

**ABACUS MINING & EXPLORATION CORPORATION**  
(An exploration stage company)

Management's discussion & analysis

For the period ended September 30, 2016

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November 24, 2016

The following Management's Discussion and Analysis ("MD&A") of the financial condition of Abacus Mining & Exploration Corporation (an exploration stage company) ("Abacus" or the "Company") and results of operations of the Company, should be read in conjunction with the unaudited condensed interim financial statements including the notes thereto for the nine months ended September 30, 2016 and 2015 and the audited financial statements including the notes thereto for the year ended December 31, 2015 and 2014 (collectively, the "Financial Statements").

The Financial Statements are presented in accordance with International Financial Reporting Standards ("IFRS"). Abacus' accounting policies are described in Note 3 of the Financial Statements. These Financial Statements, together with this MD&A dated November 24, 2016 (the "Report Date"), are intended to provide investors with a reasonable basis for assessing the financial performance of the Company as well as forward-looking statements relating to potential future performance. All dollar amounts are in Canadian dollars unless otherwise noted.

#### **Special Note Regarding Forward-Looking Information**

The Company's Financial Statements, and this accompanying MD&A, contain statements that constitute "forward-looking statements" within the meaning of National Instrument 51-102, *Continuous Disclosure Obligations* of the Canadian Securities Administrators. Forward-looking statements often, but not always, are identified by the use of words such as "seek", "anticipate", "believe", "plan", "estimate", "expect", "targeting" and "intend" and statements that an event or result "may", "will", "should", "could", or "might" occur or be achieved and other similar expressions. Forward-looking statements in this MD&A include statements regarding the Company's future exploration plans and expenditures, the satisfaction of rights and performance of obligations under agreements to which the Company is a part, the ability of the Company to hire and retain employees and consultants and estimated administrative assessment and other expenses. The forward-looking statements that are contained in this MD&A involve a number of risks and uncertainties. As a consequence, actual results might differ materially from results forecast or suggested in these forward-looking statements. Some of these risks and uncertainties are identified under the heading "RISKS AND UNCERTAINTIES" in this MD&A. Additional information regarding these factors and other important factors that could cause results to differ materially may be referred to as part of particular forward-looking statements. The forward-looking statements are qualified in their entirety by reference to the important factors discussed under the heading "RISKS AND UNCERTAINTIES" and to those that may be discussed as part of particular forward-looking statements. Forward-looking statements involve known and unknown risks, uncertainties, assumptions and other factors that may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Factors that could cause the actual results to differ include market prices, exploration success, continued availability of capital and financing, inability to obtain required regulatory approvals and general market conditions. These statements are based on a number of assumptions, including assumptions regarding general market conditions, the timing and receipt of regulatory approvals, the ability of the Company and other relevant parties to satisfy regulatory requirements, the availability of financing for proposed transactions and programs on reasonable terms and the ability of third-party service providers to deliver services in a timely

manner. Forward-looking statements contained herein are made as of the date of this MD&A and the Company disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events or results or otherwise. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

Additional information relating to the Company and its operations can be obtained from the offices of the Company or on SEDAR at [www.sedar.com](http://www.sedar.com).

### **Qualified Person**

The Company's disclosure of a technical or scientific nature has been reviewed and approved by Michael McInnis P.Eng., a qualified person under the definition of National Instrument 43-101.

### **Background and overall performance**

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In May 2010, the Company announced the signing of a significant strategic investment agreement (the "Agreement") with KGHM PolskaMiedz SA ("KGHM") to form a joint venture to advance the Ajax Project through the bankable feasibility study ("BFS") and into production. KGHM is one of the world's largest copper and silver producers. On October 12, 2010 the parties executed the definitive joint venture shareholders' agreement ("Joint Venture Agreement"). These agreements included the following highlights:

- KGHM and the Company completed a \$4.5-million private placement involving the purchase of 15 million common shares of Abacus at a price of \$0.30 per share.
- Abacus incorporated a wholly-owned subsidiary, KGHM Ajax, and transferred all of its mineral property interests in the Ajax Project fair valued at US\$35,549,020 to KGHM Ajax in exchange for 4,900 common shares of KGHM Ajax.
- KGHM acquired a 51% interest in KGHM Ajax by investing US\$37,000,000 in cash in exchange for 5,100 common shares of KGHM Ajax at the closing of the transaction on October 12, 2010. These funds were used for: (a) the completion of the BFS and certain other obligations which occurred during 2010 and 2011; and (b) the acquisition of additional land areas and exploration of other targets in the Ajax Project area. By December 31, 2011 substantially all of these funds had been used to fund the planned activity.
- Abacus was the operator of the Ajax Project, and KGHM could elect to become the operator of the Ajax Project, as described below.

