

Affinity Metals Corp.
(formerly Acme Resources Inc.)
Condensed Interim Financial Statements
Six Month Period Ended December 31, 2017

(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. (formerly Acme Resources Inc.)
Condensed Interim Statements of Financial Position
(Unaudited – prepared by Management)
(Expressed in Canadian Dollars)

	Note	December 31, 2017	June 30, 2017
ASSETS			
Current assets			
Cash		\$ 82,892	\$ 29,389
Marketable securities	4	48,000	36,000
Receivable	5	7,470	6,035
Prepaid expenses and deposits		-	2,500
		138,362	73,924
Non-current assets			
Equipment	6	-	795
Exploration and evaluation assets	7	457,413	379,124
		457,413	379,919
TOTAL ASSETS		\$ 595,775	\$ 453,843
LIABILITIES			
Current Liabilities			
Trade payables and accrued liabilities	8	\$ 18,011	\$ 10,910
TOTAL LIABILITIES		18,011	10,910
SHAREHOLDERS' EQUITY			
Share capital	11	17,722,554	17,556,611
Reserves	12	1,167,925	1,097,183
Deficit		(18,312,716)	(18,210,861)
TOTAL SHAREHOLDERS' EQUITY		577,763	442,933
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		\$ 595,774	\$ 453,843

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. (formerly Acme Resources Inc.)
Condensed Interim Statements of Comprehensive Loss
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)

	Notes	Three Months ended		Six Months ended	
		December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
Expenses					
Amortization	6	\$ -	\$ 51	\$ -	\$ 101
Consulting fees	13	30,000	3,750	60,000	7,500
Interest	9	-	498	-	523
Office and miscellaneous		2,207	9,877	2,316	16,319
Professional fees		5,950	21,442	10,466	31,586
Stock-based compensation	11	25,476	-	25,476	-
Transfer agent and filing fees		2,108	9,662	2,802	10,812
		(65,741)	(45,280)	(101,060)	(66,841)
Other items					
Loss on disposal of equipment	6	-	-	(795)	-
Gain on disposal of marketable securities	4	-	6,859	-	6,859
Gain on disposal of exploration and evaluation assets	7	-	12,184	-	12,184
Recovery of investment	4	-	152,000	-	152,000
Net income (loss)		(65,741)	125,763	(101,855)	104,202
Other comprehensive income (loss)					
<i>Items that may be reclassified subsequently to profit or loss</i>					
Unrealized gain (loss) on short-term investments		-	(8,000)	-	(7,843)
Total comprehensive income (loss)		\$ (65,741)	\$ 117,763	\$ (101,855)	\$ 96,359
Loss per share - basic and diluted		\$ 0.003	\$ 0.007	\$ 0.005	\$ 0.006

Affinity Metals Corp. (formerly Acme Resources Inc.)
Condensed Interim Statements of Changes in Equity
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)

	Note	Share Capital		Reserves			Deficit	Total
		Number of shares	Amount	Stock option reserve	Warrant reserve	Investment revaluation reserve		
Balance at June 30, 2016		16,776,435	\$ 17,433,815	\$ 954,400	-	-	\$ (17,993,895)	\$ 394,320
Net income (loss)		-	-	-	-	-	104,202	104,202
Unrealized gain on marketable securities		-	-	-	-	157	-	157
Unrealized loss on marketable securities		-	-	-	-	(8,000)	-	(8,000)
Disposal of marketable securities		-	-	-	-	(157)	-	(157)
Dividends paid		-	-	-	-	-	(152,000)	(152,000)
Balance at December 31, 2016		16,776,435	\$ 17,433,815	\$ 954,400	-	\$ (8,000)	\$ (18,041,693)	\$ 338,522
Balance at June 30, 2017		20,776,435	\$ 17,556,611	\$ 1,036,979	\$ 76,204	\$ (16,000)	\$ (18,210,861)	\$ 442,933
Net income (loss)		-	-	-	-	-	(101,855)	(101,855)
Shares issued in private placement	11	2,000,000	200,000	-	-	-	-	200,000
Shares issued for finders fee	11	50,000	3,000	-	-	-	-	3,000
Shares issued for exploration and evaluation assets	7	50,000	3,000	-	-	-	-	3,000
Unrealized loss on marketable securities	4	-	-	-	-	12,000	-	12,000
Valuation of options granted	11	-	-	25,476	-	-	-	25,476
Valuation of warrants issued	11	-	(33,266)	-	33,266	-	-	-
Share issuance costs		-	(6,791)	-	-	-	-	(6,791)
Balance at December 31, 2017		22,876,435	\$ 17,722,554	\$ 1,062,455	\$ 109,470	\$ (4,000)	\$ (18,312,716)	\$ 577,763

