

# **Abacus Mining & Exploration Corporation**

(an exploration stage company)

Condensed Interim Financial Statements

**March 31, 2017**

(Unaudited)

(Expressed in Canadian dollars)

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## **NOTICE TO READER**

The accompanying unaudited condensed interim financial statements have been prepared by and are the responsibility of the management of Abacus Mining & Exploration Corporation.

Abacus Mining & Exploration Corporation's independent auditor has not performed a review of these unaudited condensed interim financial statements in accordance with the standards established by the Canadian Institute of Professional Accountants for a review of interim financial statements by an entity's auditor

**ABACUS MINING & EXPLORATION CORPORATION** (an exploration stage company)**Condensed interim statements of financial position**

Unaudited-Expressed in Canadian dollars

	NOTE	March 31, 2017	December 31, 2016
		(\$)	(\$)
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and cash equivalents	4	1,768,524	1,006,957
Amounts receivable		9,097	9,968
Prepaid expenses		16,014	15,066
		<u>1,793,635</u>	<u>1,031,991</u>
<b>Non-current assets:</b>			
Equipment		13,291	14,220
Restricted cash	8	25,986	25,948
Investment in KGHM Ajax Mining Inc.	6	21,956,216	22,040,341
Exploration and evaluation assets	7	18,750	-
		<u>22,014,243</u>	<u>22,080,509</u>
		<b><u>23,807,878</u></b>	<b><u>23,112,500</u></b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current liabilities:</b>			
Accounts payable and accrued liabilities		122,092	76,513
<b>Long-term liabilities:</b>			
Loan payable to KGHM	6	12,557,236	12,258,118
		<u>12,679,328</u>	<u>12,334,631</u>
<b>Shareholders' equity:</b>			
Capital stock	9	84,962,436	84,408,367
Reserve - stock options		5,312,973	5,019,749
Reserve - warrants		484,681	-
Deficit		(79,631,540)	(78,650,244)
		<u>11,128,550</u>	<u>10,777,869</u>
		<b><u>23,807,878</u></b>	<b><u>23,112,500</u></b>

The accompanying notes are an integral part of the condensed interim financial statements.

Subsequent events (Note 14)

Approved on behalf of the Board by:

"Michael McInnis"  
Chief Executive Officer

"Kerry Spong"  
Director

**ABACUS MINING & EXPLORATION CORPORATION** (an exploration stage company)**Condensed interim statements of comprehensive loss**

Unaudited-Expressed in Canadian dollars

		Three months ended March 31 2017	Three months ended March 31 2016
	Note	(\$)	(\$)
<b>General and administrative expenses:</b>			
Accounting and audit		18,500	11,500
Amortization		929	1,278
Consulting and directors' fees		46,175	16,875
Exploration and evaluation expenditures	7	52,334	-
Insurance		6,591	5,111
Interest expense	6	299,119	190,751
Investor relations		14,840	7,800
Legal		62,939	7,179
Office		10,566	2,101
Rent		11,589	6,086
Salaries and contract wages		54,035	53,407
Share-based payments	9	293,227	14,711
Transfer agent and regulatory fees		9,104	7,665
Travel and promotion		18,997	10,642
		<u>(898,945)</u>	<u>(335,106)</u>
<b>Other items:</b>			
Interest income		1,774	11,188
(Loss) income on equity investment in KGHM Ajax Mining Inc.		(84,125)	(110,701)
		<u>(981,296)</u>	<u>(434,619)</u>
<b>Net loss and comprehensive loss for the period</b>			
		<u>(981,296)</u>	<u>(434,619)</u>
Loss per share, basic and diluted		(0.00)	(0.00)
Weighted average number of common shares outstanding	#	219,310,389 #	214,157,611

The accompanying notes are an integral part of the condensed interim financial statements.

