

# **Abacus Mining & Exploration Corporation**

(an exploration stage company)

Condensed Interim Consolidated Financial Statements

**March 31, 2018**

(Unaudited)

(Expressed in Canadian dollars)

<b><u>Index</u></b>	<b><u>Page</u></b>
Notice to reader	2
Financial statements:	
Condensed interim consolidated statements of financial position	3
Condensed interim consolidated statements of comprehensive loss	4
Condensed interim consolidated statements of changes in shareholders' equity (deficiency)	5
Condensed interim consolidated statements of cash flows	6
Notes to the condensed interim consolidated financial statements	7

## **NOTICE TO READER**

The accompanying unaudited condensed interim consolidated 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 consolidated financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor

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

Unaudited-Expressed in Canadian dollars

	NOTE	March 31, 2018	December 31, 2017
ASSETS		(\$)	(\$)
<b>Current assets:</b>			
Cash and cash equivalents	4	906,083	480,597
Amounts receivable		4,789	7,040
Prepaid expenses		14,097	20,983
		<u>924,969</u>	<u>508,620</u>
<b>Non-current assets:</b>			
Restricted cash	5	26,083	26,000
Investment in KGHM Ajax Mining Inc.	6	6,274,432	6,390,810
Exploration and evaluation assets	7	184,125	91,828
		<u>6,484,640</u>	<u>6,508,638</u>
		<u><b>7,409,609</b></u>	<u><b>7,017,258</b></u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current liabilities:</b>			
Accounts payable and accrued liabilities		91,567	58,047
<b>Long-term liabilities:</b>			
KGHM Ajax project loan	8	14,712,519	14,361,481
		<u>14,804,086</u>	<u>14,419,528</u>
<b>Shareholders' equity (deficiency):</b>			
Capital stock	9	85,463,159	85,453,992
Allotted but not issued	9(b)	709,500	-
Reserve - stock options		5,357,813	5,354,844
Deficit		(98,924,949)	(98,211,106)
		<u>(7,394,477)</u>	<u>(7,402,270)</u>
		<u><b>7,409,609</b></u>	<u><b>7,017,258</b></u>

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

Nature of operations and going concern (Note 1)

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 consolidated statements of comprehensive loss**

Unaudited-Expressed in Canadian dollars

	Note	March 31 2018	March 31 2017
		(\$)	(\$)
<b>General and administrative expenses:</b>			
Accounting and audit		10,688	18,500
Amortization		-	929
Consulting and directors' fees		16,875	46,175
Exploration and evaluation expenditures	7	41,766	52,334
Foreign exchange gain		(5,958)	-
Insurance		6,886	6,591
Interest expense	8	351,039	299,119
Investor relations		6,000	14,840
Legal		16,513	62,939
Office		4,167	10,566
Rent		9,300	11,589
Salaries and contract wages		99,432	54,035
Share-based payments	9	2,969	293,227
Transfer agent and regulatory fees		10,293	9,104
Travel and promotion		28,420	18,997
		<u>(598,390)</u>	<u>(898,945)</u>
<b>Other items:</b>			
Interest income		925	1,774
Loss on equity investment in KGHM Ajax Mining Inc.	6	(116,378)	(84,125)
		<u>(713,843)</u>	<u>(981,296)</u>
<b>Net loss and comprehensive loss for the period</b>			
		<u>(713,843)</u>	<u>(981,296)</u>
Loss per share, basic and diluted		(0.02)	(0.00)
Weighted average number of common shares outstanding	#	38,842,379 #	36,551,732

