Warrants exercisable, ending	2,572,300	\$ 0.30	16,927,437	\$ 0.27

Stock options

The Company has adopted an incentive stock option plan, which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the TSX-V requirements, grant to directors, officers, employees and technical consultants to the Company, non-transferable stock options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the Company's issued and outstanding common shares. The maximum discount allowed varies with share price, with a maximum of 25% and a minimum price of \$0.05. Options may be exercised no later than 90 days following cessation of the optionee's position with the Company or thirty days following cessation of an optionee conducting investor relations activities' position. Pursuant to the stock option plan, options granted in respect of investor relations activities are subject to vesting in stages over one year from the grant date with a maximum of one-quarter of the options vesting in any three-month period. Vesting restrictions may also be applied to other options grants, at the discretion of the Board of Directors.

Granted during the period ended December 31, 2022:

No options were granted for the period ended December 31, 2022.

Granted during the year ended June 30, 2022:

No options were granted for the year ended June 30, 2022.

On November 9, 2021, the 1,000,000 incentive stock options issued during the year ended June 30, 2020 were repriced from \$.0.19 to \$0.11 per common share and 1,140,000 issued during the year ended June 30, 2021 were repriced from \$0.255 to \$0.11 per common share. No additional share-based compensation was recognized due to the nominal effect of the repricing.

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8. Share capital (continued)

The following table summarizes the continuity of the Company's stock options:

	December 31, 2022		June 30, 2022	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Options outstanding, beginning	4,085,000	\$ 0.08	4,485,000	\$ 0.14
Options granted	-	-	-	-
Options expired	-	-	(400,000)	0.13
Options cancelled	-	-	-	-
Options outstanding, ending	4,085,000	\$ 0.08	4,085,000	\$ 0.08
Options exercisable, ending	4,085,000	\$ 0.08	4,085,000	\$ 0.08

9. Reserves

Warrant reserve

The warrant reserve records the fair value of the common shares purchase warrants recorded using the Black-Scholes Option Pricing Model. At the time the warrants are issued, there is a corresponding amount recorded as an offset to share capital.

Granted during the period ended December 31, 2022:

No warrants were granted during the period ended December 31, 2022.

Granted during the year ended June 30, 2022:

No warrants were granted during the period ended June 30, 2022.

Stock option reserve

The stock option reserve records items recognized as stock-based compensation expense until such time that the stock options are exercised, at which time the corresponding amount will be transferred to share capital.

Investment revaluation reserve

The investment revaluation reserve records unrealized gains and losses arising from financial assets classified as FVTOCI, except for impairment losses.

Debt discount reserve

The debt discount reserve records the discount amount of the promissory payable at inception date base on the market interest rate estimated by the Company (Note 6).

10. Related party transactions

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

	Period Ended	
	December 31, 2022	December 31, 2021
Accrued Interest expense – Company controlled by director (Note 6)	\$ 1,875	\$ -

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Condensed Interim Notes to the Financial Statements
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10. Related party transactions (continued)

Key management personnel compensation

	Period Ended	
	December 31, 2022	December 31, 2021
Consulting fees – accrued or paid to a company controlled by the CEO	\$ 90,000	\$ 90,000
Consulting fees – accrued or paid to a company controlled by the CFO	90,000	90,000
Consulting fees – accrued or paid to officers	\$ 180,000	\$ 180,000

Included in trade payables and accrued liabilities at December 31, 2022 is \$180,000 (2021 - \$Nil) owed to companies owned by officers of the Company for accrued consulting fees (Note 5).

A promissory note totaling \$150,000 at the rate of 2.5% per annum maturing on February 8, 2023 is due to a company controlled by a director of the Company (Note 6).

As at December 31, 2022, the Company holds 800,000 (2022 – 800,000) common shares of American Creek Resources Ltd. and 90,592 (2022 – 90,592) common shares of Stinger Resources Inc., companies with common directors (Note 3).

11. Segmented information

Operating segments

The Company operates in a single reportable operating segment – the acquisition, exploration and development of mineral properties.

Geographic segments

At December 31, 2022 all of the Company's assets are located in Canada.