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

**Condensed interim statements of changes in shareholders' equity**

Unaudited-Expressed in Canadian dollars

	Share capital		Reserves			Total shareholders' equity
	Number of shares	Capital stock	Stock options	Warrants	Deficit	
	(#)	(\$)	(\$)		(\$)	
<b>Balance December 31, 2015</b>	<b>214,157,611</b>	<b>84,408,367</b>	<b>4,931,912</b>	-	<b>(48,575,976)</b>	<b>40,764,303</b>
Share-based payments	-	-	14,711	-	-	14,711
Loss and comprehensive loss for the period	-	-	-	-	(434,619)	(434,619)
<b>Balance, March 31, 2016</b>	<b>214,157,611</b>	<b>84,408,367</b>	<b>4,946,623</b>	-	<b>(49,010,595)</b>	<b>40,344,395</b>
Share-based payments	-	-	73,123	-	-	73,123
Loss and comprehensive loss for the period	-	-	-	-	(29,639,649)	(29,639,649)
<b>Balance, December 31, 2016</b>	<b>214,157,611</b>	<b>84,408,367</b>	<b>5,019,746</b>	-	<b>(78,650,244)</b>	<b>10,777,869</b>
Securities issued for cash	20,400,000	535,319	-	484,681	-	1,020,000
Issued for Willow property option	250,000	18,750	-	-	-	18,750
Share-based payments	-	-	293,227	-	-	293,227
Loss and comprehensive loss for the period	-	-	-	-	(981,296)	(981,296)
<b>Balance, March 31, 2017</b>	<b>234,807,611</b>	<b>84,962,436</b>	<b>5,312,973</b>	<b>484,681</b>	<b>(79,631,540)</b>	<b>11,128,550</b>

The accompanying notes are an integral part of the condensed interim financial statements.

**ABACUS MINING & EXPLORATION CORPORATION** (an exploration stage company)**Condensed interim statements of cash flows**

Unaudited-Expressed in Canadian dollars

	March 31, 2017	March 31, 2016
	(\$)	(\$)
<b>Operating activities:</b>		
Net loss for the period	(981,296)	(434,619)
Items not involving cash:		
Share of loss (income) in equity investment	84,125	110,701
Share-based payments	293,227	14,711
Amortization	929	1,278
Interest expense	299,119	190,751
Changes in working capital related to operating activities:		
Prepaid expenses	(948)	5,109
Amounts receivable	871	2,029
Accounts payable and accrued liabilities	45,580	2,458
Loan receivable		(5,000)
Due from KGHM Ajax Mining Inc.	-	-
<b>Cash used for operating activities</b>	<b>(258,393)</b>	<b>(112,582)</b>
<b>Investing activities:</b>		
Restricted cash	(38)	21,220
Cash contributions to equity investment	-	(1,540,000)
Loan payable to KGHM	-	1,515,506
<b>Cash (used for) provided by investing activities</b>	<b>(38)</b>	<b>(3,274)</b>
<b>Financing activities:</b>		
Proceeds from private placement	1,020,000	-
<b>Cash provided by financing activities</b>	<b>1,020,000</b>	<b>-</b>
Increase (decrease) in cash and cash equivalents during the period	761,567	(115,856)
Cash and cash equivalents, beginning of the period	1,006,957	1,626,237
<b>Cash and cash equivalents, end of period</b>	<b>1,768,524</b>	<b>1,510,381</b>
<b>Supplemental cash flows</b>		
Supplemental disclosures		
Interest on cash and cash equivalents	1,724	43,338
Interest on restricted cash	1,774	3,272

The accompanying notes are an integral part of the condensed interim financial statements.

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

**Notes to the condensed interim financial statements**

For the three months ended March 31, 2017

Unaudited-Expressed in Canadian dollars

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**1. NATURE OF OPERATIONS**

Abacus Mining & Exploration Corporation (the “Company” or “Abacus”), incorporated under the *Company Act* (British Columbia), is an exploration stage company engaged principally in the acquisition, exploration and development of mineral properties in Canada. The address of the Company’s office is Suite 615 – 800 West Pender Street, Vancouver, British Columbia, Canada, V6C 2V6.

On June 28, 2010, KGHM Ajax Mining Inc. (“KGHM Ajax”) was incorporated. KGHM Ajax is currently focused on the exploration and development of the Ajax copper-gold project located near Kamloops, British Columbia (the “Ajax Project”).

