Abacus Mining & Exploration Corporation

(an exploration stage company)

Consolidated Financial Statements

December 31, 2018 and 2017

(Expressed in Canadian dollars)

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Independent Auditor's Report

To the Shareholders of Abacus Mining & Exploration Corp.

Opinion

We have audited the consolidated financial statements of Abacus Mining & Exploration Corp. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2018 and 2017, and the consolidated statements of comprehensive loss, changes in shareholders' deficit and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

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

Material Uncertainty related to Going Concern

We draw attention to Note 1 in the financial statements, which indicates that the Company incurred a loss of $3,493,244 for the year ended December 31, 2018 and as at December 31, 2018, the Company's liabilities exceeded its assets by $9,505,733. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

The engagement partner on the audit resulting in this independent auditor’s report is David Macdonald.

/s/ Deloitte LLP

Chartered Professional Accountants

Vancouver, British Columbia

April 24, 2019

ABACUS MINING & EXPLORATION CORPORATION (an exploration stage company)

Consolidated statements of financial position

Expressed in Canadian dollars

	NOTE	December 31, 2018	December 31, 2017
ASSETS		($)	($)
Current assets:			
Cash and cash equivalents	4	202,003	480,597
Amounts receivable		3,456	7,040
Prepaid expenses		22,472	20,983
		227,931	508,620
Non-current assets:			
Restricted cash	5	26,041	26,000
Investment in KGHM Ajax Mining Inc.	6	6,020,943	6,390,810
Exploration and evaluation assets	7	226,891	91,828
		6,273,875	6,508,638
		6,501,806	**7,017,258**
LIABILITIES AND SHAREHOLDERS' DEFICIT			
Current liabilities:			
Accounts payable and accrued liabilities		173,594	58,047
Long-term liabilities:			
KGHM Ajax project loan	8	15,833,945	14,361,481
		16,007,539	14,419,528
Shareholders' equity:			
Capital stock	9	86,742,990	85,453,992
Reserves-options		5,427,674	5,354,844
Reserve - warrants		27,953	-
Deficit		(101,704,350)	(98,211,106)
		(9,505,733)	(7,402,270)
		6,501,806	**7,017,258**

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

Nature of operations and going concern (Note 1)

Subsequent events (Note 15)

Approved on behalf of the Board by:

"Michael McInnis" — Chairman

"Kerry Spong" — Director

ABACUS MINING & EXPLORATION CORPORATION (an exploration stage company)

Consolidated statements of comprehensive loss

Expressed in Canadian dollars

	Note	Year Ended December 31 2018	December 31 2017
		($)	($)
General and administrative expenses:			
Accounting and audit		103,804	87,238
Amortization		-	1,857
Consulting and directors' fees		45,000	123,190
Exploration and evaluation expenditures	**7**	724,953	482,337
Foreign exchange gain		(1,169)	-
Insurance		27,778	29,163
Interest expense	**8**	1,472,464	1,283,362
Investor relations		12,000	71,050
Legal		27,349	98,919
Office		24,078	54,952
Rent		32,500	52,969
Salaries and contract wages		400,779	255,410
Share-based payments	**9**	72,830	335,098
Transfer agent and regulatory fees		23,689	45,563
Travel and promotion		115,222	166,289
		3,081,277	3,087,397
Other items:			
Exploration and evaluation assets written off and other		(44,196)	-
Write off of equipment		-	(10,862)
Interest income		2,096	6,928
Loss on equity investment in KGHM Ajax Mining Inc.	**6**	(369,867)	(16,469,531)
Net loss and comprehensive loss for the year		3,493,244	19,560,862
Loss per share, basic and diluted		(0.08)	(0.51)
Weighted average number of common shares outstanding		# 42,849,318	# 38,527,440

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

ABACUS MINING & EXPLORATION CORPORATION (an exploration stage company)

