

**Affinity Metals Corp.**  
**Financial Statements**  
**Year Ended June 30, 2023**

**(Expressed in Canadian Dollars)**



DALE MATHESON CARR-HILTON LABONTE LLP  
CHARTERED PROFESSIONAL ACCOUNTANTS

# Independent Auditor's Report

To the Shareholders of Affinity Metals Corp.

## Opinion

We have audited the financial statements of Affinity Metals Corp. (the "Company"), which comprise the statements of financial position as at June 30, 2023 and 2022, and the statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

## Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial statements, which describes events or conditions that indicate a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

## Key Audit Matters

Key audit matters are those matters, that in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Except for the matter described in the Material Uncertainty Related to Going Concern section, we have determined that there are no other key audit matters to communicate in our report.

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## Other Information

Management is responsible for the other information. The other information comprises the information included in Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Barry Hartley.

A handwritten signature in black ink that reads "DMCL." The letters are stylized and connected, with a large 'D' and 'M'.

DALE MATHESON CARR-HILTON LABONTE LLP  
CHARTERED PROFESSIONAL ACCOUNTANTS  
Vancouver, BC

October 30, 2023

Affinity Metals Corp.  
 Statements of Financial Position  
 As at June 30,  
 (Expressed in Canadian Dollars)

	Note	2023	2022
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		\$ 104,239	\$ 68,547
Marketable securities	4, 12	124,077	116,530
GST receivable		4,880	5,375
Prepaid expenses		429	429
		233,625	190,881
<b>Non-current assets</b>			
Exploration and evaluation assets	5	1,890,198	1,875,798
<b>TOTAL ASSETS</b>		<b>\$ 2,123,823</b>	<b>\$ 2,066,679</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade payables and accrued liabilities	6, 12	\$ 367,435	\$ 42,199
Promissory note payable	7, 12	-	140,535
		367,435	182,734
<b>Non-current liabilities</b>			
Promissory note payable	7, 12	121,077	-
<b>TOTAL LIABILITIES</b>		<b>488,512</b>	<b>182,734</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	10	19,989,948	19,871,122
Reserves	10	3,770,769	3,632,280
Deficit		(22,125,406)	(21,619,457)
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>1,635,311</b>	<b>1,883,945</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>\$ 2,123,823</b>	<b>\$ 2,066,679</b>

NATURE AND CONTINUANCE OF OPERATIONS (Note 1)

Approved on Behalf of the Board:

/s/ "Robert Edwards"

Robert Edwards, Director

/s/ "Darren Blaney"

Darren Blaney, Director

Affinity Metals Corp.  
Statements of Loss and Comprehensive Loss  
For the Years Ended June 30,  
(Expressed in Canadian Dollars)

	Note	Year ended June 30,	
		2023	2022
<b>Expenses</b>			
Business development and property investigation		\$ 36,152	\$ 144,900
Consulting fees	12	360,000	360,000
Interests	7, 12	20,310	7,990
Office and miscellaneous		22,509	22,781
Professional fees		55,939	20,501
Transfer agent and filing fees		11,039	11,705
<b>Net loss</b>		<b>(505,949)</b>	<b>(567,877)</b>
<b>Other comprehensive income (loss)</b>			
Unrealized gain (loss) on short-term investments	4	7,547	(79,024)
<b>Total comprehensive loss</b>		<b>\$ (498,402)</b>	<b>\$ (649,901)</b>
<b>Weighted average number of outstanding shares</b>		<b>49,370,494</b>	<b>47,427,213</b>
<b>Loss per share - basic and diluted</b>		<b>\$ (0.01)</b>	<b>\$ (0.01)</b>