On June 29, 2010, pursuant to an investment agreement dated May 4, 2010 between Abacus and KGHM Polska Miedz S.A. (“KGHM”), Abacus transferred all of its mineral interests in the Ajax Project, with a fair value of \$37,429,581 (US\$35,549,020), to KGHM Ajax in exchange for 4,900 common shares of KGHM Ajax.

On October 12, 2010, Abacus, KGHM and KGHM Ajax entered into the Definitive Joint Venture Shareholders’ Agreement (the “Joint Venture Agreement”). Pursuant to the Joint Venture Agreement, KGHM subscribed for 5,100 common shares of KGHM Ajax, which represented a 51% interest for \$37,392,200 (US\$37,000,000); these funds were used by KGHM Ajax to fund exploration and evaluation activities during 2010 and 2011 required to produce the bankable feasibility study (“BFS”). Additionally, KGHM had the option to acquire an additional 29% interest in KGHM Ajax (for a total interest of 80%) for a maximum of US\$35,000,000.

On April 2, 2012, KGHM exercised its option to acquire an additional 29% of KGHM Ajax, thereby increasing its ownership in KGHM Ajax to 80% (Notes 6 and 8). The Joint Venture Agreement includes provisions allowing Abacus to fund its share of cash calls from the Ajax project through to production using loans from KGHM International. Such loans will be repaid from Abacus’s share of future dividends from the joint venture.

These condensed interim financial statements have been prepared under the assumption that the Company is a going concern. The Company currently does not generate any revenue. The Company is dependent on raising additional funds through the issue of equity, debt, disposition of assets, or some combination thereof, to continue the advancement of the Ajax project. Existing working capital is expected to be sufficient to cover non-discretionary operating expenditures for the next twelve months.

**2. BASIS OF PREPARATION and SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES, AND ASSUMPTIONS**

**(a) Basis of preparation**

These condensed interim financial statements have been prepared on a historical cost basis except for derivative financial instruments and financial instruments at fair value, if any held, that have been measured at fair value. These condensed interim financial statements are presented in Canadian dollars, except where otherwise noted.

These condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting.

Interim financial statements do not include all the information required for full annual financial statements. The condensed interim financial statements should be read in conjunction with the

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

**Notes to the condensed interim financial statements**

For the three months ended March 31, 2017

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Company's annual financial statements for the year ended December 31, 2016. These condensed interim financial statements of Abacus were reviewed by the Audit Committee, and the Board of Directors approved and authorized them for issuance on May 29, 2017.

**(b) Significant accounting judgments, estimates, and assumptions**

The preparation of condensed interim financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed interim financial statements, and the reported amounts of expenses during the reporting period.

While management believes that these judgments and estimates are reasonable, actual results could differ from those estimates and could impact future results of comprehensive income and cash flows. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

**3. SIGNIFICANT 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.

**Mineral interests**

Effective October 1, 2016, the Company voluntarily changed its accounting policy in respect of Exploration and Evaluation ("E&E") expenditures to recognize these costs in the statement of loss in the period incurred, as permitted under IFRS6 Exploration for and Evaluation of Mineral Resources. Previously, these expenditures were capitalized as E&E assets on the Company's balance sheet. The Company changed its accounting policy as it believes that the new policy is more consistent with the IFRS framework with respect to the characterization of an asset. The Company also believes that showing E&E expenditures separately on the statement of comprehensive loss and in the operating activities section of the statement of cash flows more accurately reflects the Company's activities during the periods presented. The change in accounting policy has been applied retrospectively. No change in accounting policy was made with regard to costs of acquiring mineral property licenses or rights which are disclosed as E&E assets. Upon applying this change in accounting policy, the Company determined there were no changes to the Company's financial position as at December 31, 2016, December 31, 2015, December 31, 2014 and January 1, 2014, and to the comprehensive loss, shareholders' equity and cash flows and for the years ended December 31, 2015 and 2014.

E&E acquisition costs: All direct costs related to the acquisition of mineral property interests ("E&E Assets") are capitalized into intangible assets on a property by property basis. Expenditures made in connection with a right to acquire a property and or explore in an exploration area for a period in excess of one year, are capitalized.