Consolidated statements of changes in shareholders' deficit

Expressed in Canadian dollars

	NOTE	Share capital		Reserve			
		Number of shares	Capital stock	Stock options	Warrants	Deficit	Total shareholders' deficit
Balance, December 31, 2016		**35,692,935**	**84,408,367**	**5,019,746**	**-**	**(78,650,244)**	**10,777,869**
Securities issued for cash		3,400,006	998,875	-	-	-	998,875
Issued for Willow property option		41,668	18,750	-	-	-	18,750
Share-based payments		-	-	335,098	-	-	335,098
Exercise of warrants		58,333	28,000	-	-	-	28,000
Loss and comprehensive loss for the year		-	-	-	-	(19,560,862)	(19,560,862)
Balance, December 31, 2017		39,192,942	85,453,992	5,354,844	-	(98,211,106)	(7,402,270)
Securities issued for cash	9	9,014,500	1,291,340	-	24,360	-	1,315,700
Share issuance costs - cash		-	(7,916)	-	-	-	(7,916)
Share issuance costs - warrants		-	(3,593)	-	3,593	-	-
Issued for Willow property option	9	41,667	9,167	-	-	-	9,167
Share-based payments		-	-	72,830	-	-	72,830
Loss and comprehensive loss for the year		-	-	-	-	(3,493,244)	(3,493,244)
Balance, December 31, 2018		**48,249,109**	**86,742,990**	**5,427,674**	**27,953**	**(101,704,350)**	**(9,505,733)**

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

ABACUS MINING & EXPLORATION CORPORATION (an exploration stage company)

Consolidated statements of cash flows

Expressed in Canadian dollars

	December 31 2018	December 31 2017
	($)	**($)**
Operating activities:		
Net loss for the period (net)	(3,493,244)	(19,560,862)
Items not involving cash:		
Share of loss in equity investment	369,867	16,469,531
Share-based payments	72,830	335,098
Amortization	-	1,857
Interest expense	1,472,464	1,283,362
Exploration and evaluation assets written off and other	44,196	-
Equipment written off	-	10,862
Changes in working capital related to operating activities:		
Prepaid expenses	(1,489)	(5,917)
Amounts receivable (net)	3,584	4,429
Accounts payable and accrued liabilities	115,547	(18,466)
Cash used for operating activities	**(1,416,245)**	**(1,480,105)**
Investing activities:		
Exploration and evaluation assets	(170,092)	(73,078)
Interest on restricted cash	(41)	(52)
Cash used for investing activities	**(170,133)**	**(73,130)**
Financing activities:		
Proceeds fom warrants exercised	-	28,000
Proceeds from private placement (net)	1,307,784	998,875
Cash provided by financing activities	**1,307,784**	**1,026,875**
Decrease in cash and cash equivalents during the year	(278,594)	(526,360)
Cash and cash equivalents, beginning of the year	480,597	1,006,957
Cash and cash equivalents, end of year	**202,003**	**480,597**

Supplemental cash flows		
Supplemental disclosures		
Interest on cash and cash equivalents	2,096	6,928
Interest on restricted cash	166	52
Shares issued for exploration and evaluation assets	9,167	18,750
Significant non-cash items		
Loan advances from KGHM	-	820,000
Contributions to equity investment		820,000

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

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. 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).

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 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 year ended December 31, 2018 the Company incurred a net loss of $3,493,244 (2017: $19,560,862). At December 31, 2018, the Company's liabilities exceeded its assets by $9,505,733.

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.

2. BASIS OF PREPARATION

(a) Statement of compliance

These consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS"). They have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through other comprehensive income, which are stated at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The significant accounting policies, as disclosed, have been applied consistently to all periods presented in these financial statements. The consolidated financial statements are presented in Canadian dollars, except where otherwise noted. The consolidated financial statements of Abacus were reviewed by the Audit Committee, and the Board of Directors approved and authorized for issue the consolidated financial statements on April 23, 2019.

(b) Principles of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Abacus Mining & Exploration (NV) Corporation, a company incorporated in the state of Nevada, USA. All significant inter-company transactions, balances, and unrealized foreign exchange translation gains or losses have been eliminated.

(c) Foreign currency translation

The functional and presentation currency of the Company is the Canadian dollar. Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the dates of transaction. Monetary assets and liabilities that are denominated in foreign currency are translated at the rates prevailing at each reporting date.

Non-monetary items that are measured in terms of historical cost in foreign currency are not translated. Foreign currency translation differences are recognized in profit or loss, except for differences on the translation of available-for-sale instruments, which are recognized in other comprehensive income.