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

**Condensed interim consolidated statements of changes in shareholders' equity (deficiency)**

Unaudited-Expressed in Canadian dollars

	NOTE	Share capital		Allotted but not issued	Reserve		Total shareholders' equity
		Number of shares	Capital stock		Stock options	Deficit	
		(#)	(\$)		(\$)	(\$)	(\$)
<b>Balance, December 31, 2016</b>		<b>35,692,935</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	9(b)	3,400,006	998,875	-	-	-	998,875
Issued for Willow property option	9(b)	41,668	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>39,134,609</b>	<b>85,425,992</b>	-	<b>5,312,973</b>	<b>(79,631,540)</b>	<b>11,107,425</b>
Share-based payments		-	-	-	41,871	-	41,871
Exercise of warrants	9(b)	58,333	28,000	-	-	-	28,000
Loss and comprehensive loss for the period		-	-	-	-	(18,579,566)	(18,579,566)
<b>Balance, December 31, 2017</b>		<b>39,192,942</b>	<b>85,453,992</b>	-	<b>5,354,844</b>	<b>(98,211,106)</b>	<b>(7,402,270)</b>
Securities issued for cash	9(b)	0	-	709,500	-	-	709,500
Issued for Willow property option	9(b)	41,667	9,167	-	-	-	9,167
Share-based payments		-	-	-	2,969	-	2,969
Loss and comprehensive loss for the period		-	-	-	-	(713,843)	(713,843)
<b>Balance, March 31, 2018</b>		<b>39,234,609</b>	<b>85,463,159</b>	<b>709,500</b>	<b>5,357,813</b>	<b>(98,924,949)</b>	<b>(7,394,477)</b>

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

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

Unaudited-Expressed in Canadian dollars

	March 31 2018	March 31 2017
	(\$)	(\$)
<b>Operating activities:</b>		
Net loss for the period	(713,843)	(981,296)
Items not involving cash:		
Share of loss in equity investment	116,378	84,125
Share-based payments	2,969	293,227
Amortization	-	929
Interest expense	351,039	299,119
Changes in working capital related to operating activities:		
Prepaid expenses	6,886	(948)
Amounts receivable (net)	2,251	871
Accounts payable and accrued liabilities	33,518	45,580
<b>Cash used for operating activities</b>	<b>(200,801)</b>	<b>(258,393)</b>
<b>Investing activities:</b>		
Exploration and evaluation assets	(83,130)	-
Restricted cash	(83)	(38)
<b>Cash used for investing activities</b>	<b>(83,213)</b>	<b>(38)</b>
<b>Financing activities:</b>		
Shares allotted but not issued	709,500	-
Proceeds from private placement (net)	-	1,020,000
<b>Cash provided by financing activities</b>	<b>709,500</b>	<b>1,020,000</b>
Decrease in cash and cash equivalents during the year	425,486	761,567
Cash and cash equivalents, beginning of the year	480,597	1,006,957
<b>Cash and cash equivalents, end of year</b>	<b>906,083</b>	<b>1,768,524</b>
<b>Supplemental cash flows</b>		
Supplemental disclosures		
Interest on cash and cash equivalents	925	1,724
Interest on restricted cash	83	1,774
Shares issued for exploration and evaluation assets	9,167	18,750

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

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

**Notes to the condensed interim consolidated financial statements**

For the three months ended March 31, 2018

Unaudited-Expressed in Canadian dollars

---

**1. NATURE OF OPERATIONS AND GOING CONCERN**

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 1000 - 1050 West Pender Street, Vancouver, British Columbia, Canada, V6E 3S7.

The Company presently has no proven or probable reserves and on the basis of information to date, it has not yet determined whether its properties contain economically recoverable ore reserves. The Company has not generated any revenues from its operations to date and consequently is considered to be in the exploration stage. The amounts shown as exploration and evaluation assets represent acquisition costs incurred to date, less any amounts written off, and do not necessarily represent present or future values. The recoverability of the carrying amounts for exploration and evaluation assets is dependent upon the confirmation of economically recoverable reserves, the Company raising capital, the sale or entering into a joint venture of the Company’s exploration and evaluation assets, and/or the attainment of profitable operations.

These condensed interim consolidated financial statements have been prepared on the basis that the Company will continue as a going concern, which assumes that the Company will be able to meet its commitments, continue operations and realize its assets and discharge its liabilities in the normal course of operations for the foreseeable future. During the three months ended March 31, 2018 the Company incurred a net loss of \$713,843. At March 31, 2018, the Company’s liabilities exceeded its assets by \$7,394,477.