E&E exploration expenditures: Exploration costs, net of incidental revenues, are charged to operations in the period incurred until such time as it has been determined that a property has economically recoverable resources, in which case subsequent exploration costs and the costs incurred to develop a property are capitalized into property, plant and equipment. On the commencement of commercial production, depletion of each mining property will be provided on a unit-of-production basis using estimated reserves as the depletion base.

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

**Notes to the condensed interim financial statements**

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**New accounting standards**

The Company has adopted the following new standards, along with any consequential amendments, prior to or effective January 1, 2017. These changes were made in accordance with the applicable transitional provisions, and did not impact the Company's condensed interim financial statements.

- IAS 7, "Statement of Cash Flows" (amended standard): is effective for annual periods beginning on or after January 1, 2017,
- IAS 12, "Income Taxes" (amended standard): is effective for annual periods beginning on or after January 1, 2017.

**Accounting Standards Issued but not yet in Effect**

- IFRS 2, "Share-based payment" (amended standard) is effective for annual periods beginning on or after January 1, 2018.
- IFRS 9, "Financial Instruments: Classification and Measurement": is effective for annual periods beginning on or after January 1, 2018.
- IFRS 15, "Revenue from Contracts and Customers": the effective date of adoption has been deferred to January 1, 2018 (with earlier application permitted).
- IFRS 16, "Leases": is effective for annual periods beginning on or after January 1, 2019.

The Company is currently evaluating the impact of these 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 of the Company.

**4. CASH AND CASH EQUIVALENTS**

The Company's cash and cash equivalents consist of the following:

	March 31, 2017	December 31, 2016
<b>Cash and cash equivalents</b>	<b>(\$)</b>	<b>(\$)</b>
Bank accounts	968,524	81,957
Savings account	800,000	925,000
	<u>1,768,524</u>	<u>1,006,957</u>

**5. LOAN RECEIVABLE**

On June 27, 2014, Abacus and Burnstone Ventures Inc. ("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 Loan, bearing 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 Project 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.

**6. INVESTMENT IN KGHM AJAX MINING INC.**

As at March 31, 2017, the Company owns 20% of the common and voting shares of KGHM Ajax. (2015: 20%). KGHM Ajax is a private company incorporated under the Corporations Act (British Columbia) and is currently engaged principally in the exploration and development of the Ajax Project located near

**ABACUS MINING & EXPLORATION CORPORATION** (an exploration stage company)**Notes to the condensed interim financial statements**

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Unaudited-Expressed in Canadian dollars

Kamloops, British Columbia, which is its principal place of operation. KGHM Ajax's two shareholders are KGHM and the Company. As the Company owns 20% of the outstanding common shares of KGHM Ajax and also has representation on the Board of Directors, the Company is considered to have significant influence over KGHM Ajax, and accordingly accounts for its investment in KGHM Ajax using the equity method. Under the equity method, the investment in KGHM Ajax is initially recognized at cost then subsequently adjusted for the Company's share of the profits and/or losses of KGHM Ajax as well as distributions received from KGHM Ajax. To date no dividends or distributions to shareholders of KGHM Ajax have occurred.

During the period ended March 31, 2017, Abacus contributed \$Nil (2016: \$1,540,000) 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. Pursuant to the terms of the Joint Venture Agreement, once the restricted funds were exhausted, Abacus could elect to contribute its proportionate share 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. The restricted funds having been exhausted, the Company elected during the second quarter of fiscal 2015 that KGHM provide the funding as a loan (the "KGHM Loan"). The KGHM Loan is to be recovered from Abacus' share of revenue upon commencement of production at Ajax, and bears interest of 10% per annum. For the period ended March 31, 2017, \$Nil (2016: \$1,515,506) was provided by KGHM and \$Nil (2016: \$24,522) from interest earned on the collateral funds. The Company has accrued interest of \$1,002,390 for the period (2016: \$221,997). The loan payable to KGHM is secured by the investment in KGHM Ajax.