KGHM's development option (the "Development Option"):

- Following the completion of the BFS, KGHM had the option to acquire an additional 29% interest, for a total 80% direct interest, in KGHM Ajax, for cash consideration of US \$0.025 per pound for the corresponding 29% of proven and probable copper equivalent reserves (as defined in the BFS) up to a maximum of US \$35,000,000, with the payment to be applied directly toward Abacus' proportionate share of the project's ongoing costs. After acquiring the additional 29%, KGHM could elect to become the Operator of the Ajax Project.

- KGHM is responsible for arranging the financing for its proportionate share of 80% of the Ajax Project's capital costs and will offer to arrange the financing for the balance of Abacus's proportionate share of 20% of the project's capital costs on commercially reasonable terms.

In accordance with the provisions of the Agreement, in December 2011 the Company delivered the Ajax Project's BFS to KGHM which was followed by the filing of the BFS on SEDAR on January 6, 2012. The BFS was led by Tetra Tech WEI (formally Wardrop) in conjunction with a team of globally recognized independent consultants.

On April 2, 2012, KGHM exercised the Development Option, thereby increasing its ownership in KGHM Ajax to 80%, and paid \$30,159,107 (US\$29,907,881) to Abacus. The funds were placed in escrow with KGHM Ajax (the "Escrowed Funds") to be used exclusively to fund Abacus' proportionate share of the project's ongoing costs.

On August 17, 2012, KGHM notified Abacus that it was exercising its option to appoint KGHM International Ltd. ("KGHMI") as the operator of the Ajax Project effective September 1, 2012 and a representative from KGHMI was appointed to KGHM Ajax's board of directors, thereby increasing KGHM's representatives on the board to three members and Abacus' representatives remaining at two. In addition, each of Abacus and KGHM selected a new appointee for the Chief Financial Officer and the Chief Operating Officer roles of KGHM Ajax.

With the change in operatorship, the Company is now in a more passive role with the Ajax Project, monitoring the progress and success of KGHMI as operator.

After assuming operatorship, an extensive review was performed by KGHMI staff and outside consultants in late 2012 through to mid-2013 to optimize the Ajax mine plan including validation of the proposed capital and operating expenditures. On August 2, 2013, (please refer to Abacus' press release of same date), KGHMI informed Abacus and the community of Kamloops that it is evaluating opportunities to make modifications to the Ajax project layout in the BFS which, inter alia, may improve the economics of the project, increase the distance of the project's infrastructure from the closest residential neighbourhoods and public infrastructure, and improve the permissibility of the Ajax project. As a consequence of reviewing these opportunities, KGHMI delayed the submission of the Ajax project Environmental Application Assessment ("EA"), which had been expected to be submitted in September 2013.

The 2013 actual expenditures on the Ajax project totaled \$30 million versus a forecasted 2013 budget of \$47million as certain land acquisition costs and detailed engineering activities were delayed. Abacus' 20% share of the project costs were being funded by the Escrowed Funds.

In May 2014, KGHMI announced that it had made modifications to the site plan wherein several of the proposed mine's industrial facilities have been moved farther from the City of Kamloops. The new site plan represents an important adjustment to the Ajax Project as it concentrates mine activities to reduce the potential for adverse impacts from industrial activity to the city, nearby residents and other public infrastructure while optimizing the value of the project.

The key changes include:

- Redesign of the tailings storage facility from the previously proposed dry stack tailings storage to a more proven wet tailings technology. The tailings storage facility will be located closer to the mine operations.
- Relocation of a waste rock storage facility, the mine processing plant, primary crusher and temporary ore stockpiles. These sites, formerly situated inside City of Kamloops limits, will now be located more than 3.5 kilometers from the nearest city neighbourhoods and outside municipal boundaries.

A major work programme was completed during the balance of 2014 consisting of various permitting activities, detailed engineering work, metallurgical test work, optimization studies and exploration and condemnation drilling. The objective of the exploration drilling programme was to identify potentially economic mineral resources close to the Ajax mining complex for future resource definition, as well as to test several highly-prospective regional targets outside the Ajax area, which resources could add significant value to the project. Total expenditures for the 2014 program were \$59.3 million.

The major technical effort during 2015 included the commencement and completion of basic engineering, completion of various optimization trade off studies and continued drilling to confirm and improve the block model, obtain samples for additional metallurgical test work along with ongoing condemnation and geotechnical drilling. Capital cost estimates and a revised economic model were completed by year end. Abacus elected to contribute its proportionate share of the estimated 2015 capital expenditure of CDN \$58.4 million, the majority of which, pursuant to the *Joint Venture Agreement* between the parties, is being provided by KGHM on behalf of Abacus as a loan that will be recovered from Abacus' share of revenue once production commences from Ajax. Accordingly, commencing with the April cash call, KGHM Group was requested to provide Abacus' portion of the project expenditures for the remainder of the year.