Affinity Metals Corp.  
Statements of Changes in Equity  
For the Years Ended June 30, 2023 and 2022  
(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
<b>Balance at June 30, 2021</b>		<b>47,032,101</b>	<b>\$19,758,460</b>	<b>\$1,557,858</b>	<b>\$ 1,992,437</b>	<b>\$ -</b>	<b>\$ 143,554</b>	<b>\$(21,051,580)</b>	<b>\$2,400,729</b>
Net loss for the year		-	-	-	-	-	-	(567,877)	(567,877)
Shares issued in debt settlement	10	576,064	87,662	-	-	-	-	-	87,662
Shares issued for acquisition of exploration and evaluation assets	5, 10	250,000	25,000	-	-	-	-	-	25,000
Discount on promissory note payable	7,12	-	-	-	-	17,455	-	-	17,455
Unrealized loss on marketable securities	4	-	-	-	-	-	(79,024)	-	(79,024)
<b>Balance at June 30, 2022</b>		<b>47,858,165</b>	<b>\$ 19,871,122</b>	<b>1,557,858</b>	<b>1,992,437</b>	<b>17,455</b>	<b>64,530</b>	<b>(21,619,457)</b>	<b>1,883,945</b>
Net loss for the year		-	-	-	-	-	-	(505,949)	(505,949)
Shares issued in private placement	10	6,000,000	210,000	-	-	-	-	-	210,000
Warrant value		-	(91,174)	-	91,174	-	-	-	-
Discount on Promissory note payable	7,12	-	-	-	-	39,768	-	-	39,768
Unrealized gain on marketable securities	4	-	-	-	-	-	7,547	-	7,547
<b>Balance at June 30, 2023</b>		<b>53,858,165</b>	<b>\$ 19,989,948</b>	<b>\$ 1,557,858</b>	<b>\$ 2,083,611</b>	<b>\$57,223</b>	<b>\$ 72,077</b>	<b>\$(22,125,406)</b>	<b>\$1,635,311</b>

See accompanying notes to the financial statements

Affinity Metals Corp.  
Statements of Cash Flows  
For the Years Ended June 30, 2023 and 2022  
(Expressed in Canadian Dollars)

	Year Ended	
	June 30, 2023	June 30, 2022
<b>Operating activities</b>		
Net loss	\$ (505,949)	\$ (567,877)
Adjustments for:		
Accrued Interests	20,310	7,990
Changes in non-cash working capital items:		
GST receivable	495	104,245
Prepaid expenses and deposits	-	56,964
Trade Payables	325,236	20,281
<b>Net cash flows used in operating activities</b>	<b>(159,908)</b>	<b>(378,397)</b>
<b>Investing activities</b>		
Exploration and Evaluation asset expenditures	(14,400)	(64,686)
Mining exploration tax credit received	-	263,984
<b>Net cash flows from (used in) investing activities</b>	<b>(14,400)</b>	<b>199,298</b>
<b>Financing activities</b>		
Proceeds from issue of shares	210,000	-
Proceeds from promissory note	-	150,000
<b>Net cash flows from financing activities</b>	<b>210,000</b>	<b>150,000</b>
Increase (Decrease) in cash and cash equivalents	35,692	(29,099)
Cash and cash equivalents, beginning	68,547	97,646
<b>Cash and cash equivalents, ending</b>	<b>\$ 104,239</b>	<b>\$ 68,547</b>
<b>Supplemental disclosure of non-cash transactions :</b>		
Shares issued in debt settlement	\$ -	\$ 87,662
Shares issued for acquisition of exploration and evaluation assets	\$ -	\$ 25,000



Affinity Metals Corp.  
Notes to the Financial Statements  
For the Years Ended June 30, 2023 and 2022  
(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 June 30, 2023, 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. As at June 30, 2023, the Company had a working capital deficiency of \$133,810 and accumulated deficit of \$22,125,406. 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 October 30, 2023 by the directors of the Company.

***Statement of compliance***

The 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”).

***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.

***Estimates***

The preparation of the Company’s financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management’s experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Affinity Metals Corp.  
Notes to the Financial Statements  
For the Years Ended June 30, 2023 and 2022  
(Expressed in Canadian Dollars)

**2. Significant accounting policies and basis of presentation (continued)**

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods relate to the determination of the recoverability of the carrying value of exploration and evaluation assets, fair value measurements for financial instruments and stock-based compensation and other equity-based payments, the recognition and valuation of provisions for restoration and environmental liabilities, and the recoverability and measurement of deferred tax assets and liabilities. Actual results may differ from those estimates and judgments.