The Company continues to have operating losses, has limited financial resources, no source of operating cash flow, and no assurances that sufficient funding, including adequate financing, will be available to conduct further exploration and development of its mineral properties. The Company’s ability to continue as a going concern is dependent upon its ability to obtain the financing necessary to fund its mineral properties through the issuance of capital stock or joint ventures, and to realize future profitable production or proceeds from the disposition of its mineral interests. These material uncertainties may cast significant doubt about the Company’s ability to continue as a going concern.

Management plans to continue to secure the necessary financing through a combination of equity financing and entering into joint venture arrangements; however, there is no assurance that the Company will be successful in these actions. These financial statements do not give effect to adjustments to the carrying values and classification of assets and liabilities that would be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

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,

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

**Notes to the condensed interim consolidated financial statements**

For the three months ended March 31, 2018

Unaudited-Expressed in Canadian dollars

---

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. Such loans will be repaid from Abacus's share of future revenues from the joint venture.

On May 1, 2017 the Company incorporated Abacus Mining & Exploration (NV) Corporation, a wholly-owned integrated Nevada, US subsidiary to hold its interest in the Willow property (Note 7).

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

These condensed interim consolidated 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 consolidated financial statements are presented in Canadian dollars, except where otherwise noted.

These condensed interim consolidated financial statements include the accounts of the Company and its wholly-owned integrated subsidiary, Abacus Mining & Exploration (NV) Corporation, a US company. All intercompany accounts and transactions have been eliminated.

These condensed interim consolidated 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. These condensed interim consolidated financial statements should be read in conjunction with the Company's annual financial statements for the year ended December 31, 2017. These condensed interim consolidated financial statements of Abacus were reviewed by the Audit Committee, and the Board of Directors approved and authorized them for issuance on May 24, 2018.

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

The preparation of condensed interim consolidated 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 consolidated 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 consolidated 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.

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

**Notes to the condensed interim consolidated financial statements**

For the three months ended March 31, 2018

Unaudited-Expressed in Canadian dollars

---

**New accounting standards**

The Company has adopted the following new standards, along with any consequential amendments, prior to or effective January 1, 2018. These changes were made in accordance with the applicable transitional provisions and did not impact the Company's condensed interim consolidated financial statements.

- 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. The Company adopted IFRS 9 retrospectively, without restatement of prior year financial statements. IFRS 9 replaces the provisions of IAS 39, Financial Instruments: Recognition and Measurement ("IAS 39") that relate to the recognition, classification, and measurements of financial assets and financial liabilities, derecognition of financial instruments and impairment of financial assets. IFRS 9 uses a single approach to determine whether a financial asset is classified and measured at amortized cost or fair value. The approach in IFRS 9 is based on how the Company manages its financial instruments and the contractual cash flow characteristics of the financial asset. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9. The application of IFRS 9 did not impact the Company's classification and measurement of financial assets and liabilities, and there was also no impact to the carrying value of any of the Company's financial assets or liabilities on the date of transition.
- IFRS 15, "Revenue from Contracts and Customers": is effective for annual periods beginning on or after January 1, 2018.

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

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

The Company is currently evaluating the impact of this new standard 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:

<b>Cash and cash equivalents</b>	<b>March 31, 2018</b>	<b>December 31, 2017</b>
Bank accounts	\$ 781,083	\$ 105,597
Savings account	125,000	375,000
	<b>\$ 906,083</b>	<b>\$ 480,597</b>

**5. RESTRICTED CASH**

At March 31, 2018, the Company has restricted cash of \$26,083 (December 31, 2017: \$26,000) to guarantee credit card balances.

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

As at March 31, 2018, the Company owns 20% of the common and voting shares of KGHM Ajax. 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 Kamloops, British Columbia, which is its principal place of operation. KGHM Ajax's two shareholders are KGHM and the Company. As the

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

For the three months ended March 31, 2018

Unaudited-Expressed in Canadian dollars

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, 2018, Abacus contributed \$Nil (March 31, 2017: \$Nil) to KGHM Ajax representing Abacus' 20% share of cash calls of KGHM Ajax made pursuant to the JV Agreement, to finance the continuing operations of KGHM Ajax. The cash calls were funded through additional loans from KGHM (Note 8).