(d) Significant accounting estimates and judgments

The preparation of these financial statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported expenses during the period. Actual results could differ from these estimates.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

Judgments

(i) The assessment by management of the Company's liquidity position and whether going concern disclosure is required in the financial statements.

As part of this process, management prepares cash flow budgets detailing expected expenditures for at least the next twelve months. The assessment of the Company's liquidity position takes into account the Company's working capital position, the timing of discretionary and non-discretionary expenditures and also the status of any potential equity financings.

(ii) The carrying amount of the Company's exploration and evaluation assets does not necessarily represent present or future values, and these assets have been accounted for under the assumption that the carrying value will be recoverable. Recoverability is dependent on various factors, including the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development and future profitable production or proceeds from the disposition of the exploration and evaluation assets themselves.

Additionally, there are numerous geological, economic, environmental and regulatory factors and uncertainties that could impact management's assessment as to the overall viability of its properties or to the ability to generate future cash flows necessary to cover or exceed the carrying value of the Company's exploration and evaluation assets. Management reviewed exploration and evaluation assets for the years ended December 30, 2018 and 2017 and did not identify any impairment indicators.

Estimates and assumptions

The Company uses the fair-value method of accounting for share-based payments related to stock options and share purchase warrants granted, modified or settled. Under this method, cost attributable to options granted is measured at fair value using the Black Scholes option pricing model. In determining fair value, the Company makes estimates of the expected volatility of the stock and the risk free interest rate and assumptions about the expected life and the forfeiture rates of the options.

(i) *Realization of investment in associate*

Realization of the Company's investment in KGHM Ajax is dependent upon KGHM Ajax obtaining permits, the satisfaction of governmental requirements, satisfaction of possible aboriginal claims, the attainment of successful production from the properties, or from the proceeds upon disposal of KGHM Ajax's assets or the Company's interest in KGHM Ajax. The Company performed an assessment, in accordance with its accounting policy, and identified objective evidence of impairment as at December 31, 2018 and December 31, 2017.

Where objective evidence of impairment is identified, the recoverable amount of the investment in KGHM Ajax would involve using the most recent financial information from KGHM in assessing whether a potential impairment has occurred. The assumptions to which the calculation of recoverable amount is most sensitive includes comparative property prices, ore production volume, long term metal prices, discount rates, operating costs, and development and construction costs which KGHM Ajax would have used to determine the recoverable value of its assets. These assumptions and estimates are subject to change based on economic and other factors and these changes can have a material impact on the calculation of recoverable amount of the project.

(ii) *Income taxes*

In assessing the probability of realizing income tax assets, management makes estimates related to expectations of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities.

While management believes that these judgments and estimates are reasonable, actual results could differ from those estimates and could impact future results of comprehensive loss 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Investments in associates

Investments in which the Company exerts significant influence are accounted for using the equity method, whereby the original cost of the investment is adjusted for the Company's share of profit or loss, other comprehensive income and dividends during the current year in the Company's consolidated statements of comprehensive loss. The Company's 20% (2017: 20%) investment in KGHM Ajax is accounted for under the equity method.

(b) Cash and cash equivalents

Cash and cash equivalents is comprised of bank deposits and highly-liquid investments, which are readily convertible into known amounts of cash and which mature within 90 days from the original dates of acquisition.

(c) Financial instruments

Classification

Effective January 1, 2018, the Company classifies its financial assets in the following measurement categories:

(i) those to be measured subsequently at fair value (either through other comprehensive income ("OCI") or through profit or loss), and
(ii) those to be measured at amortized cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For marketable securities that are not held for trading, the Company has made an irrevocable election to account for the equity investment at fair value through other comprehensive income ("FVTOCI").

Recognition and derecognition

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Company commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Equity instruments

Equity instruments that are held for trading are classified as FVTPL. Other equity instruments are carried at FVTPL unless upon initial recognition the Company makes a one-time irrevocable election to designate them as FVTOCI. Unrealized gains and losses arising from changes in fair value are recognized in other comprehensive income with no subsequent reclassification to profit or loss upon derecognition. Realized gains and losses recognized upon derecognition remain within accumulated other comprehensive income.