Affinity Metals Corp. (formerly Acme Resources Inc.)
Consolidated Interim Statements of Cash Flows
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)

	Six Months Ended	
	December 31, 2017	December 31, 2016
Operating activities		
Net income (loss)	\$ (101,855)	\$ 104,202
Adjustments for:		
Accrued loan interest	-	523
Amortization	-	101
Gain on disposal of marketable securities	-	(6,859)
Loss on disposal of exploration and evaluation assets	795	(12,184)
Recovery on investment	-	(152,000)
Stock-based compensation	25,476	-
Changes in non-cash working capital items:		
Receivables	(1,435)	1,371
Prepaid expenses and deposits	2,500	6,096
Trade payables and accrued liabilities	7,101	17,831
Net cash flows used in operating activities	(67,418)	(40,919)
Investing activities		
Acquisition of exploration and evaluation assets	(75,288)	-
Net cash flows from financing activities	(75,288)	-
Financing activities		
Proceeds from promissory notes	-	39,604
Proceeds from sale of marketable securities	-	7,308
Proceeds from sale of shares	200,000	-
Share issuance costs	(3,791)	-
Net cash flows from financing activities	196,209	46,912
Increase (decrease) in cash	53,503	5,993
Cash, beginning	29,389	6,327
Cash, ending	\$ 82,892	\$ 12,320

Affinity Metals Corp. (formerly Acme Resources Inc.)
Notes to the Condensed Interim Financial Statements
For the Six Months Ended December 31, 2017 and 2016
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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 were listed on the TSX Venture Exchange (“TSX-V”) under the symbol “ARI.V”. The Company changed its name on March 1, 2017 to Affinity Metals Corp. and is now listed on the 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, 2017, 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 there from and/or raise equity capital or borrowings sufficient to meet current and future obligations. These factors may cast 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 filing on February 28, 2018 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 financial statements of the Company for the year ended June 30, 2017. The effects of the adoption of new and amended IFRS pronouncements have been disclosed in Note 3 of these condensed interim financial 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, 2017, except for those policies which have changed as a result of the adoption of new and amended IFRS pronouncements effective July 1, 2016.

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.

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Notes to the Condensed Interim Financial Statements
For the Six Months Ended December 31, 2017 and 2016
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2. Significant accounting policies and basis of presentation (continued)

These financial statements included an equity interest in Golden Harp Resources Inc. (“Golden Harp”), a company listed on NEX board the TSX-V. The Company’s ownership interest in Golden Harp was reduced to 0% at June 30, 2017 (June 30, 2016 – 29.7%) due to a dividend in specie on October 5, 2016 of 950,000 common shares of Golden Harp with a fair value of \$152,000 and the disposal of the remaining 50,000 shares held by the Company which resulted in a gain on disposal of \$6,859. The carrying value of the Company’s investment in Golden Harp was reduced to \$NIL as of June 30, 2013.

The Company’s ownership interest in Golden Harp was accounted for using the equity method, however, the Company has suspended applying the equity method as the Company’s share of cumulative losses and impairments exceeds its investment and the Company had no obligation or intention to fund Golden Harp’s losses.

Investments

Investments in which the Company has a significant influence are accounted for by the equity method, whereby the Company records its proportionate share of the investee’s income or loss. When the Company’s equity investee issues its own shares to outside interests, a dilution gain or loss arises as a result of the difference between the Company’s proportionate share of the proceeds and the carrying value of the underlying equity.