***Significant judgments***

The preparation of financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments in applying the Company's financial statements include the assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty.

***Exploration and evaluation expenditures***

Exploration and evaluation expenditures include the costs of acquiring licenses, costs associated with exploration and evaluation activity, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. Exploration and evaluation expenditures are capitalized. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in profit or loss.

Government tax credits received are recorded as a reduction to the cumulative costs incurred and capitalized on the related property.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

***Farm outs***

The Company does not record any expenditure made by the farmee on its account. It also does not recognize any gain or loss on its exploration and evaluation farm out arrangements but reallocates any costs previously capitalized in relation to the whole interest as relating to the partial interest retained and any consideration received directly from the farmee is credited against costs previously capitalized.

***Share-based payments***

Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured and are recorded at the date the goods or services are received. The corresponding amount is recorded to the stock option reserve. The fair value of options is determined using the Black-Scholes Option Pricing Model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

Affinity Metals Corp.  
Notes to the Financial Statements  
For the Years Ended June 30, 2023 and 2022  
(Expressed in Canadian Dollars)

**2. Significant accounting policies and basis of presentation (continued)**

***Loss per share***

Basic loss per share is calculated by dividing the loss attributable to common shareholders by the weighted average number of common shares outstanding in the period. For all periods presented, the loss attributable to common shareholders equals the reported loss attributable to owners of the Company. Diluted earnings per share is calculated by the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted earnings per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period.

***Cash and cash equivalents***

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. The Company had \$104,239 (2022 – \$68,547) in cash equivalents at June 30, 2023. A guaranteed investment certificate (“GIC”) of \$28,500 at bank prime interest rate less 2.7% maturing on November 24, 2023 is included in the cash and cash equivalent as at June 30, 2023 (2022: \$28,500).

***Financial instruments***

(i) Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss (“FVTPL”), at fair value through other comprehensive income (loss) (“FVTOCI”) or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company’s business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL.

For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

The following table shows the classification of the Company’s financial instruments under IFRS 9:

Financial assets/liabilities	Classification
Cash and cash equivalents	FVTPL
Marketable securities	FVTOCI
Trades payables	Amortized cost
Promissory note payable	Amortized cost

(ii) Measurement

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of loss and comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of loss and comprehensive loss in the period in which they arise.

Affinity Metals Corp.  
Notes to the Financial Statements  
For the Years Ended June 30, 2023 and 2022  
(Expressed in Canadian Dollars)

**2. Significant accounting policies and basis of presentation (continued)**

Equity investments at FVTOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in Other Comprehensive Income ("OCI") and are never reclassified to profit or loss.

(iii) Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the statements of loss and comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

(iv) Derecognition

Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity.

Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and / or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

Gains and losses on derecognition are generally recognized in profit or loss.

***Income taxes***

Current income tax:

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax:

Deferred income tax is provided using the asset and liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Affinity Metals Corp.  
Notes to the Financial Statements  
For the Years Ended June 30, 2023 and 2022  
(Expressed in Canadian Dollars)

**2. Significant accounting policies and basis of presentation (continued)**

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Flow-through shares:

On the issuance of flow-through shares, any premium received in excess of the closing market price of the Company's common shares is initially recorded as a liability ("flow-through tax liability"). Provided that the Company has renounced the related expenditures, or that there is a reasonable expectation that it will do so, the flow-through tax liability is reduced on a pro-rata basis as the expenditures are incurred and a deferred tax liability is recognized. The reduction to the flow-through tax liability is recognized in profit or loss as other income. To the extent that the Company has suitable unrecognized deductible temporary differences, an offsetting recovery of deferred income taxes would be recorded.

***Restoration and environmental obligations***

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of long-term assets, when those obligations result from the acquisition, construction, development or normal operation of assets. The net present value of future restoration cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to exploration and evaluation assets along with a corresponding increase in the restoration provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The restoration asset will be depreciated on the same basis as other mining assets.

The Company's estimates of restoration costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to mining assets with a corresponding entry to the restoration provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates.

Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit or loss.