(d) Share-based payments

The Company grants stock options to acquire common shares of the Company to directors, officers, employees and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes or provides services similar to those performed by an employee. The fair value of stock options is measured on the date of grant, using the Black-Scholes option pricing model, and is recognized over the vesting period. A corresponding increase in contributed surplus is recorded when stock options are expensed. When stock options are exercised, capital stock is credited by the sum of the consideration paid and the related portion of stock-based compensation previously recorded in contributed surplus. Consideration paid for the shares on the exercise of stock options is credited to capital stock.

Share-based compensation arrangements in which the Company receives goods or services as consideration for its own equity instruments or stock options granted to non-employees are accounted for as equity settled share-based payment transactions and measured at the fair value of goods and services received. If the fair value of the goods or services received cannot be estimated reliably, the share-based compensation transaction is measured at the fair value of the equity instruments granted at the date the Company receives the goods or services.

(e) Exploration and evaluation assets

Exploration and evaluation costs of mineral resource interests are expensed to the statement of loss and comprehensive loss and acquisition costs are capitalized to the statement of financial position. These acquisition costs will be amortized against revenue from future production or written off if the mineral interest is deemed impaired, abandoned or sold.

The amounts shown for exploration and evaluation assets represent acquisition costs incurred to date, less amounts written off, and do not necessarily reflect present or future values. The recoverability of amounts shown for mineral interests is dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain financing to complete development of the projects as well as future profitable production or proceeds from the disposition thereof.

At the end of each reporting period, the Company's exploration and evaluation assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Ownership in exploration and evaluation assets involves certain inherent risks due to the difficulties of determining and obtaining clear title to the claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many exploration and evaluation assets. The Company has investigated title to all of its resource properties and, to the best of its knowledge, title to all of its properties are in good standing.

(f) Income taxes

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred income tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to be in effect when the temporary differences are likely to reverse. The amount of deferred income tax assets recognized is limited to the amount of the benefit that is probable to be realized.

(g) Share Capital

Common shares issued by the Company are classified as equity. Incremental costs directly attributable to the issue of new common shares are recognized in equity, net of tax, as a deduction from the share proceeds (share issue costs).

(h) Earnings (loss) per share

Earnings (loss) per share is calculated using the weighted average number of common shares outstanding during the period.

(i) Provision for environmental rehabilitation

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of exploration and evaluation assets and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future rehabilitation cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to the assets along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The rehabilitation asset is amortized on the same basis as mining assets. As at December 31, 2018 and 2017, the Company had no provisions for environmental rehabilitation.

(j) Impairment of non-financial assets

IAS 28, Investments in Associates, requires that after the application of the equity method, the requirements of IAS 39, Financial Instruments: Recognition and Measurement should be applied to determine whether any impairment loss should be recognized. This requires an assessment of whether there is objective evidence that the Company’s interest in KGHM Ajax is impaired. In addition to considering KGHM Ajax’s solvency, business and financial risk exposures, consideration must also be given to industry specific factors, such as the current mining industry downturn to the demand for metals produced by KGHM Ajax and to changes in the political or legal environment impacting the ability to put the Ajax project into production.

If an impairment indicator is identified, the rules of IAS 36, Impairment of Assets, are applied to determine whether any impairment loss needs to be recorded. IAS 36 requires that the recoverable amount of the asset in question is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm’s length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows, based on budgets and forecast calculations, are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss recognized in the profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of impairment loss is recognized immediately in profit or loss.

Expressed in Canadian dollars

(k) New accounting standards

The Company has adopted the following new standards, along with any consequential amendments, effective January 1, 2018. These changes were made in accordance with the applicable transitional provisions and did not impact the Company's 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:

Cash and cash equivalents	December 31, 2018	December 31, 2017
Bank accounts	$ 202,003	$ 480,597

5. RESTRICTED CASH

At December 31, 2018, the Company has restricted cash of $26,041 (December 31, 2017: $26,000) to guarantee credit card balances.

6. INVESTMENT IN KGHM AJAX MINING INC.

KGHM Ajax is a private company incorporated under the Corporations Act (British Columbia) and engaged principally in the exploration and development of the Ajax Project located near Kamloops, British Columbia. As at December 31, 2018 and 2017, the Company owns 20% (KGHM: 80%) of the common and voting shares of KGHM Ajax, and has representation on the Board of Directors. Thus, the Company is considered to have significant influence over KGHM Ajax, and accordingly accounts for its investment in KGHM Ajax using the equity method, pursuant to which its 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 any distributions received from KGHM Ajax. To date no dividends or distributions to shareholders of KGHM Ajax have occurred.