When the Company’s share of cumulative losses equals its investment and the Company has no obligation or intention to fund such additional losses, the Company suspends applying the equity method. The Company will not record any equity in income with respect to an entity until its share of future profits is sufficient to recover any cumulative losses that have not previously been recorded.

3. Adoption of New and Amended IFRS Pronouncements

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods beginning July 1, 2017 or later periods.

New standard IFRS 9 “Financial Instruments”

This new standard is a partial replacement of IAS 39 “Financial Instruments: Recognition and Measurement”. IFRS 9 introduces new requirements for the classification and measurement of financial assets, additional changes relating to financial liabilities, a new general hedge accounting standard which will align hedge accounting more closely with risk management. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted.

The Company has not early adopted this standard and is currently assessing the impact that this standard will have on its financial statements.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company’s financial statements.

4. Investment in Marketable securities

As at December 31, 2017, the Company holds 800,000 (2016 – NIL) common shares of American Creek Resources Ltd. (“American Creek Shares”) (Note 7). At December 31, 2017, the 800,000 American Creek Shares fair value had decreased from \$0.065 per share at November 9, 2016 when the shares were received to \$0.060 per share on September 30, 2017 and therefore the Company wrote the marketable securities down to \$48,000. No adjustment to value was made as at December 31, 2017 as the fair value remained the same as the previous period. The total unrealized loss on marketable securities for the period ended December 31, 2017 is \$4,000 (2016 Gain - \$39) realized in other comprehensive loss.

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4. Investment in Marketable securities (continued)

At December 31, 2017 the Company owned Nil (June 30, 2017 -Nil) shares of Golden Harp representing a 0% (2017: 0%) interest in Golden Harp. The Company, through its shareholding in Golden Harp, exercised significant influence over that company, and as a result, the investment in Golden Harp was accounted for using the equity method. The Company suspended applying the equity method as the Company's share of cumulative losses and impairments exceeded its investment and the Company has no obligation or intention to fund Golden Harp's losses. On October 5, 2016, the Company declared a special dividend in specie of an aggregate of 950,000 shares of Golden Harp, or one Golden Harp common shares for every approximately 18 common shares held by the Company, to the holders' of the Company's common shares. The dividend was valued using the estimated market value of the Golden Harp shares on the date of the dividend which was \$0.16 per share for a total of \$152,000. The remaining balance of 50,000 Golden Harp shares was disposed of resulting in a gain on disposal of \$6,859.

The carrying value of the investment in Golden Harp was \$NIL for the period ended December 31, 2017 and year ended June 30, 2017.

5. Receivable

Receivable consists of GST recoverable.

6. Equipment

	Computer equipment	Computer software	Office equipment	Total
Cost:				
At June 30, 2016 and 2017	\$ 18,086	\$ 2,327	\$ 13,964	\$ 34,377
Disposals	(18,086)	(2,327)	(13,964)	(34,377)
At December 31, 2017	-	-	-	-
Amortization:				
At June 30, 2016	18,058	2,326	12,995	33,379
Charge for the year	8	1	194	203
At June 30, 2017	18,066	2,327	13,189	33,582
Disposals	18,066	2,327	13,189	33,582
At December 31, 2017	-	-	-	-
Net book value:				
At June 30, 2017	\$ 20	\$ -	\$ 775	\$ 795
At December 31, 2017	\$ -	\$ -	\$ -	\$ -

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7. Exploration and evaluation assets