The results of these technical studies were incorporated into an Environmental Assessment Application/ Environmental Impact Statement (EA Application/EIS) which was filed in September 2015 with the British Columbia Environmental Assessment Office ("BCEAO") for a completeness review. Following the completeness review and completing and revisions required by BCEAO, the EA Application/ EIS was submitted on January 18, 2016 for technical review by the regulators. The review process is expected to conclude in late 2016 and the Provincial certificate received by the end of Q1 2017. The Ajax Project's project description and current information with respect to the permitting process is available at the BCEAO website at [www.eao.gov.bc.ca](http://www.eao.gov.bc.ca).

In addition to completing the EA Application/EIS, KGHMI also completed an updated Feasibility Study (the "updated FS") for the Ajax deposit on January 13, 2016. The updated FS supersedes the Feasibility Study of January 6, 2012 and incorporates an updated reserve and significantly updating engineering. The updated FS was prepared in accordance with Canadian National Instrument 43-101 by a consortium of independent consultants under the direction of M3 Engineering and Technology Corp., a recognized global provider of design and construction services.

Several significant changes were introduced to the scope and layout which yielded positive economic, processing and environmental parameters for the Ajax Project.

**Economic Highlights** (in US\$ unless otherwise indicated)

- Total proven and probable mineral reserves of 426 million tonnes containing 2.7 billion lbs Cu, 2.6 million oz Au, and 5.3 million oz Ag, at an average life of mine (LOM) head grade of 0.29% Cu, 0.19 g/t Au, and 0.39g/t Ag.\*
- 18 year mine life at an average nominal processing rate of 65,000 tonnes per day (t/d) at an overall stripping ratio of 2.65:1
- Average annual production of copper and gold in concentrate of 58,000 tonnes Cu and 125,000 oz Au
- Average mine operating costs of \$1.5/t; average process operating costs of \$4.31/t
- Initial capital expenditures of \$1.307 billion
- Pre-tax NPV (8%) = \$429.4 M Pre-tax NPV (5%) = \$872.5 M
- Pre-Tax IRR 13.4%; payback (years) 6.5

*\*Based on LOM metal prices of Cu: US\$3.21/lb, Au: US\$1,200/oz, Ag: US\$17/oz*

The Ni 43-101 technical report entitled "Ajax NI 43-101 Feasibility Study Update Technical Report" prepared by the Qualified Persons mentioned in this report was filed on Sedar ([www.sedar.com](http://www.sedar.com)) and the company's website ([www.amemining.com](http://www.amemining.com)) on February 23, 2016.

**Key changes from the January 2012 Feasibility Study include:**

- Project site relocation from the north to the south side of the mine pit
- Change in tailings technology to thickened tailings
- Change in mining plans from 60,000 t/d to 65,000 t/d, and the replacement of the in-pit semi-mobile crushing stations with a single, fixed primary crushing station
- Addition of a fine ore stockpile
- Adjustments to the site water management plan to accommodate facility relocation and tailings storage facility redesign
- Further definition of mineral resource and mineral reserves

With a strategy of engaging the community and First Nations, KGHMI has provided extensive information to the local community and First Nations groups.. Agreements have been signed with the Stk'emlupsemcte Secwepemc ("STS"), represented by the Tk'emlups and Skeetchestn First Nations bands for a Cultural Heritage Study and a Memorandum of Understanding ("MoU"). Consultations continue with the STS towards aligning an Impacts Benefits Project Agreement ("IBA"). The IBA would define the mutual responsibilities between KGHM Ajax and the STS in connection with the benefits, construction, operations, and closure of the Ajax project.

The focus of the 2016 program on the Ajax Project is to continue the required work to support the EA application. Current ongoing work includes preparing responses to comments on the EA application from the regulators and the public and then providing them to the BCEAO and Canadian Environmental Assessment

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Agency "CEAA". In addition, consultation and negotiation with First Nations will continue with a view to completing Project Agreements.

*Other*

During the year ended December 31, 2014, the Company entered into a letter agreement ("Letter Agreement"), subject to certain closing conditions, with Burnstone Ventures Inc. ("Burnstone"), pursuant to which Abacus would acquire, in consideration of Abacus common shares, all of the outstanding securities of Burnstone, by way of a plan of arrangement (the "Arrangement"), such that upon closing of the Arrangement, Burnstone would become a wholly-owned subsidiary of Abacus. A definitive arrangement agreement incorporating the terms of the Letter Agreement and other terms and conditions customary for transactions of this nature would then be agreed upon by the Company and Burnstone. Despite extensive discussions, Burnstone and Abacus were unable to reach agreement on suitable terms for a transaction to be incorporated in the definitive arrangement agreement contemplated by the Letter Agreement, and on November 6, 2014, the Company announced that discussions regarding the proposed acquisition had terminated.