<b>Investment in KGHM Ajax</b>	<b>(\$)</b>
<b>December 31, 2016</b>	<b>22,040,341</b>
Cash contributions to KGHM Ajax pursuant to cash calls	-
Share of the loss of KGHM Ajax	(84,125)
<b>March 31, 2017</b>	<b>21,956,216</b>
Cash contributions to KGHM Ajax pursuant to cash calls	820,000
Share of the loss of KGHM Ajax	(16,385,406)
<b>December 31, 2017</b>	<b>6,390,810</b>
Cash contributions to KGHM Ajax pursuant to cash calls	-
Share of the loss of KGHM Ajax	(116,378)
<b>March 31, 2018</b>	<b>6,274,432</b>

A summary of 100% of the assets and liabilities of KGHM Ajax and selected results of operations for the period ended March 31, 2018 is as follows:

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

For the three months ended March 31, 2018

Unaudited-Expressed in Canadian dollars

<b>Selected financial information of KGHM Ajax</b>		March 31, 2018	December 31, 2017
Cash and cash equivalents	\$	2,669,771	\$ 3,888,665
Current assets (excluding cash & cash equivalents)		333,145	507,560
Total non-current assets		<u>31,843,279</u>	<u>31,752,126</u>
Total assets	\$	<u>34,846,195</u>	<u>\$ 36,148,351</u>
Current liabilities	\$	1,179,873	\$ 1,883,013
Non-current liabilities		2,259,826	2,276,952
Total shareholders' equity		<u>31,406,496</u>	<u>31,988,386</u>
Total liabilities and equity	\$	<u>34,846,195</u>	<u>\$ 36,148,351</u>
		Three months ended	Three months ended
		March 31	March 31
		2018	2017
Net and comprehensive loss (income)	\$	(581,890)	\$ (420,624)
Revenue	\$	nil	\$ nil
Interest Income		10,045	6,256
Amortization		27,560	16,104
Interest expense		1,872	7,127
Income tax recovery		nil	nil

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

During the years ended December 31, 2017 and 2016 KGHM Ajax reviewed the carrying value of its mining and other assets due to the identification of indications of impairment. Impairment charges were recognized as a result to reduce the carrying value of mining and other assets to its recoverable amount.

*In respect of the year ended December 31, 2017:*

In December 2017, following a six-year environmental assessment review process, the British Columbia Minister of Environment and Climate Change Strategy and Minister of Energy, Mines and Petroleum Resources announced they had declined the issuance of an Environmental Assessment Certificate ("EA Certificate") for the Ajax project. The recoverable amount was determined based on fair value less costs to sell, with measurement of the value of KGHM Ajax's real estate providing the highest value. As such, KGHM Ajax recognized a total impairment of \$79,754,973, which impairment was allocated among mineral interest, land, buildings and equipment.

*In respect of the year ended December 31, 2016:*

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 with a range of 2.40- 3.18 U.S. dollars per pound over the mine life. KGHM Ajax recognized

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

For the three months ended March 31, 2018

Unaudited-Expressed in Canadian dollars

\$114,398,040 of impairment in mineral interest and an impairment of \$25,511,300, which impairment was allocated among land, buildings and equipment.

**7. EXPLORATION AND EVALUATION ASSETS**

The Company has investigated ownership of its mineral interests as at March 31, 2018, and to the best of the Company's knowledge, ownership of its interests is in good standing.

	Balance December 31, 2017 (\$)	Acquisition Costs (\$)	Balance March 31, 2018 (\$)
Tomichi	8,484	-	8,484
Willow	83,344	92,297	175,641
	<b>91,828</b>	<b>92,297</b>	<b>184,125</b>

The following table shows the activity by category of exploration:

	March 31, 2018 (\$)	December 31, 2017 (\$)
<b>Exploration and Evaluation Expenditures</b>		
Consulting and project supervision	31,694	138,216
Surveying	6,788	230,915
Planning	1,350	103,948
Other	1,934	9,258
<b>Total</b>	<b>41,766</b>	<b>482,337</b>