	Balance December 31, 2017	Current Expenditures	Balance June 30, 2017	2017 Expenditures	Balance June 30, 2016
Nor Property, Yukon					
Property acquisition costs	\$ 422,080	\$ -	\$ 422,080	\$ -	\$ 422,080
Impairment	(122,675)	-	(122,675)	-	(122,675)
	299,405	-	299,405	-	299,405
Exploration and evaluation costs					
Accommodation and meals	342,890	-	342,890	-	342,890
Assay and soil sampling	68,787	-	68,787	-	68,787
Diamond drilling	850,848	-	850,848	-	850,848
Drafting	15,234	-	15,234	-	15,234
Fuel	368,699	-	368,699	-	368,699
Geologist	526,111	-	526,111	-	526,111
Geophysics	281,283	-	281,283	-	281,283
Helicopter	1,516,526	-	1,516,526	-	1,516,526
Housing	28,900	-	28,900	-	28,900
Licenses	33,299	-	33,299	-	33,299
Line cutting	109,794	-	109,794	-	109,794
Supervision	94,305	-	94,305	-	94,305
Supplies and miscellaneous	148,613	-	148,613	-	148,613
Support wages	337,260	-	337,260	-	337,260
Surveys	86,568	-	86,568	-	86,568
Travel and transport	119,611	-	119,611	-	119,611
Mineral exploration tax credits	(595,129)	-	(595,129)	-	(595,129)
Impairment	(4,264,660)	-	(4,264,660)	-	(4,264,660)
	68,940	-	68,940	-	68,939
Total Nor Property, Yukon	368,344	-	368,344	-	368,344
Bear River, BC					
Property acquisition costs	10,389	-	10,389	-	10,389
Disposal	(10,389)	-	(10,389)	-	-
	-	-	-	-	10,389
Exploration and evaluation costs					
Assays	326	-	326	-	326
License and recording fees	15,126	-	15,126	-	15,126
Supervision	13,750	-	13,750	-	13,750
Supplies and miscellaneous	224	-	224	-	224
Disposals	(29,426)	-	(29,426)	-	-
	-	-	-	-	29,426
Total Bear River, BC	-	-	-	-	39,815
Carswell, Saskatchewan					
Property acquisition costs	-	-	-	-	-
Exploration and evaluation costs					
Supervision	10,750	-	10,750	-	10,750
Supplies and miscellaneous	30	-	30	-	30
	10,780	-	10,780	-	10,780
Total Carswell, Saskatchewan	10,780	-	10,780	-	10,780

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7. Exploration and evaluation assets (continued)

Regal Polymetallic, BC					
Property acquisition costs	35,728	35,728	-	-	-
Exploration and evaluation costs					
Assays	1,150	1,149	-	-	-
Fuel	450	450	-	-	-
Equipment rental	4,900	4,900	-	-	-
Helicopter	10,620	10,620	-	-	-
Prospecting	22,800	22,800	-	-	-
Reporting costs	2,500	2,500	-	-	-
Supplies and miscellaneous	141	141	-	-	-
	42,561	42,561	-	-	-
Total Regal Polymetallic, BC	78,289	78,289	-	-	-
Total	\$ 457,413	\$ -	\$ 379,124	\$ -	\$ 418,939

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

(a) Nor Property, Yukon Territory

The Nor Property consists of mineral claims in the Dawson Mining District, Yukon Territory.

Certain claims are subject to a 2% Net Smelter Royalty ("NSR"). The Company has the right to purchase 50% of the NSR for a purchase price of \$2,000,000 and the right of first refusal on the remaining 50%.

(b) Bear River Property, British Columbia

The Bear River Property consisted of mineral claims in the Skeena Mining Division, British Columbia. On November 9, 2016 the Company disposed of the Bear River property for total consideration of 800,000 American Creek Shares with a fair value of \$0.065 per share resulting in a gain on sale of \$12,184 (Note 4).

(c) Carswell Property, Saskatchewan

During October 2004, the Company staked a mineral claim in the Athabasca Basin, Saskatchewan.

Pursuant to an Option Agreement dated March 2, 2005, the Company granted an option to a third party to earn a 50% interest in the Carswell Property. To earn this interest the optionee paid \$25,000 cash, issued 200,000 of its shares and incurred \$100,000 in exploration expenditures. During fiscal 2009 the third party company met the terms of the Option Agreement and has a 50% interest in the property.

Pursuant to a Joint Venture Agreement dated July 24, 2008, the Company granted the third party a further 30% interest in the claim, resulting in the third party having a 80% undivided interest in the property, subject to the delivery by the third party of a bankable feasibility study. The Company will retain a carried interest until the feasibility study is delivered, at which time the Company will have the choice to take on a 20% participating interest in a new company to operate the production facility or take on a 2% NSR for all uranium mineral products and a 2% NSR for all other metals.