On June 27, 2014, Abacus and Burnstone entered into a loan and security agreement (the "Loan") pursuant to which Abacus advanced \$250,000 to Burnstone, to be used in relation to Burnstone's Tomichi project located in Colorado. The amount bears interest of 8% per annum, was due to mature on December 31, 2015, and was secured by a first priority security interest over Burnstone's option to acquire a 100% interest in the Tomichi Project. On January 12, 2016, the maturity date of the loan was extended to July 31, 2016. Subsequent to July 31, 2016 the Company was advised that Burnstone had been unable to maintain its agreement on the Tomichi property in good standing, and was also unable to satisfy its indebtedness to the Company; consequently, the Company wrote off principal of \$250,000 and accrued interest of \$40,000.

On June 26, 2014, Abacus signed an agreement (the "Advance Agreement") for an advance of \$3,000,000 to be drawn from the funds held in trust with KGHM Ajax. Under the terms of the agreement, the advance bore interest of 8% per annum, was due December 31, 2015, and was collateralized by \$3,360,000 of the funds held in trust. As a condition of the agreement, Abacus continued to contribute its 20% share of the 2015 program and budget towards development of the Ajax Project from the funds held in trust. Pursuant to the terms of the Advance Agreement, as the Company was unable to repay the advance by December 31, 2015, the advance was satisfied by the collateralized funds held in trust, which were released to KGHM Ajax on January 12, 2016.

Pursuant to the terms of the Joint Venture Agreement, Abacus could elect to contribute its proportionate shares of the Ajax operational expenditures or, without any dilution to its 20% ownership of KGHM Ajax, request that KGHM provide the funding as a loan, to be recovered from 85% of Abacus' share of revenue upon commencement of production at Ajax. The restricted funds having been exhausted, the Company elected during the second quarter of fiscal 2015 that KGHM provide the funding as a loan ("KGHM Loan"). Under the provisions of the KGHM Loan from January 1, 2016 to September 30, 2016, \$2,575,478 has been provided by KGHM, with \$24,522 from interest earned on the collateral funds was put towards the \$2,600,000 cash calls and the Company has accrued interest of \$688,299 during the period January 1, 2016 to September 30, 2016 (to December 31, 2015: \$289,250).

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## **Results of operations**

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Activities of the Company for the nine months ended September 30, 2016 continued to focus on monitoring the technical, environmental and permitting activities being performed by KGHMI now acting as operator of the Ajax Project. The Ajax Project and the status thereof are discussed in the section above titled *Background and Overall performance*.

In addition, the Company reviewed several strategic opportunities in the mining business with a view to increasing shareholder value. No transactions were completed but the Company will continue to evaluate opportunities as they arise.

### **Analysis of the results of operations for the quarter ended September 30, 2016 (the "Quarter 2016")**

Net general and administrative expenses during the Quarter 2016 were \$430,366 (Quarter 2015: \$212,883). The Company incurred the following:

- \$9,500 (Quarter 2015: \$4,812) on accounting and audit
- \$37,781 (Quarter 2015: \$22,500) on consulting and directors' fees
- \$243,018 (Quarter 2015: \$60,000) of accrued interest in respect of the KGHM Loan
- \$9,463 (Quarter 2015: \$50,000) in respect of legal expenses
- \$83,590 (Quarter 2015: \$36,895) on salaries and contract wages
- \$290,000 (Quarter 2015: \$Nil) in respect of the write off of the Burnstone loan
- \$6,278 (Quarter 2015: \$9,182) on share-based payments on vesting of stock option; share-based payments is a non-cash item, resulting from the application of the Black-Scholes Option Pricing Model using assumptions in respect of expected dividend yield average risk-free interest rates, expected life of the options and expected volatility, and is intended to represent the fair value determined under the Black-Scholes model of the vested portion of existing options during the period.

### **Analysis of the results of operations for the nine months ended September 30, 2016 (the "Period")**

Net general and administrative expenses during the Period were \$1,224,969, as compared with \$725,375 for the nine months ended September 30, 2015 (the "2015 Period"). Significant differences in the general and administrative expenses for the Quarter include:

- Salaries and contract wages of \$190,344 for the Period increased 80% as compared with \$106,041 in the 2015 Period, primarily as a result of the increase of the CEO's rate, and the CEO ceasing to provide services under a consulting agreement and becoming an employee of the Company. Consulting and directors' fees for the Period of \$85,781 decreased by 50% as compared with \$170,580 in the 2015 Period as a result of the CEO ceasing to provide services under a consulting agreement and becoming an employee of the Company. When aggregated, salaries and contract wages and consulting and directors' fees for the Period totaled \$276,125, which remained in line with the \$276,621 for the 2015 Period.
- Share-based payments expense of \$84,078 was recognized during the Period (2015 Period: \$50,544).
- Interest expenses increased to \$688,299 in the Period as compared with \$181,391 in the 2015 Period as a result of the interest accruing on the KGHM Loan.