Expressed in Canadian dollars

During the year ended December 31, 2018, Abacus contributed $Nil (2017: $820,000) to KGHM Ajax, representing Abacus' 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).

	($)
December 31, 2016	**22,040,341**
Cash contributions to KGHM Ajax pursuant to cash calls	820,000
Share of the loss of KGHM Ajax	(16,469,531)
December 31, 2017	**6,390,810**
Cash contributions to KGHM Ajax pursuant to cash calls	-
Share of the loss of KGHM Ajax	(369,867)
December 31, 2018	**6,020,943**

A summary of 100% of the assets and liabilities of KGHM Ajax and selected results of operations for the year ended December 31, 2018 follows:

Expressed in Canadian dollars

Selected financial information of KGHM Ajax

		December 31, 2018		December 31, 2017
Cash and cash equivalents	$	1,817,166	$	3,888,665
Current assets (excluding cash & cash equivalents)		4,206,478		507,560
Total non-current assets		31,681,955		31,752,126
Total assets	$	37,705,599	$	36,148,351
Current liabilities	$	1,291,785	$	1,883,013
Non-current liabilities		2,274,761		2,276,952
Total shareholders' equity		30,139,053		31,988,386
Total liabilities and equity	$	33,705,599	$	36,148,351

		Year ended December 31 2018		Year ended December 31 2017
Net and comprehensive loss (income)	$	1,849,333	$	82,347,657
Revenue	$	nil	$	nil
Interest Income		(27,792)		(32,690)
Amortization		100,608		64,417
Interest expense		8,738		23,209
Income tax recovery		nil		1,941,032
Impairment		nil		79,754,973

Expressed in Canadian dollars

Impairment of non-current assets in KGHM Ajax

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. At December 31, 2017 KGHM Ajax reviewed the carrying value of its mining and other assets and determined there were indications of impairment. Impairment charges were recognized as a result of reducing the carrying value of mining and other assets to their recoverable amounts. As such, KGHM Ajax recognized a total impairment of $79,754,973 at December 31, 2017, which impairment was allocated among mineral interest, land, buildings and equipment.

At December 31, 2018, KGHM Ajax reviewed the carrying value of its mining and other assets and determined that no further impairment was indicated.

7. EXPLORATION AND EVALUATION ASSETS

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

	Balance December 31, 2017 ($)	Acquistion Costs ($)	Write- Offs ($)	Other adjustments ($)	Balance December 31, 2018 ($)
Tomichi	8,484	-	(8,484)	-	-
Willow	83,344	179,259	-	(35,712)	226,891
	91,828	**179,259**	**(8,484)**	**(35,712)**	**226,891**

The following table shows the activity by category of exploration:

Exploration and Evaluation Expenditures	December 31, 2018 ($)	December 31, 2017 ($)
Drilling	442,000	-
Consulting and project supervision	139,273	138,216
Other	44,663	9,258
Permitting	22,088	-
Surveying	28,900	230,915
Claims maintenance	42,679	-
Mapping	5,350	103,948
Total	**724,953**	**482,337**

Willow Project (includes the Willow Property and the Nev-Lorraine Property):

As the Nev-Lorraine Property is contiguous to the Willow Property, the two properties have been aggregated, for geological and exploration reporting purposes only, into the Willow Project. (See Willow Option Agreement and Nev-Lorraine Lease Agreement below.)

Expressed in Canadian dollars

Willow Option Agreement:

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”) (1) (#)**	**Minimum Annual Exploration Expenditures on the Exploration Program (“Expenditures”) (US$)**
TSX-V approval (received February 22, 2017)	41,667 (2)	Nil
On or before the February 22, 2018	41,667 (3)	100,000 (4)
On or before the February 22, 2019	41,667 (5)	300,000 (6)
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	166,666	1,200,000
Total	**416,667**	**3,000,000**

(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.
(2) Issued on March 16, 2017; valued at $18,750.
(3) Issued on February 7, 2018; valued at $9,167.
(4) Incurred
(5) Issued on February 19, 2019
(6) Incurred

Upon having earned the 60% Option Interest in the Willow Property and until the 10^{th} 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. Under the terms of the Option Agreement, should either Abacus or Almadex acquire the rights to additional property (“AP”) within the Area of Interest (“AOI”), the other party may elect to make the AP part of the Willow Project. Alamdex elected to include the Nev-Lorraine claims (see *Nev-Lorraine Lease Agreement* below) to the Willow Project.