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

Date	Common shares in the capital of Abacus (the "Shares") <sup>(1)</sup> (#)	Minimum Annual Exploration Expenditures on the Exploration Program ("Expenditures") (US\$)
TSX-V approval (received February 22, 2017)	41,667 <sup>(2)</sup>	Nil
On or before the February 22, 2018	41,667 <sup>(3)</sup>	100,000 <sup>(4)</sup>
On or before the February 22, 2019	41,667	300,000
On or before the February 22, 2020	41,667	600,000
On or before the February 22, 2021	83,333	800,000
On or before the February 22, 2022	<u>166,666</u>	<u>1,200,000</u>
<b>Total</b>	<b>416,667</b>	<b>3,000,000</b>

(1) After taking into effect the consolidation of the common shares in the capital of the Company, as to one post-consolidation share for every six pre-consolidation shares, which post-consolidated shares commenced trading on the TSX-V on May 1, 2017.

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

For the three months ended March 31, 2018

Unaudited-Expressed in Canadian dollars

- (2) Issued on March 16, 2017; valued at \$18,750.  
 (3) Issued on February 7, 2018; valued at \$9,167.  
 (4) Incurred

Upon having earned the 60% Option Interest in the Willow 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 Willow 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 Willow Property, the Company will be required to deliver a Feasibility Study on the Willow 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 Willow Property's operator until such time as a 75:25 joint venture is established for the further management, exploration and development of the Willow Property.

**Nev-Lorraine Property:**

The Company entered into an Exploration and Option to Purchase Agreement (the "Agreement") dated effective January 1, 2018, with three individuals (collectively, the "Optionors"), to lease the copper Nev-Lorraine unpatented mining claims located in Douglas County, Nevada, USA (the Property"). The Agreement is a ten year lease agreement allowing the Company to explore the Nev-Lorraine claims pursuant to the following payments and expenditures:

<b>Date</b>	<b>Annual Minimum Payments (US\$)</b>	<b>Date</b>	<b>Cumulative Minimum Annual Exploration Expenditures (US\$)</b>
Initial minimum payment	3,000 <sup>(1)</sup>	-	-
On execution of the Agreement	60,000 <sup>(2)</sup>	On or before December 31, 2018	20,000
On or before January 1, 2019	70,000	On or before December 31, 2019	40,000
On or before January 1, 2020	80,000	On or before December 31, 2020	60,000
On or before January 1, 2021	90,000	On or before December 31, 2021	80,000
On or before January 1, 2022	100,000	On or before December 31, 2022	100,000
On or before January 1, 2023	110,000	On or before December 31, 2023	120,000
On or before January 1, 2024	120,000	On or before December 31, 2024	140,000
On or before January 1, 2025	130,000	On or before December 31, 2025	160,000
On or before January 1, 2026	140,000	On or before December 31, 2026	180,000
On or before January 1, 2027	150,000	On or before December 31, 2027	200,000
<b>Total</b>	<b>1,053,000</b>		

<sup>(1)</sup> Paid August 15, 2017

<sup>(2)</sup> Paid February 6, 2018

At any time during the life of the agreement, the Company can elect to purchase the claim group outright from the Optionors, for sums ranging from US\$1,500,000 to US\$1,950,000. The Optionors do not retain an NSR, and the yearly expenditures are cumulative, meaning that any excess expenditure can be carried through to subsequent years.

**Tomichi Property:**

During the year ended December 31, 2017, the Company acquired, by staking, claims comprising the Tomichi Property, in Nevada.

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

**Notes to the condensed interim consolidated financial statements**

For the three months ended March 31, 2018

Unaudited-Expressed in Canadian dollars

---

**8. KGHM AJAX PROJECT LOAN**

Under the terms of the JV Agreement, and without dilution to its 20% ownership of KGHM Ajax, the Company requested, beginning in 2015, that KGHM provide the Company's funding of the operations at Ajax as a loan (the "KGHM Loan").