- During the Period, Abacus recorded its share of the losses incurred by KGHM Ajax in its equity investment in KGHM Ajax, as to \$326,425 (2015 Period: \$88,926).
- During the Period, Abacus did not record any foreign exchange gain or loss as it did not have any assets or liabilities denominated in foreign currencies (2015 Period: foreign exchange gain of \$131,081).

#### **Analysis of the changes to the financial position of the Company**

Pursuant to the Agreement, Abacus continues to contribute its 20% share of the 2015 programs and budget towards development of the Ajax Project from the Escrowed Funds. Pursuant to the terms of the Joint Venture Agreement, Abacus could elect to contribute its proportionate shares of the operational expenditures or, without any dilution to its 20% ownership of KGHM Ajax, request that KGHM provide the funding as a loan, to be recovered from Abacus' share of revenue upon commencement of production at Ajax. Abacus contributed \$2,600,000 (2015: \$8,600,000) to KGHM Ajax, representing Abacus' 20% share of cash calls of KGHM Ajax made pursuant to the Joint Venture Agreement, in order to continue operations of KGHM Ajax. The restricted funds having been exhausted, the Company elected during the second quarter of fiscal 2015 that KGHM provide the funding as a loan. Under the provisions of the KGHM Loan, from January 1, 2016 to September 30, 2016, \$2,575,478 has been provided by KGHM and \$24,522 from interest earned on the collateral funds was put towards the \$2,600,000 cash calls and the Company has accrued total interest of \$688,299 for the period (December 31, 2015: \$289,250).

Cash Call	KGHM Loan	Restricted Cash	Total	Interest Accrued on KGHM Loan
<b>December 31, 2015</b>	\$ 7,651,000	\$ 3,449,000	\$ 11,100,000	\$ 289,250
March 31, 2016	1,515,506	24,522	1,540,028	216,494
June 30, 2016	459,972	-	459,972	228,787
September 30, 2016	600,000	-	600,000	243,018
Total for the nine months ended September 30,	2,575,478	24,522	2,600,000	688,299
<b>Total as of September 30, 2016</b>	<b>\$ 10,226,478</b>	<b>\$ 3,473,522</b>	<b>\$ 13,700,000</b>	<b>\$ 977,549</b>

Other current assets(excluding cash and cash equivalents) comprised amounts receivable and prepaid expenses totaling \$21,198 at September 30, 2016(December 31, 2015: \$21,907) and loan receivable totaling \$Nil (December 31, 2015: \$280,000). Pursuant to the Loan entered into with Burnstone, the Company was due to receive principal of \$250,000, and interest thereon, on December 31, 2015. On January 12, 2016, the maturity date of the loan was extended to July 31, 2016. Subsequent to July 31, 2016 the Company was advised that Burnstone had been unable to maintain its agreement on the Tomichi property in good standing, and was also unable to satisfy its indebtedness to the Company; consequently, the Company wrote off principal of \$250,000 and accrued interest of \$40,000.

At September 30, 2016, the Company had non-current assets of \$49,074,857 (December 31, 2015: \$46,826,458), and current liabilities of \$62,741(December 31, 2015: \$50,049).

### Summary of quarterly results

The selected information set out below has been gathered from the previous eight quarterly financial statements for each respective three month financial period and are presented in accordance with IFRS.

	Revenue \$	Income (Loss) \$	Income (Loss) per share \$
September 30, 2016	Nil	(786,033)	0.00
June 30, 2016	Nil	(601,142)	0.00
March 31, 2016	Nil	(432,804)	0.00
December 31, 2015	Nil	(3,254,133)	(0.02)
September 30, 2015	Nil	(227,272)	0.00
June 30, 2015	Nil	(311,863)	0.00
March 31, 2015	Nil	(80,572)	0.00
December 31, 2014	Nil	68,399	0.00

### Liquidity

The Company's cash and cash equivalents are comprised of bank deposits and a savings account. Accounts payable and accrued liabilities of \$62,741 are due in the fourth quarter of 2016. At September 30, 2016, the Company had cash and cash equivalents, and accounts receivable of \$1,199,115 and \$5,713, respectively. Cash used in operating activities for the period ended September 30, 2016 was \$423,943.