	Cash Call	KGHM Loan	Restricted Cash	Total	Interest Accrued on KGHM Loan
<b>At 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	221,997
June 30, 2016		459,972	-	459,972	237,382
September 30, 2016		600,000	-	600,000	259,594
December 31, 2016		740,000	-	740,000	283,417
<b>Total for the year ended December 31, 2016</b>		<b>3,315,478</b>	<b>24,522</b>	<b>3,340,000</b>	<b>1,002,390</b>
<b>At December 31, 2016</b>		<b>10,966,478</b>	<b>3,473,522</b>	<b>14,440,000</b>	<b>1,291,640</b>
March 31, 2017		-	-	-	299,118
<b>At March 31, 2017</b>		<b>\$ 10,966,478</b>	<b>\$ 3,473,522</b>	<b>\$ 14,440,000</b>	<b>\$ 1,590,758</b>

<b>KGHM Loan Payable</b>	<b>March 31, 2017</b>	<b>December 31, 2016</b>
Loan	10,966,478	10,966,478
Interest	1,590,758	1,291,640
	<b>\$ 12,557,236</b>	<b>\$ 12,258,118</b>

**ABACUS MINING & EXPLORATION CORPORATION** (an exploration stage company)**Notes to the condensed interim financial statements**

For the three months ended March 31, 2017

Unaudited-Expressed in Canadian dollars

The following is a summary of the Company's investment in KGHM Ajax:

<b>Investment in KGHM Ajax</b>	
Investment in KGHM Ajax as of December 31, 2015	\$ 46,759,876
Abacus' cash contributions to KGHM Ajax pursuant to cash calls	1,540,000
Abacus' share of the profit/loss of KGHM Ajax during the period ended March 31, 2016	(110,702)
Investment in KGHM Ajax as of March 31, 2016	\$ 48,189,174
Abacus' cash contributions to KGHM Ajax pursuant to cash calls	1,800,000
Abacus' share of the profit/loss of KGHM Ajax during the period ended December 31, 2016	(27,948,833)
Investment in KGHM Ajax as of December 31, 2016	\$ 22,040,341
Abacus' cash contributions to KGHM Ajax pursuant to cash calls	-
Abacus' share of the profit/loss of KGHM Ajax during the period ended March 31, 2017	(84,125)
Investment in KGHM Ajax as of March 31, 2017	\$ 21,956,216

A summary of 100% of the assets and liabilities of KGHM Ajax and selected results of operations for the period ended March 31, 2017 is as follows:

<b>Selected financial information of KGHM Ajax</b>	March 31, 2017	December 31, 2016
Cash and cash equivalents	\$ 3,911,188	\$ 5,169,134
Current assets (excluding cash & cash equivalents)	981,515	934,357
Total non-current assets	<u>107,380,481</u>	<u>108,806,038</u>
Total assets	\$ 112,273,184	\$ 114,909,529
Current liabilities	\$ 2,156,375	\$ 2,172,496
Non-current liabilities	301,390	2,500,990
Total shareholders' equity	<u>109,815,419</u>	<u>110,236,043</u>
Total liabilities and equity	\$ 112,273,184	\$ 114,909,529
	Three months ended	Three months ended
	March 31	March 31
	2017	2016
Net and comprehensive loss (income)	\$ (420,624)	\$ (553,507)
Revenue	\$ nil	\$ nil
Interest Income	6,256	7,665
Amortization	16,104	19,256
Interest expense	7,127	10,928
Income tax recovery	nil	nil

**Impairment of non-current assets in KGHM Ajax**

During the year ended December 31, 2016 KGHM Ajax reviewed the carrying value of its mining and other assets due to the identification of indications of an impairment, resulting in a reduction of the carrying value of mining and other assets to their recoverable amounts.

The recoverable amount was determined based on fair value less costs to sell by discounting estimated future cash flows using post tax discount rate of 8.0%. The future cash flows were estimated using future copper prices based on internal macroeconomic assumptions which were prepared based on available multi-year forecasts of financial and analytical institutions. A detailed forecast was prepared for the period 2017 – 2021, while the forecast for subsequent years was estimated, based on a long-term copper price, at the level of 3.0 U.S. dollars per pound.