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^{th} 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.

Expressed in Canadian dollars

Nev-Lorraine Lease Agreement:
The Company entered into an Exploration and Option to Purchase Agreement (the "NL Agreement") dated effective January 1, 2018, with three individuals (collectively, the "Optionors"), to lease the Nev-Lorraine unpatented mining claims located in Douglas County, Nevada, USA (the "Nev-Lorraine 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:

Date	**Annual Minimum Payments (US$)**		**Date**	**Cumulative Minimum Annual Exploration Expenditures (US$)**	
Initial minimum payment	3,000	(1)	-	-	
On execution of the Agreemen	60,000	(2)	On or before December 31, 2018	20,000	(3)
On or before January 1, 2019	70,000	(4)	On or before December 31, 2019	40,000	(5)
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	
Total	**1,053,000**				

(1) Paid August 15, 2017
(2) Paid February 6, 2018
(3) Incurred
(4) Paid December 20, 2018
(5) Incurred

At any time during the life of the NL 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. The Nev-Lorraine Property is in the AOI, and is included in the Willow Project as AP, under the terms of the Willow Option Agreement.

Tomichi Property:

During the year ended December 31, 2017, the Company acquired, by staking, claims comprising the Tomichi Property, in Nevada. At December 31, 2018 the Company elected to abandon the property and wrote off costs relating to the property of $8,484.

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

Expressed in Canadian dollars

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 year ended December 31, 2018, $Nil (2017: $820,000) was provided by KGHM and the Company accrued interest of $1,472,464 for the year (2017: $1,283,362).

	($)
Total December 31, 2016	**12,258,118**
Funds advanced by KGHM	820,000
Interest	1,283,363
Total December 31, 2017	**14,361,481**
Funds advanced by KGHM	-
Interest	1,472,464
Total December 31, 2018	**15,833,945**

9. SHAREHOLDERS' EQUITY

(a) Authorized capital stock

Share consolidation
At the Special General Meeting held on April 25, 2017, the Company received shareholder approval 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 TSX-V on a post-consolidated basis on May 1, 2017. There was no change to the Company's trading symbol on the TSX-V. All information relating to earnings/loss per share, issued and outstanding common shares, share options and warrants and per share amounts in these consolidated financial statements have been adjusted retrospectively to reflect the share consolidation.

At December 31, 2018, the authorized capital stock of the Company is comprised of an unlimited number of common shares without par value.

(b) Share issuances

Year ended December 31, 2018

- On February 7, 2018, in connection with the Willow Property Option Agreement, the Company issued 41,667 common shares of the Company. The shares were valued at $9,167.

- 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 until April 3, 2021.

- On November 23, 2018, the Company closed a non-brokered private placement for gross proceeds of $487,200 through the issuance of 4,872,000 units of the Company ("Units") at a price of $0.10 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 $0.20 per common share until November 23, 2021. The Company paid a total of $4,529 in cash commissions and issued a total of 45,290 warrants to finders, which warrants were valued at $3,593 using the Black-Scholes Option Pricing Model and the following assumptions:risk-free interest rate of 2.21%, expected life of three years, expected volatility of 175.86% and dividend yield of 0%.

Year ended December 31, 2017

- 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 3,333,333 units ("Units") at a price of $0.30 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 $0.48 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 3,400,006 common shares in the capital of the Company, and warrants allowing for the purchase of up to, in the aggregate, 1,700,000 common shares in the capital of the Company at $0.48 per share until March 8, 2020.

- Pursuant to the Option Agreement, the Company issued 41,668 common shares, which shares were valued at $18,750.

- The Company issued a total of 58,333 shares on the exercise of warrants, for total gross proceeds of $28,000.

(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 December 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. (See Note 15.)