The net present value of restoration costs arising from subsequent site damage that is incurred on an ongoing basis during production are charged to profit or loss in the period incurred.

The costs of restoration projects that were included in the provision are recorded against the provision as incurred. The costs to prevent and control environmental impacts at specific properties are capitalized in accordance with the Company's accounting policy for exploration and evaluation assets.

***Leases***

The Company accounts for lease in accordance with IFRS 16. This standard is a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

Affinity Metals Corp.  
Notes to the Financial Statements  
For the Years Ended June 30, 2023 and 2022  
(Expressed in Canadian Dollars)

**2. Significant accounting policies and basis of presentation (continued)**

***Leases (continued)***

This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors. Other areas of the lease accounting model have been impacted, including the definition of a lease. The Company has no leases.

**3. Adoption of New and Amended IFRS Pronouncements**

There are no other IFRSs or IFRICs that are not yet effective that would be expected to have material impact on the Company's financial statements

**4. Investment in Marketable securities**

As at June 30, 2023, the Company holds 800,000 (June 30, 2022 – 800,000) common shares of American Creek Resources Ltd. ("American Creek Shares") at fair value of \$120,000 (June 30, 2022: \$112,000) and 90,592 (June 30, 2022 – 90,592) common shares of Stinger Resources Inc. at fair value of \$4,077 (June 30, 2022 – \$4,530). The total unrealized gain on marketable securities for the year ended June 30, 2023 is \$7,547 (2022 - \$79,024 loss) which is recorded in other comprehensive income (loss). American Creek Resources Ltd., Stinger Resources Inc. and the Company has directors in common (Note 12).

**5. Exploration and evaluation assets**

	Balance June 30, 2023	Current Expenditures (Impairment)	Balance June 30, 2022	2022 Expenditures	Balance June 30, 2021
<b>Regal Property, BC</b>					
Property acquisition costs	\$ 188,500	\$ -	\$ 188,500	\$ 65,000	\$ 123,500
<b>Exploration and evaluation costs</b>					
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	88,145	14,400	73,745	14,400	59,345
Support wages	23,087	-	23,087	-	23,087
Travel and transport	2,412	-	2,412	-	2,412
	1,681,251	14,400	1,666,851	(239,298)	1,906,149
<b>Total Regal Property, BC</b>	<b>1,869,751</b>	<b>14,400</b>	<b>1,855,351</b>	<b>(174,298)</b>	<b>2,029,649</b>
<b>Windfall North Property, QC</b>					
Property acquisition costs	20,447	-	20,447	-	20,447
<b>Total Windfall North Property, QC</b>	<b>20,447</b>	<b>-</b>	<b>20,447</b>	<b>-</b>	<b>20,447</b>
<b>Total exploration and evaluation assets</b>	<b>\$ 1,890,198</b>	<b>\$ 14,400</b>	<b>\$ 1,875,798</b>	<b>\$ (174,298)</b>	<b>\$ 2,050,096</b>

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**5. Exploration and evaluation assets (continued)**

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. The Company entered into a four-year option agreement where upon execution paid \$5,000 cash and issued 50,000 shares at a fair value of \$3,000. The remaining terms and payments under the agreement are as follows:

- i) \$10,000 cash payment (paid during the year ended June 30, 2019) and 50,000 shares (issued during the year ended June 30, 2019 with a fair value of \$4,750) to the vendor on the first anniversary of the agreement;
- ii) \$20,000 cash payment (paid during the year ended June 30, 2020) and 100,000 shares (issued during the year ended June 30, 2020) with a fair value of \$8,000 to the vendor on the second anniversary of the agreement;
- iii) \$30,000 cash payment (paid during the year ended June 30, 2021) and 150,000 (issued during the year ended June 30, 2021), with a fair value of \$42,750 shares to be issued to the vendor on the third anniversary of the agreement; and
- iv) \$40,000 cash payment (paid during the year ended June 30, 2022) and 250,000 (issued during the year ended June 30, 2022) (Note 10).

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.