The third party will return all the Company's interest in any of the claims upon a decision by the third party to terminate work thereon.

(c) Regal Polymetallic Property, British Columbia

On November 21, 2017, the Company entered into an option agreement to acquire 100% interest in the Regal Polymetallic 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 \$0.06. The remaining terms and payments under the agreement are as follows:

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7. Exploration and evaluation assets (continued)

- i) \$10,000 cash payment and 50,000 shares issued to the vendor on the first anniversary of the agreement;
- ii) \$20,000 cash payment and 100,000 shares issued to the vendor on the second anniversary of the agreement;
- iii) \$30,000 cash payment and 150,000 shares issued to the vendor on the third anniversary of the agreement;
- iv) \$40,000 cash payment and 250,000 shares 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%.

8. Trade payables and accrued liabilities

	December 31, 2017	June 30, 2017
Trade payables	\$ 11,011	\$ 1,910
Accrued liabilities	7,000	9,000
	\$ 18,011	\$ 10,910

9. Promissory notes

Three promissory notes totaling \$39,604 were payable to a shareholder of the Company in 2017 though balances owing at June 30, 2017 and June 30, 2016 are both \$NIL. The notes were due September 16, 2017 in the amount of \$6,604, October 31, 2017 in the amount of \$17,000 and December 20, 2017 in the amount of \$16,000 or earlier upon a default by the Company. The promissory notes bore interest at the rate of 10% per annum payable when the notes become due. The interest rate was fixed until the maturity date of the promissory note. As of December 31, 2017 no promissory notes were outstanding.

During the period ended December 31, 2017, the Company recorded accrued interest of \$Nil (2017 - \$1,937) on the promissory notes.

10. 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.

11. Share capital

Authorized share capital

Unlimited number of common shares without par value.

Issued share capital

At December 31, 2017 there were 22,876,435 (June 30, 2017 – 20,776,435) issued and fully paid common shares.

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For the Six Months Ended December 31, 2017 and 2016
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11. Share capital (continued)

Share issuances

During the six months ended December 31, 2017, the Company issued 2,000,000 common shares in a non-brokered private placement at a price of \$0.10 per unit for gross proceeds of \$200,000. Each unit consisted of one common share of the Company and one half non-transferable common share purchase warrant. Each warrant may be exercised for one additional common share for a period of 12 months from the closing date of the Offering at a price of \$0.15 per share.

The Company also issued 50,000 common shares as a finders fee and 50,000 common shares for exploration and evaluation assets at a deemed price of \$0.06.

During the year ended June 30, 2017 the Company issued 4,000,000 common shares in a non-brokered private placement at a price of \$0.05 per unit for gross proceeds of \$200,000. Each unit consisted of one common share of the Company and one non-transferrable common share purchase warrant. Each warrant may be exercised for one additional common share for a period of 24 months from the closing date of the Offering at a price of \$0.075 per share.

During the year ended June 30, 2016 the Company issued 5,451,580 shares with a fair value of \$272,579 to a relative of a director in order to settle debt of \$272,579 (Note 9).

Basic and diluted loss per share

The calculation of basic and diluted loss per share for the six months ended December 31, 2017 was based on the net loss attributable to common shareholders of \$101,855 (December 31, 2016 – Net income \$104,202) and the weighted average number of common shares outstanding of 21,235,827 (December 31, 2016 – 16,776,465).

Diluted loss per share did not include the effect of NIL (December 31, 2016 – Nil) stock options as the effect would be anti-dilutive.

Warrants

During the six months ended December 31, 2017, 1,000,000 warrants were granted as part of the Units issued in a private placement on November 21, 2017. Each full warrant may be exercised for one additional common share for a period of 1 year from the closing date of the Offering at a price of \$0.15 per share.