**7. EXPLORATION AND EVALUATION ASSETS**

The Company has investigated ownership of its mineral interests as at March, 2017, and to the best of the Company’s knowledge, ownership of its interests is in good standing.

**Willow Property:**

On February 14, 2017, the Company entered into an option agreement ("Option Agreement") with Almadex Minerals Limited and its wholly-owned Nevada subsidiary Almadex America Inc. (collectively, "Almadex"), to acquire, subject to regulatory approval (received February 22, 2017), the exclusive right and option to earn, in the aggregate, up to a 75% undivided ownership interest in the Willow Property (the "Property"), pursuant to the following:

To acquire the initial 60% Option Interest in the Property, the Company is required to issue common shares and incur exploration expenditures as follows:

<b>Date</b>	<b>Common shares in the capital of Abacus (the "Shares") (#)</b>	<b>Minimum Annual Exploration Expenditures on the Exploration Program ("Expenditures") (US\$)</b>
TSX-V approval (received February 22, 2017)	250,000 <sup>(1)</sup>	Nil
On or before the February 22, 2018	250,000	100,000
On or before the February 22, 2019	250,000	300,000
On or before the February 22, 2020	250,000	600,000
On or before the February 22, 2021	500,000	800,000
On or before the February 22, 2022	<u>1,000,000</u>	<u>1,200,000</u>
<b>Total</b>	<b>2,500,000</b>	<b>3,000,000</b>

(1) The Company issued 250,000 shares of its capital to Almadex on March 16, 2017. The shares were valued at \$18,750.

Upon having earned the 60% Option Interest in the Property and until the 10<sup>th</sup> anniversary date of the date of regulatory approval, the Company will be required to incur minimum exploration expenditures on an exploration program on the Property of US\$500,000 per year. The Company will act as the Property’s operator during the initial five-year term and following the earning of the 60% Option Interest, until such time as a joint venture is established, as described below.

In order to earn the 15% Additional Interest, such that the Company would have an aggregate interest of 75% in the Property, the Company will be required to deliver a Feasibility Study on the Property to Almadex on or before the 10<sup>th</sup> anniversary date of the date of regulatory approval. Upon having earned the Additional Interest, the Company will continue to act as the Property’s operator until such time as a

**ABACUS MINING & EXPLORATION CORPORATION** (an exploration stage company)**Notes to the condensed interim financial statements**

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75:25 joint venture is established for the further management, exploration and development of the Property.

	<b>Balance December 31, 2016</b>	<b>Acquisition Costs</b>	<b>Write off/write down</b>	<b>Balance March 31, 2017</b>
Willow	-	18,750	-	18,750

The following table shows the activity by category of exploration expenditures for the three months ended March 31, 2017.

	<b>Three months ended March 31, 2017</b>
<b>Exploration and Evaluation Expenditures</b>	<b>(\$)</b>
Project supervision	25,781
Surveying	26,553
<b>Total</b>	<b>52,334</b>

**8. RESTRICTED CASH**

The Company has restricted cash of \$25,986 to guarantee credit card balances.

**9. SHAREHOLDERS' EQUITY****(a) Authorized capital stock**

At March 31, 2017, the authorized capital stock of the Company is comprised of an unlimited number of common shares without par value.

On February 15, 2017, the Company announced a proposed consolidation of its common shares, as to 6 old shares in the capital of the Company for 1 new share in the capital of the Company, subject to regulatory approval and approval by the shareholders of the Company (note 14).

**(b) Share issuances**

On February 15, 2017, the Company announced a non-brokered private placement ("Offering") for proceeds of up to \$1,000,000 through the issuance of 20,000,000 units ("Units") at a price of \$0.05 per Unit. Each Unit consists of one common share of the Company (a "Unit Share") and one-half of a non-transferable common share purchase warrant, with each full warrant exercisable to purchase one additional common share of the Company at a price of \$0.08 per common share for a period of 3 years from the date of closing of the Offering. On March 8, 2017, the Company closed the Offering, pursuant to which it received gross proceeds of \$1,020,000, issued 20,400,000 common shares in the capital of the Company, and warrants allowing for the purchase of up to, in the aggregate, 10,200,000 common shares in the capital of the Company at \$0.08 per share until March 8, 2020.