The ability of the Company to continue is dependent upon the Company's ability to generate future profitable operations and receive continued financial support from its development partner and shareholders, primarily by way of loans from KGHM and from equity financing. The Company will need to raise or borrow money for its activities. Current sources of future funding are undetermined, and management will continue to review potential financings options as the need arises. There is no certainty that the Company will be able to receive continued financial support in the future. Existing working capital is expected to be sufficient to cover non-discretionary operating expenditures for the next twelve months.

### Capital resources

The Company's primary capital asset is its 20% interest in KGHM Ajax: KGHM Ajax holds 100% of the mineral interests of the Ajax Project. There were no expenditures deferred on mineral interests by Abacus during the nine months ended September 30, 2016 and 2015 and also during the years ended December 31, 2015 and December 31, 2014.

### Off balance sheet arrangements

The Company does not have any off-balance sheet arrangements.

### Compensation of Key Management Personnel

Key management personnel consist of Michael McLinnis (CEO President and a Director of the Company), Jeannine Webb (CFO and Corporate Secretary), and Thomas McKeever, Kerry Spong, John McConnell and, effective April 1, 2016, Sean Harvey (independent, non-executive Directors of the Company).

The remuneration, excluding any stock-based compensation, of key management personnel during the nine month period ended September 30, 2016 and 2015 is summarized as follows:

	September 30, 2016	September 30, 2015
	\$	\$
CEO, CFO	141,250	77,125
Directors	61,875	67,500

### Outstanding share data

As at the Report Date, the Company had the following common shares and stock options outstanding:

Common shares	214,157,611
Stock options	12,840,000
Warrants	-

On February 20, 2015 the company granted stock options allowing for the purchase of up to, in the aggregate, 1,540,000 shares, to employees, directors and officers of Abacus. The grant date fair value was estimated using the Black-Scholes option pricing model with the following weighted average assumptions: risk-free interest rate of 0.8%, expected life of five years, expected volatility of 88.6% and dividend yield of 0%. The total amount of share-based payments expense, which is expected to be recognized over the vesting period of these stock options, is calculated at \$52,464 of which \$5,901 was recognized during the period ended September 30, 2016.

On November 16, 2015 the company granted stock options allowing for the purchase of up to, in the aggregate, 1,000,000 shares, to directors of Abacus. The grant date fair value was estimated using the Black-Scholes option pricing model with the following weighted average assumptions: risk-free interest rate of 0.94%, expected life of five years, expected volatility of 93.16% and dividend yield of 0%. The total amount of share-based payments expense, which is expected to be recognized over the vesting period of these stock options, is calculated at \$41,542 of which \$16,468 was recognized during the period ended September 30, 2016.

On December 28, 2015 the company granted stock options allowing for the purchase of up to, in the aggregate, 5,625,000 shares, to employees, directors and officers of Abacus. The grant date fair value was estimated using

the Black-Scholes option pricing model with the following weighted average assumptions: risk-free interest rate of 0.75%, expected life of five years, expected volatility of 93.78% and dividend yield of 0%. The total amount of share-based payments expense, which is expected to be recognized over the vesting period of these stock options, is calculated at \$239,944 of which \$9,159 was recognized during the period ended September 30, 2016.

On April 19, 2016, the Company granted options allowing for the purchase of up to, in the aggregate, 1,500,000 shares at \$0.06 per share until April 19, 2021, to a director of the Company. The grant date fair value was estimated using the Black-Scholes option pricing model with the following weighted average assumptions: risk-free interest rate of 0.79%, expected life of five years, expected volatility of 96.82% and dividend yield of 0%. The total amount of share-based payments expense is calculated at \$52,550 which was recognized during the period ended September 30, 2016.

### Proposed transactions

There are no proposed transactions to be reported.

### Financial instruments

The Company has classified its cash and cash equivalents and restricted cash as FVTPL; amounts receivable, and loan receivable, as loans and receivables; and accounts payable and accrued liabilities, and interest payable to KGHM Ajax, as other financial liabilities. The carrying values of amounts receivable, due from KGHM Ajax, accounts payable and accrued liabilities and interest payable to KGHM Ajax approximate their fair values due to the short-term maturity of these financial instruments.