During the year ended December 31, 2018:

- On April 19, 2018, the Company granted options allowing for the purchase of up to, in the aggregate, 447,500 shares at $0.22 per share until April 19, 2023, to employees, consultants, directors and officers 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 2.12%, expected life of five years, expected volatility of 178.01% and dividend yield of 0%. The total amount of share-based payments expense is calculated at $89,726, of which $67,200 was recognized during the year ended December 31, 2018.

Expressed in Canadian dollars

- Pursuant to the vesting of options granted in prior years, the Company recognized $5,630 in share-based payments during the year ended December 31, 2018.

During the year ended December 31, 2017:

- On February 21, 2017, the Company granted options allowing for the purchase of up to, in the aggregate, 962,500 shares at $0.42 per common 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 $301,537 was recognized during the period ended December 31, 2017.

- On December 20, 2017, the Company granted options allowing for the purchase of up to, in the aggregate, 150,000 common shares at $0.25 per share until December 20, 2022, to an officer 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 1.75%, expected life of five years, expected volatility of 126.09% and dividend yield of 0%. The total amount of share-based payments expense is calculated at $30,421 which was recognized during the year ended December 31, 2017.

As at December 31, 2018, the Company had stock options outstanding to directors, officers and consultants for the purchase of up to, in the aggregate, 3,167,495 (December 31, 2017: 3,086,657) common shares exercisable as follows:

		Outstanding		Exercisable	
Exercise price ($)	Expiry date	Outstanding (#)	Remaining contractual life (yrs)	Exercisable (#)	Remaining contractual life (yrs)
0.30	February 20, 2020	253,330	1.14	253,330	1.14
0.39	November 16, 2020	166,666	1.88	166,666	1.88
0.36	December 28, 2020	937,496	1.99	937,496	1.99
0.36	April 19, 2021	250,000	2.30	250,000	2.30
0.42	February 21, 2022	962,500	3.15	962,500	3.15
0.25	December 20, 2022	150,000	3.97	150,000	3.97
0.22	April 19, 2023	447,500	4.30	435,000	4.30
		3,167,492	**2.11**	**3,154,992**	**2.11**

A summary of the status of the Company's stock options as at December 31, 2018 and December 31, 2017, and changes during the years then ended is as follows:

Expressed in Canadian dollars

	Outstanding	Weighted average exercise price
Outstanding December 31, 2016	**2,140,000**	**0.48**
Granted	962,500	0.42
Expired	(165,843)	0.42
Granted	150,000	0.25
Outstanding December 31, 2017	**3,086,657**	**0.41**
Granted	447,500	0.22
Expired	(366,665)	0.72
Outstanding December 31, 2018	**3,167,492**	**0.35**

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.

<u>During the year ended December 31, 2018:</u>

- On April 3, 2018, the Company issued 4,142,500 warrants, with each warrant entitling the holder to purchase one common share at a price of $0.30 until April 3, 2021. As the fair value of the shares exceeded the consideration received, no residual amount existed, and the warrants were valued at $Nil.

- On November 23, 2018, the Company issued 4,872,000 warrants, with each warrant entitling the holder to purchase one common share at a price of $0.20 until November 23, 2021. The warrants were valued at $24,360 using the residual method.

- On November 23, 2018, the company issued 45,290 finders warrants, with each warrant entitling the holder to purchase one common share at a price of $0.20 until November 23, 2021. The warrants were valued at $3,593. The fair value was estimated using the Black-Scholes option pricing model with the following weighted average assumptions: risk-free interest rate of 2.21%, expected life of three years, expected volatility of 175.86% and dividend yield of 0%.

<u>During the year ended December 31, 2017:</u>

- 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 change in the Company's warrants follows:

Expressed in Canadian dollars

	Outstanding	Weighted average exercise price
Outstanding December 31, 2016	-	
Issued	1,700,000	$0.08
Exercised	(58,333)	$0.48
Outstanding December 31, 2017	**1,641,667**	**$0.48**
Issued	4,142,500	$0.30
Issued	4,872,000	$0.20
Issued	45,290	$0.20
Outstanding December 31, 2018	**10,701,457**	**$0.28**

As at December 31, 2018, the warrants, with a weighted average remaining life of 2.39 years, expire as follows:

Issue date	Expiry date	Number (#)	Exercise price ($)
March 8, 2017	March 8, 2020	1,641,667	0.48
April 3, 2018	April 3, 2021	4,142,500	0.30
November 23, 2018	November 23, 2021	4,917,290	0.20
		10,701,457	