**(c) Stock options**

The Company has a "20% fixed" stock option plan (the "Plan") pursuant to which stock options may be

**ABACUS MINING & EXPLORATION CORPORATION** (an exploration stage company)**Notes to the condensed interim financial statements**

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granted to its directors, officers, employees and consultants, to a maximum of 20% of the Company's issued shares as at the date of shareholder approval of the Plan, such that at March 31, 2017 stock options may be granted allowing for the purchase of up to, in the aggregate, a maximum of 24,509,135 shares. The exercise price of any option granted shall not be less than the minimum price permitted by the policies of the TSX Venture Exchange (the "Exchange"). The expiry date for each option, set by the Board of Directors at the time of issue, shall not be more than five years after the grant date. Options granted vest at the discretion of the Board of Directors and in accordance with regulatory requirements. The Plan further provides that at any such time the Exchange rules differ from specific terms of the Plan, then the rules of the Exchange shall apply.

As at March 31, 2017, the Company had stock options outstanding to directors, officers and consultants for the purchase of up to, in the aggregate, 17,620,000 (March 31, 2016: 11,340,000) common shares exercisable as follows:

March 31, 2017		Awards Outstanding		Awards Exercisable
Exercise Price	Expiry Date	Quantity	Remaining Contractual Life	Quantity
\$0.12	October 8, 2018	2,200,000	1.52	2,200,000
\$0.05	February 20, 2020	1,520,000	2.89	1,520,000
\$0.065	November 16, 2020	1,000,000	3.63	750,000
\$0.06	December 28, 2020	5,625,000	3.75	5,587,500
\$0.06	April 19, 2021	1,500,000	4.05	1,500,000
\$0.07	February 21, 2022	5,775,000	4.89	5,475,000
		<b>17,620,000</b>	<b>3.79</b>	<b>17,032,500</b>

The weighted average remaining contractual life of the stock options outstanding as at March 31, 2017 is 3.79 years (2016: 3.84 years).

A summary of the status of the Company's stock options as at March 31, 2017 and December 31, 2016, and changes during the three month and twelve month periods then ended is as follows:

Status of stock options	Number of Options	Weighted Average Exercise Price
Outstanding, December 31, 2015	11,340,000	\$0.09
Outstanding, March 31, 2016	11,340,000	\$0.09
Granted	1,500,000	\$0.06
Outstanding, December 31, 2016	12,840,000	\$0.08
Granted	5,775,000	\$0.07
Expired	(995,000)	\$0.07
Outstanding, March 31, 2017	17,620,000	\$0.08

Share-based payments reserve is included in shareholders' equity and consists of the estimated fair value of stock options.

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On January 26, 2017, stock options allowing for the purchase of up to, in the aggregate, 995,000 shares in the capital of the Company expired.

On February 21, 2017, the Company granted options allowing for the purchase of up to, in the aggregate, 5,775,000 shares at \$0.07 per share until February 21, 2022, 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 1.17%, expected life of five years, expected volatility of 103.49% and dividend yield of 0%. The total amount of share-based payments expense is calculated at \$307,067, of which \$291,226 was recognized during the period ended March 31, 2017.

Pursuant to the vesting of options granted in prior years, the Company recognized \$2,001 in share-based payments during the three months ended March 31, 2017.

**10. WARRANTS**

During the period ended March 31, 2017, the Company, in connection with the March 8, 2017 Offering, issued 10,200,000 warrants, with each warrant entitling the holder to purchase one common share at a price of \$0.08 until on March 8, 2020. The warrants were valued at \$484,681 using the Black-Scholes option pricing model with the following weighted average assumptions: risk-free interest rate of 0.5%, expected life of 3 years, expected volatility of 118.95% and dividend yield of 0%.