**6. Accounts payables and accrued liabilities**

	<b>June 30, 2023</b>	<b>June 30, 2022</b>
Trade payables	\$ 313,355	\$ 27,199
Accrued liabilities	54,080	15,000
	<b>\$ 367,435</b>	<b>\$ 42,199</b>

Included in trade payables and accrued liabilities at June 30, 2023 is \$278,000 (June 30, 2022 - \$Nil) owed to companies owned by officers of the Company for accrued consulting fees (Note 12).

**7. Promissory notes payable**

A promissory note totaling \$150,000 is payable to a company controlled by a director of the Company (Note 12). The interest rate of 2.5% was fixed until the maturity date of February 8, 2023. The Company estimated that the market interest rate for a 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 Promissory note agreement was amended on February 8, 2023 extending the maturity date to June 30, 2025 and the fixed interest rate to 3.5%. the amendment was accounting as extinguishment of debt and discount of \$39,768 was recorded in the equity reserve.

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**7. Promissory notes payable (continued)**

The carrying value of the promissory note payable as at June 30, 2023 was \$121,077 (2022: \$140,535) and the interest expense recognized during the year ended June 30, 2023 was \$20,310 (2022 - \$7,990).

**8. Income Taxes**

A reconciliation of the expected income tax recovery to the actual income tax recovery is as follows:

	Years ended	
	June 30, 2023	June 30, 2022
Net loss	\$ 505,949	\$ (567,877)
Statutory tax rate	27%	27%
Expected income tax recovery at the statutory tax rate	(136,606)	(153,327)
Non-deductible items and other	(6,007)	(10,667)
Change in valuation allowance	142,613	163,994
Income tax recovery	\$ -	\$ -

The Company has the following deductible temporary differences for which no deferred tax asset has been recognized:

	June 30, 2023	June 30, 2022
Non-capital loss carry-forwards	\$ 2,577,242	\$ 2,433,977
Exploration and evaluation assets	(30,173)	(30,173)
Property and equipment	14,530	14,530
Investment tax credit	216,107	216,107
Capital losses carried forward	505,372	505,372
Marketable securities	(9,731)	(8,712)
Share issuance costs	17,521	17,154
	3,290,868	3,148,255
Valuation allowance	(3,290,868)	(3,148,255)
Deferred tax assets	\$ -	\$ -

The Company has non-capital losses of \$9,545,344 that will commence expiring in the year 2026.

**9. 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.

**10. Share capital**

***Authorized share capital***

Unlimited number of common shares without par value.

***Issued share capital***

At June 30, 2023 there were 53,858,165 (June 30, 2022 – 47,858,165) issued and fully paid common shares.



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**10. Share capital (continued)**

***Common shares***

*Issued during the year ended June 30, 2023*

On March 30, 2023 the Company issued 6,000,000 units in a non-brokered private placement at a price of \$0.035 per unit for gross proceeds of \$210,000. Each unit consisted of one common share of the Company and one non-transferable common share purchase warrant. Each warrant may be exercised for one additional common share for a period of 2 years from the closing date at a price of \$0.05 per share. The fair value of the warrants issued was \$91,174 (Note 11).

*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 5).

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 year ended June 30, 2023 was based on the net loss attributable to common shareholders of \$505,949 (2022 – \$567,877) and the weighted average number of common shares outstanding of 49,370,494 (2022 – 47,427,213).

Diluted loss per share did not include the effect of 4,085,000 stock options or 6,000,000 warrants as the effect would be anti-dilutive.

***Warrants***

*Granted during the year ended June 30, 2023:*

On March 30, 2023, 6,000,000 warrants were granted as part of the units issued in a private placement. Each full warrant may be exercised for one additional common share for a period of 2 years from the closing date at a price of \$0.05 per share.

*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 expired on March 24, 2023. All other terms of the warrants will remain unchanged.

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**10. Share capital (continued)**

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

	June 30, 2023		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	6,000,000	0.05	-	-
Warrants exercised	-	-	-	-
Warrants expired	(16,927,437)	0.27	(1,084,451)	0.65
Warrants outstanding, ending	6,000,000	\$ 0.05	16,927,437	\$ 0.27
Warrants exercisable, ending	6,000,000	\$ 0.05	16,927,437	\$ 0.27

The weighted average remaining contractual life of the warrants outstanding as at June 30, 2023 is 1.75 years

**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 year ended June 30, 2023:*

No options were granted for the year ended June 30, 2023.