### Credit risk

The Company manages credit risk, in respect to its cash and cash equivalents, by purchasing highly liquid, short-term investment-grade securities held at major Canadian financial institutions. Concentration of credit risk exists with respect to the Company's cash and cash equivalents as all amounts are held at a single major Canadian financial institution. The Company's concentration of credit risk and maximum exposure thereto is as follows:

<b>Concentration of credit risk and maximum exposure</b>	<b>September 30, 2016</b>		<b>December 31, 2015</b>	
Bank accounts	\$	124,115	\$	101,237
Savings account		1,075,000		1,525,000
Loan Receivable		-		280,000
Restricted cash		25,909		47,252
	\$	1,225,024	\$	1,953,489

### **Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty meeting obligations associated with financial liabilities. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated financing and investing activities. Accounts payable and accrued liabilities of \$62,741 (December 31, 2015: \$50,049) are due in the fourth quarter of 2016. At September 30, 2016, the Company had cash and cash equivalents, and accounts receivable of \$1,199,115 and \$5,713, respectively, which is sufficient to satisfy the expected requirements for the fourth quarter of 2016. The advance of \$3,000,000 from funds in trust and interest thereon (\$360,000 to December 31, 2015) payable to KGHM was satisfied by the collateralized funds held in trust on January 12, 2016, which were released to KGHM Ajax on January 12, 2016.

### **Market risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign currency risk and other price risk.

(i) *Interest rate risk*

- (a) To the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk.
- (b) To the extent that changes in prevailing market rates differ from the interest rate in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

The Company is not exposed to significant interest rate risk.

(ii) *Foreign currency risk*

The Company holds no foreign currency, and thus is not exposed to foreign currency risk.

(iii) *Other price risk*

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk.

The Company is not currently exposed to other price risk.

### **Changes in accounting policies**

Other than the adoption of new accounting policies as described below, the same accounting policies have been used in the preparation of these condensed interim financial statements as those used in the most recent audited annual financial statements and reflect all the adjustments necessary for the fair presentation in accordance with IFRS of the result of the interim periods presented.

### **New accounting standards not yet adopted**

IFRS 9, "Financial Instruments: Classification and Measurement" is effective for annual periods beginning on or after January 1, 2018.

IFRS 16, "Leases" is effective for annual periods beginning on or after January 1, 2019.

The Company is currently evaluating the impact of any new and amended standards on its financial statements. The impact is not expected to have a material impact on the statements of financial position or results of operations.

### **Risks and uncertainties**

The Company's principal activity is mineral exploration and development, which is speculative and involves a high degree of risk. There is a significant probability that the expenditures made by the Company in the exploring of its properties will not result in discoveries of commercial quantities of minerals. A high level of ongoing expenditures is required to locate and estimate ore reserves, which are the basis for further development of a property. Capital expenditures to attain commercial production stage are also very substantial. The Company has a history of incurring losses and deficits, and is subject to a number of risks and uncertainties due to the nature of its business and present stage of explorations, such as, but not limited to, exploration, market, commodity prices, Aboriginal land claims, title, limited financial resources, share price volatility, key personnel, competition, environmental and regulatory requirements, uninsurable risks and critical accounting estimates.

The following sets out the principal risks faced by the Company:

Title: Although the Company has taken steps to verify the title to mineral properties in which it or KGHM Ajax have an interest in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the title. Property title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

Aboriginal Land Claims: Aboriginal rights may be claimed on properties or other types of tenure with respect to which mining rights have been conferred. The Company is aware of the mutual benefits afforded by cooperative relationships with indigenous people in conducting exploration activity and is supportive of measures established to achieve such cooperation. The outcome of any aboriginal land claims cannot be predicted, and if successful, would have a significant adverse effect on the Company

Lack of Revenue and Limited Financial Resources: The Company has no significant source of operating cash flow and no revenues from operations. The Company has limited financial resources, and its ability to continue operating as a going concern is dependent upon management's success in raising additional monies to sustain the Company until cash flow from operations is adequate to sustain the Company's viability. Substantial expenditures are required to be made by the Company and/or its development partners to establish ore reserves and develop a mining operation. Exploration and development of mineral deposits is an expensive process, and frequently the greater the level of interim stage success the more expensive it can become. At present, the Company has no producing properties and generates no operating revenues; therefore, for the

foreseeable future, it will be dependent upon selling equity in the capital markets to provide financing for its continuing exploration budgets. While the Company has been successful in obtaining financing from the capital markets for its projects in recent years, there can be no assurance that the capital markets will remain favourable in the future, and/or that the Company will be able to raise the financing needed to continue its exploration programs on favourable terms, or at all. Restrictions on the Company's ability to finance could have a materially adverse outcome on the Company and its securities.