A summary of the status of the warrants as at March 31, 2017 follows:

	<b>Number of Warrants</b>	<b>Weighted Exercise Price</b>	<b>Expiry Date</b>
Outstanding and Exercisable December 31, 2016	-		
Issued	10,200,000	\$0.08	March 8, 2020
<b>Outstanding and Exercisable March 31, 2017</b>	<b>10,200,000</b>	<b>\$0.08</b>	

**11. CONTINGENCIES**

**STK'EMLUPSEMC TE SECWPEMC Nation (SSN) Legal Claim**

KGHM has been named as a defendant along with the Crown (both Canada and British Columbia) in a legal claim filed in BC Supreme Court on September 21, 2015 by the SSN, wherein the SSN asserts aboriginal rights and title over the land where it is intended that KGHM Ajax Mining Inc. conduct mining activities. A significant portion of the land identified in the claim is private fee simple land. The outcome of this claim is uncertain and the exposure is not quantifiable at this time. Furthermore, there is no legal precedent for a claim of this specific nature (asserting title to private fee simple land). The SSN has filed an amended claim on October 18, 2016 and replies to the KGHM, British Columbia, and Canada responses to the original claim. British Columbia filed its response to the SSN's amended claim on November 18, 2016. Canada has not filed a response. KGHM is in the process of filing its response to SSN's amended claim.

**SSN Panel Review**

The SSN has conducted its own panel review of the Ajax project separate from the provincial and federal environmental review processes. On March 4, 2017, the SSN announced that it was unable to support the Ajax mine. KGHM's management is assessing the impact, if any, that this result may have on the development of the Ajax mine; however, the base assumptions for the project currently remain unchanged.

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**12. RELATED PARTY TRANSACTIONS**

All advances to and amounts due from related parties are incurred in the normal course of business, have repayment terms similar to the Company's other trade receivables (payables), and do not incur interest. The following are the related party transactions occurring during the period:

**(a) Compensation of key management personnel**

Key management personnel consist of the directors and executive officers of the Company. The remuneration, including share-based payments, of key management personnel during the period ended March 31, 2017 and 2016 follow:

<b>Management's and director's compensation</b>	<b>March 31, 2017</b>	<b>March 31, 2016</b>
	<b>(\$)</b>	<b>(\$)</b>
Accounting	16,400	6,250
Consulting and contract wages	39,063	38,110
Share-based payments (Note 8(c))	291,226	13,259
Directors' fees	22,500	16,875
	<u>369,189</u>	<u>74,494</u>

**13. FINANCIAL RISK MANAGEMENT**

The Company has classified its cash and cash equivalents, restricted cash and contractual obligations as FVTPL; amounts receivable and loan receivable, as loans and receivables; and accounts payable, accrued liabilities and loan from KGHM, as other financial liabilities. The carrying values of cash and cash equivalents, amounts receivable, restricted cash, and accounts payable and accrued liabilities approximate their fair values due to the short-term maturity of these financial instruments. The Company's risk exposure and the impact on the Company's financial instruments are summarized below.

**(a) Credit risk**

The Company manages credit risk, in respect of 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 (Note 4) and restricted cash (Note 7), as all amounts are held through 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>March 31, 2017</b>	<b>December 31, 2016</b>
Bank accounts	\$ 968,524	\$ 81,957
Savings account	800,000	925,000
Restricted cash	25,986	25,948
	<u>\$ 1,794,510</u>	<u>\$ 1,032,905</u>

**(b) 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 \$122,092 (December 31, 2016: \$76,513) are due in the second quarter of 2017. At March 31, 2017, the Company had cash and cash equivalents, and accounts receivable of \$1,768,524 and \$9,097, respectively, which is sufficient to satisfy the expected requirements for the second quarter of 2017.

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**(c) 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 susceptible to interest rate risk since the KGHM loan is fixed at 10%.

*(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.

**14. SUBSEQUENT EVENTS**

At the Special General Meeting held on April 25, 2017, the Company received shareholder approved to consolidate its issued and outstanding common shares on the basis of one post-consolidation common share for every six pre-consolidation common shares. Regulatory approval having been received, the common shares of the Company commenced trading on the TSXV on a post-consolidated basis on May 1, 2017. There was no change to the Company's trading symbol on the TSXV.

On May 1, 2017 the Company incorporated Abacus Mining & Exploration (NV) Corporation, a wholly-owned integrated Nevada, US subsidiary.