The KGHM Loan is non-revolving, bears interest of 10% per annum, is secured by the investment in KGHM Ajax, and has a maturity date of December 31, 2020. Under the terms of the JV Agreement, if, at the time of maturity of the loan, the commencement of commercial production and the distribution of dividends by the JV to the Company are not sufficient to repay the KGHM Loan, the parties must, in good faith, negotiate an extension. Additionally, should the Company incur debt outside of the KGHM Loan or dispose of assets, in each case in excess of \$100,000, any prepayment of the debt is only in the amount of the funds borrowed or sale proceeds received.

For the period ended March 31, 2018 \$Nil (2017: \$Nil) was provided by KGHM and the Company accrued interest of \$351,039 for the period (2017: \$299,119).

<b>KGHM Loan Payable</b>		
<b>Total December 31, 2016</b>	<b>\$</b>	<b>12,258,118</b>
Funds advanced by KGHM		-
Interest		299,119
<b>Total March 31, 2017</b>	<b>\$</b>	<b>12,557,237</b>
Funds advanced by KGHM		820,000
Interest		984,243
<b>Total December 31, 2017</b>	<b>\$</b>	<b>14,361,481</b>
Funds advanced by KGHM		-
Interest		351,039
<b>Total March 31, 2018</b>	<b>\$</b>	<b>14,712,519</b>

**9. SHAREHOLDERS' EQUITY**

**(a) Authorized capital stock**

At March 31, 2018, 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.

**(b) Share issuances**

On February 7, 2018, in connection with the Willow Property Option Agreement, the Company issued 41,667 common shares of the Company, with a value of \$9,167.

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

For the three months ended March 31, 2018

Unaudited-Expressed in Canadian dollars

As at March 31, 2018, the company recorded \$709,500 for subscription funds received in relation to a private placement that closed April 3, 2018 (Note 14).

**(c) Stock options**

The Company has a “20% fixed” stock option plan (the “Plan”) pursuant to which stock options may be 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, 2018 stock options may be granted allowing for the purchase of up to, in the aggregate, a maximum of 4,084,855 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, 2018, the Company had stock options outstanding to directors, officers and consultants for the purchase of up to, in the aggregate, 3,086,657 (March 31, 2017: 2,936,667) common shares exercisable as follows:

Exercise price (\$)	Expiry date	Outstanding		Exercisable	
		Outstanding (#)	Remaining contractual life (yrs)	Exercisable (#)	Remaining contractual life (yrs)
0.72	October 8, 2018	366,665	0.52	366,665	0.52
0.30	February 20, 2020	253,330	1.89	253,330	1.89
0.39	November 16, 2020	166,666	2.63	166,666	2.63
0.36	December 28, 2020	937,496	2.75	937,496	2.75
0.36	April 19, 2021	250,000	3.05	250,000	3.05
0.42	February 21, 2022	962,500	3.90	962,500	3.90
0.25	December 20, 2022	150,000	4.73	150,000	4.73
		<b>3,086,657</b>	<b>2.89</b>	<b>3,086,657</b>	<b>2.89</b>

The weighted average remaining contractual life of the stock options outstanding as at March 31, 2018 is 2.89 years (December 31, 2017: 3.79 years).

A summary of the status of the Company’s stock options as at March 31, 2018 and December 31, 2017, and changes during the three month and twelve month periods then ended is as follows:

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

For the three months ended March 31, 2018

Unaudited-Expressed in Canadian dollars

	Outstanding (#)	Weighted average exercise price (\$)
<b>Outstanding December 31, 2016</b>	<b>2,140,000</b>	<b>0.48</b>
Granted	962,500	0.42
Expired	(165,843)	0.42
<b>Outstanding March 31, 2017</b>	<b>2,936,657</b>	<b>0.48</b>
Granted	150,000	0.40
<b>Outstanding December 31, 2017</b>	<b>3,086,657</b>	<b>0.41</b>
<b>Outstanding March 31, 2018</b>	<b>3,086,657</b>	<b>0.41</b>

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

Pursuant to the vesting of options granted in prior years, the Company recognized \$2,969 in share-based payments during the three months ended March 31, 2018.

**10. WARRANTS**

The Company uses the residual method in determining the fair value of warrants issued, which method provides for the allocation of the consideration received to the fair value to the shares issued and allocating any residual amount to the warrants issued.