Exploration and Development of Properties: The property interests owned by the Company or KGHM Ajax, or in which it may have an interest, are currently in the exploration and evaluation stages and have no ongoing mining operations. Mineral exploration and development involves a high degree of risk and few properties are ultimately developed into producing mines. The Ajax Project is located on the southwest side of Kamloops, BC and is progressing through the preliminary steps of the environmental assessment process administered jointly by the provincial Environmental Assessment Office and the federal Canadian Environmental Assessment Agency. The proposed infrastructure will be located primarily on private land owned by KGHM Ajax, with some utilization of crown land. The Ajax Project has been designated as a Major Resource Project and constitutes a reviewable project under the Canadian Environmental Assessment Act, in addition to requiring a number of provincial permits before construction can begin. While KGHM Ajax has engaged environmental experts and consultants and is committed to working in consultation with the community, First Nations and government agencies to identify areas of environmental concern, and to developing local policies and procedures that minimize the impact of mining on surrounding areas, there can be no assurance that environmental approval will be granted in a timely manner.

Share Price Volatility, Price Fluctuations and Commodity price: The price of the common shares, financial results and exploration, development and mining activities of the Company or KGHM Ajax may in the future be significantly adversely affected by declines in the prices of base and precious metals. Metal prices fluctuate widely and are affected by numerous factors beyond the Company's control. There can be no assurance that such price fluctuations will continue, or that investors' evaluations, perceptions, beliefs and sentiments will continue to impact these target commodities. An adverse change in these commodities' prices, or in investors' beliefs about trends in those prices, could have a material adverse outcome on the Company and its securities. There can be no assurance that these price fluctuations and volatility will not continue to occur.

Key personnel: Other than in respect of the Joint Venture, the Company's operations are dependent to a large degree on the skills and experience of certain key personnel. The Company does not maintain "key man" insurance policies on these individuals. Should the availability of these persons' skills and experience be in any way reduced or curtailed, this could have a materially adverse outcome on the Company and its securities.

Competition: Significant and increasing competition exists for the opportunity to acquire or acquire an interest in the limited number of mineral properties available. As a result of this competition, some of which is with large established mining companies with substantial capabilities and greater financial and technical resources than the Company, the Company may be unable to acquire additional interests in attractive mineral properties on terms it considers acceptable.

Environmental and Other Regulatory Requirements: The mining, processing, development and mineral exploration activities of the Company are subject to various laws governing prospecting, development, production, taxes, labour standards, mine safety, land use, toxic substances, land claims of local people and other matters. These laws and other governmental policies may affect investments of the Company and/or its shareholders.

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous material and other matters. The Company may also be held liable should environmental problems be discovered that were caused by former owners and operators of its properties and properties in which it has previously had an interest. The Company conducts its mineral exploration activities in compliance with applicable environmental protection legislation. The Company is not aware of any existing environmental problems related to any of its current or former properties that may result in material liability to the Company.

Market: The Company's securities trade on public markets and the trading value thereof is determined by the evaluations, perceptions and sentiments of both individual investors and the investment community taken as a whole. Such evaluations, perceptions and sentiments are subject to change, both in short term time horizons and longer term time horizons. An adverse change in investor evaluations, perceptions and sentiments could have a material adverse outcome on the Company and its securities.

Uninsurable: The Company and its subsidiaries may become subject to liability for pollution, fire, explosion and other risks against which it cannot insure or against which it may elect not to insure. Such events could result in substantial damage to property and personal injury. The payment of any such liabilities may have a material, adverse effect on the Company's financial position.

Critical Accounting Estimates: In the preparation of financial information, management makes judgments, estimates and assumptions that affect, amongst other things, the carrying value of its mineral property assets. All deferred mineral property expenditures are reviewed, on a property-by-property basis, to consider whether there are any conditions that may indicate impairment. When the carrying value of a property exceeds its net recoverable amount that may be estimated by quantifiable evidence of an economic geological resource or reserve, joint venture expenditure commitments or the Company's assessment of its ability to sell the property for an amount exceeding the deferred costs, a provision is made for the impairment in value. Management's estimates of exploration, operating, capital and reclamation costs, if any, are subject to certain risks and uncertainties which may affect the recoverability of mineral property costs. Although management has made its best estimate of these factors, it is possible that changes could occur in the near term that could adversely affect management's estimate of the net cash flow to be generated from its properties. The Company also uses the Black-Scholes Option Pricing Model in relation to share based payments. Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options granted/vested during the period.

### **Legal proceedings**

On September 21, 2015, Chief Ignace and Chief Gottfriedson, on behalf of the Stk'emlùpsemcte Secwepemc of the Secwepemc Nation, ( the "SSN") filed a Notice of Civil Claim in the BC Supreme Court, naming the Provincial and Federal governments and KGHM as defendants. SSN seeks declarations of Aboriginal rights and title over a portion of their traditional territory, focused on the Ajax Project area, damages for infringements of those Aboriginal rights and title, and interim and permanent injunctions preventing activities in relation to the Ajax Project. The Company is not a defendant, and has been advised that KGHM is receiving legal advice in respect of this matter.

On behalf of the Board,

*"Michael McInnis"*

Michael McInnis, President, CEO & Director