During the year ended June 30, 2017 the Company granted 2,000,000 non-transferrable common share purchase warrants as part of a private placement during the year. Each warrant may be exercised for one additional common share for a period of 2 years from the closing date of the Offering at a price of \$0.075 per share.

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

	December 31, 2017		June 30, 2017	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Warrants outstanding, beginning	2,000,000	\$ 0.075	-	\$ -
Warrants issued	1,000,000	0.150	2,000,000	0.075
Warrants expired	-	-	-	-
Warrants cancelled	-	-	-	-
Warrants outstanding, ending	3,000,000	\$ 0.10	2,000,000	\$ 0.075
Warrants exercisable, ending	3,000,000	\$ 0.10	2,000,000	\$ 0.075

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11. Share capital (continued)

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.

During the period ended December 31, 2017 the Company granted 425,000 stock options to directors and officers of the Company. Each option to purchase common shares may be exercised for a period of 10 years from the grant date of the options at a price of \$0.05.

During the year ended June 30, 2017, the Company granted 1,670,000 options to purchase common shares to directors and consultants of the Company. Each option to purchase common shares may be exercised for a period of 10 years from the grant date of the options at a price of \$0.05.

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

	December 31, 2017		June 30, 2017	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Options outstanding, beginning	1,670,000	\$ 0.05	-	\$ -
Options granted	425,000	0.06	1,670,000	0.05
Options expired	-	-	-	-
Options cancelled	-	-	-	-
Options outstanding, ending	2,095,000	\$ 0.05	1,670,000	\$ 0.05
Options exercisable, ending	2,095,000	\$ 0.05	1,670,000	\$ 0.05

12. 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.

During the six months ended December 31, 2017, the Company:

Issued 1,000,000 common share purchase warrants as part of the private placement referenced above. Each common share purchase warrant may be exercised for a period of 12 months from the closing date of the private placement at a price of \$0.15.

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12. Reserves (continued)

Warrant reserve (continued)

The fair value of the common share purchase warrants was determined to be \$33,266 in total using the Black Scholes option pricing model, assuming a 0% dividend yield, 208% volatility, a risk free interest rate of 1.31%, and a term of 1 year.

During the year ended June 30, 2017, the Company:

Issued 2,000,000 common share purchase warrants as part of the private placement referenced above. 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 \$0.075.

The fair value of the common share purchase warrants was determined to be \$76,204 in total using the Black Scholes option pricing model, assuming a 0% dividend yield, 182% volatility, a risk free interest rate of 0.689%, and a term of 2 years.

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.

During the six months ended December 31, 2017, the Company:

Granted 425,000 options to purchase common shares to directors and consultants of the Company. Each option to purchase common shares may be exercised for a period of 10 years from the grant date of the options at a price of \$0.05.

The fair value of the common share purchase options was determined to be \$82,579 in total using the Black Scholes option pricing model, assuming a 0% dividend yield, 211% volatility, a risk free interest rate of 1.89%, and a term of 10 years.

During the year ended June 30, 2017, the Company:

Granted 1,670,000 options to purchase common shares to directors and consultants of the Company. Each option to purchase common shares may be exercised for a period of 10 years from the grant date of the options at a price of \$0.05.

The fair value of the common share purchase options was determined to be \$25,476 in total using the Black Scholes option pricing model, assuming a 0% dividend yield, 208% volatility, a risk free interest rate of 1.31%, and a term of 10 years.

Investment revaluation reserve

The investment revaluation reserve records unrealized gains and losses arising on available-for-sale financial assets, except for impairment losses.

13. 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.

	Six Months Ended	
	December 31, 2017	December 31, 2016
Interest expense – shareholder of the Company	\$ -	\$ 523

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14. Related party transactions (continued)

Key management personnel compensation

	Six Months Ended	
	December 31, 2017	December 31, 2016
Consulting fees - payments made to officers	\$ 60,000	\$ 7,500

Related party balances

Included in trade payables and accrued liabilities at December 31, 2017 is \$Nil (June 30, 2017 – \$Nil) owed to officers of the Company for accrued consulting fees (Note 8).

15. 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, 2017 and June 30, 2017 all of the Company's assets are located in Canada.