During the year ended December 31, 2017, the Company, in connection with the March 8, 2017 Offering, issued 1,700,000 warrants, with each warrant entitling the holder to purchase one common share at a price of \$0.48 until on March 8, 2020. As the fair value of the shares exceeded the consideration received, no residual amount existed, and the warrants were valued at \$Nil.

A summary of the status of the warrants as at March 31, 2018 follows:

	Outstanding (#)	Weighted average exercise price (\$)	Weighted average remaining life (yrs)
<b>Outstanding December 31, 2016</b>	-	-	-
Issued	1,700,000	0.48	-
Exercised	(58,333)	0.48	-
<b>Outstanding December 31, 2017</b>	<b>1,641,667</b>	<b>0.48</b>	<b>2.19</b>
<b>Outstanding March 31, 2018</b>	<b>1,641,667</b>	<b>0.48</b>	<b>1.94</b>

**11. 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:

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

For the three months ended March 31, 2018

Unaudited-Expressed in Canadian dollars

**(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, 2018 and 2017 follow:

<b>Management's and director's compensation</b>	<b>March 31, 2018</b>	<b>March 31, 2017</b>
	<b>(\$)</b>	<b>(\$)</b>
Accounting	10,688	16,400
Consulting and contract wages	90,470	39,063
Share-based payments (Note 8(c))	-	291,226
Directors' fees	22,500	22,500
	<u>123,657</u>	<u>369,189</u>

During the period ended March 31, 2018, the Company was charged, by a company with directors in common, \$8,700 in respect of rent.

**12. 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 5), 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, 2018</b>	<b>December 31, 2017</b>
Bank accounts	\$ 781,083	\$ 105,597
Savings account	125,000	375,000
Restricted cash	26,083	26,000
	<u>\$ 932,166</u>	<u>\$ 506,597</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 \$91,567 (December 31, 2017: \$58,047) are due in the second quarter of 2018. At March 31, 2018, the Company had cash and cash equivalents, and accounts receivable of \$906,083 and \$4,789, respectively, which is sufficient to satisfy the expected operational requirements to December 31, 2018.

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

For the three months ended March 31, 2018

Unaudited-Expressed in Canadian dollars

**(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 incurs certain expenses in currencies other than the Canadian dollar. The Company is subject to foreign currency risk as a result of fluctuations in exchange rates. The Company manages this risk by maintaining bank accounts in US dollars to pay these foreign currency expenses as they arise. Receipts in foreign currencies are maintained in those currencies. The Company does not undertake currency hedging activities. The Company also does not attempt to hedge the net investment and equity of integrated foreign operations.

**(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.

**13. SEGMENTED INFORMATION**

All of the Company's operations are in the resource sector. The Company's mineral exploration and development operations are in the United States. The capital assets and total assets identifiable with these geographical areas are as follows

	March 31, 2018	December 31, 2017
	(\$)	(\$)
<b>Exploration &amp; Evaluation Assets</b>		
Canada	-	-
United States	184,125	91,828
	<b>184,125</b>	<b>91,828</b>
	March 31, 2018	December 31, 2017
	(\$)	(\$)
<b>Total Assets</b>		
Canada	7,225,483	6,925,430
United States	184,126	91,828
	<b>7,409,609</b>	<b>7,017,258</b>

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

**Notes to the condensed interim consolidated financial statements**

For the three months ended March 31, 2018

Unaudited-Expressed in Canadian dollars

---

**14. SUBSEQUENT EVENTS**

On April 3, 2018, the company closed a non-brokered private placement for gross proceeds of \$828,500 through the issuance of 4,142,500 units of the Company ("Units") at a price of \$0.20 per Unit. Each Unit consists of one common share of the Company and one non-transferable common share purchase warrant, with each warrant exercisable to purchase one common share of the Company at a price of \$0.30 per common share for a period of three years from the date of closing of the financing.

On April 19, 2018 the Company granted stock options allowing for the acquisition of up to, in the aggregate, 447,500 shares of the Company at \$0.22 per share until April 19, 2023.