*Granted during the year ended June 30, 2022:*

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

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**10. Share capital (continued)**

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

	June 30, 2023		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

The weighted average remaining contractual life of the option outstanding as at June 30, 2023 is 5.4 years

**11. 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 year ended June 30, 2023:*

On March 30, 2023, the Company issued 6,000,000 common share purchase warrants as part of the private placement (Note 10). Each common share purchase warrant may be exercised for a period of 24 months from the closing date of the private placement at a price of \$0.05. The fair value of the common share purchase warrants was determined to be \$91,174 using the Black Scholes Option Pricing Model, assuming a 0% dividend yield, 118.3%% volatility, a risk free interest rate of 3.74%, and a term of 2 years.

*Granted during the year ended June 30, 2022:*

No warrants were granted during the year 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 based on the market interest rate estimated by the Company (Note 7).

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**12. 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.

	Year Ended	
	June 30, 2023	June 30, 2022
Accrued Interest expense – Company controlled by director (Note 7)	\$ 20,310	\$ 7,990

**Key management personnel compensation**

	Year Ended	
	June 30, 2023	June 30, 2022
Consulting fees – accrued or paid to a company controlled by the CEO	\$ 180,000	\$ 180,000
Consulting fees – accrued or paid to a company controlled by the CFO	180,000	180,000
Consulting fees – accrued or paid to officers	\$ 360,000	\$ 360,000

Included in trade payables and accrued liabilities at June 30, 2023 is \$278,000 (2022 - \$Nil) owed to companies owned by officers of the Company for accrued consulting fees (Note 6).

A promissory note originally totaling \$150,000 at the rate of 3.5% per annum maturing on June 30, 2025 is due to a company controlled by a director of the Company (Note 7).

As at June 30, 2023, 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 4).

**13. Financial risk and capital management**

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

**Credit risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts. The majority of cash is deposited in bank accounts held with major banks in Canada. As most of the Company's cash is held by one bank there is a concentration of credit risk. This risk is managed by using a major bank that is a high credit quality financial institution as determined by rating agencies.

**Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash. Liquidity risk is assessed as high.

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**13. Financial risk and capital management (continued)**

Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

The following is an analysis of the contractual maturities of the Company's non-derivative financial liabilities as at June 30, 2023:

	<b>Within one year</b>	<b>Between one and five years</b>	<b>More than five years</b>
Trade payables	\$ 313,355	\$ -	\$ -
Promissory note	-	121,077	-
	<b>\$ 313,355</b>	<b>\$ 121,077</b>	<b>\$ -</b>

**Interest rate risk**

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to interest rate risk.

**Foreign currency risk**

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company is not exposed to currency risk as it incurs expenditures that are primarily denominated in Canadian dollars.

**Capital management**

The Company's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The capital structure of the Company consists of share capital and working capital. There were no changes in the Company's approach to capital management during the year. The Company is not subject to any externally imposed capital requirements.

**Fair value**

The fair value of the Company's financial assets and liabilities approximates the carrying amount. Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The following is an analysis of the Company's financial assets measured at fair value using level inputs as at June 30, 2023 and June 30, 2022:

	<b>As at June 30, 2023</b>		
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Cash and cash equivalents	\$ 104,239	\$ -	\$ -
Marketable securities	124,077	-	-
	<b>\$ 228,316</b>	<b>\$ -</b>	<b>\$ -</b>

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**13. Financial risk and capital management (continued)**

	<b>As at June 30, 2022</b>			
Cash	\$ 68,547	\$ -	\$ -	-
Marketable securities	116,530	-	-	-
	<b>\$ 185,077</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-</b>

The carrying value of the trade payables approximates their fair values due of the short-term nature of these instruments. The fair value of the promissory note payable approximates the carrying value (Note 7).

**14. Segmented information**

***Operating segments***

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

***Geographic segments***

At June 30, 2023 all of the Company's assets are located in Canada.