11. INCOME TAXES

	Year ended December 31, 2018 ($)	Year ended December 31, 2017 ($)
Income taxes		
Loss for the year	3,493,244	19,560,862
Effective statutory rate	27%	26%
Expected income tax recovery	(943,176)	(5,085,824)
Change in benefit of deferred tax assets not recognized	925,080	5,666,778
Non-deductible items	19,664	87,125
Amounts under (over) those provided for in prior year	-	-
Share issue costs	(1,568)	(1,099)
Rate change	-	(666,980)
Total expense reported	-	-

Unrecognized deductible termporary differences and unused tax losses	Year ended December 31, 2018 ($)	Year ended December 31, 2017 ($)
Net capital loss carry-forwards	1,835,302	1,835,302
Non-capital loss carry-forwards	22,282,770	19,234,899
Non-refundable mining investment tax credit	673,959	673,959
Share issue costs	19,008	16,900
Excess of tax value over accounting values of:		
Investments	46,056,437	45,686,570
Exploration properties	8,484	-
Equipment	59,500	59,500
	70,935,460	**67,507,130**

Expressed in Canadian dollars

At December 31, 2017, the Company has Canadian loss carry forwards of approximately $21,794,433 (2017: $18,752,562) which have not been recognized. The Company also has US loss carry forwards of approximately $488,337 (2017: $482,337) available to reduce future years' income for tax purposes. The Company recognizes the benefit of tax losses only to the extent of anticipated future taxable income in relevant jurisdictions. The Canadian and US tax loss carry forwards expire between 2028 and 2038.

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:

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 years ended December 31, 2018 and 2017 follow:

Management's and director's compensation	December 31, 2018	December 31, 2017
	($)	**($)**
Accounting	29,656	40,938
Consulting and contract wages	353,951	177,667
Share based payments	61,021	324,788
Directors' fees	45,000	90,000
	489,628	633,393

During the year ended December 31, 2018, the Company was charged, by a company with directors in common, $34,800 in respect of rent.

At December 31, 2018 $7,535 (December 31, 2017: $6,910) was owed to various key management personnel in respect of consulting and contract wages. The Company has arrangements with its directors, whereby it has agreed to provide directors fees, as to $5,625 per quarter to the Company's four non-executive directors, which directors fees were suspended effective July 1, 2018.

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 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:

Concentration of credit risk and maximum exposure		December 31, 2018		December 31, 2017
Bank accounts	$	202,003	$	480,597
Restricted cash		26,041		26,000
	$	228,044	$	506,597

(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 $173,594 (December 31, 2017: $58,047) are due in the first quarter of 2019. At December 31, 2018, the Company had cash and cash equivalents of $202,003, accounts receivable of $3,456.

(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.

14. 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:

Expressed in Canadian dollars

	December 31, 2018 ($)	December 31, 2017 ($)
Exploration & Evaluation Assets		
Canada	-	-
United States	226,891	91,828
	226,891	**91,828**

	December 31, 2018 ($)	December 31, 2017 ($)
Total Assets		
Canada	6,274,915	6,925,430
United States	226,891	91,828
	6,501,806	**7,017,258**

15. SUBSEQUENT EVENTS

a) On February 19, 2019, in connection with the Willow Property Option Agreement, the Company issued 41,667 common shares of the Company.

b) At the Company's Annual General Meeting held January 31, 2019, the Shareholders approved the repeal of the "20% fixed" stock option plan dated May 28, 2009 and the implementation of a "10% rolling" stock option plan (the "Rolling Plan"), pursuant to which the Board of Directors has the discretion to grant options for up to a maximum of 10% of the issued and outstanding share capital amount. Options granted must be exercised no later than ten years from date of grant or such lesser period as determined by the Company's Board of Directors, and the exercise price to be set by the Board at the time such option is granted and in accordance with the rules of the Exchange. Options vest at the discretion of the Board, with the exception of options granted to parties providing investor relations services, which options will vest in equal quarterly intervals over a term of no less than 12 months from the date of the grant. The Rolling Plan further provides that at any such time the Exchange rules differ from specific terms of the Rolling Plan, then the rules of the Exchange shall apply.