

Abacus Mining & Exploration Corporation

(an exploration stage company)

Condensed Interim Consolidated Financial Statements

June 30, 2019

(Unaudited)

(Expressed in Canadian dollars)

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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 condensed 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	June 30, 2019	December 31, 2018
ASSETS		(\$)	(\$)
Current assets:			
Cash and cash equivalents		108,694	202,003
Amounts receivable		3,200	3,456
Prepaid expenses		7,838	22,472
		<u>119,732</u>	<u>227,931</u>
Non-current assets:			
Restricted cash	4	26,231	26,041
Investment in KGHM Ajax Mining Inc.	5	5,894,622	6,020,943
Exploration and evaluation assets	6	229,808	226,891
		<u>6,150,661</u>	<u>6,273,875</u>
		6,270,393	6,501,806
LIABILITIES AND SHAREHOLDERS' DEFICIT			
Current liabilities:			
Accounts payable and accrued liabilities		184,681	173,594
Long-term liabilities:			
KGHM Ajax project loan	7	16,627,631	15,833,945
		<u>16,812,312</u>	<u>16,007,539</u>
Shareholders' deficit:			
Capital stock	8	86,917,690	86,742,990
Reserves-options		5,427,674	5,427,674
Reserve - warrants		29,425	27,953
Deficit		<u>(102,916,708)</u>	<u>(101,704,350)</u>
		<u>(10,541,919)</u>	<u>(9,505,733)</u>
		6,270,393	6,501,806

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

Nature of operations and going concern (Note 1)

Subsequent event (Note 12)

Approved on behalf of the Board by:

"Michael McInnis"
Chairman"Kerry Spong"
Director

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

Unaudited - Expressed in Canadian dollars

	Note	Three months ended June 30,		Six months ended June 30,	
		2019	2018	2019	2018
		(\$)	(\$)	(\$)	(\$)
General and administrative expenses:					
Accounting and audit		9,625	45,142	24,021	55,830
Consulting and directors' fees		-	28,125	-	45,000
Exploration and evaluation expenditures	6	15,553	423,916	31,775	572,186
Foreign exchange loss (gain)		4,094	(2,685)	75	(4,840)
Insurance		7,317	6,885	14,634	13,771
Interest expense	7	406,548	354,302	793,686	705,341
Investor relations		-	6,000	-	12,000
Legal		-	12,653	-	16,715
Office		5,213	15,659	9,567	13,504
Rent		5,800	8,700	14,500	18,000
Salaries and contract wages		67,941	101,694	138,315	201,126
Share-based payments	8	-	87,375	-	90,344
Transfer agent and regulatory fees		5,781	6,094	17,484	16,387
Travel and promotion		24,930	63,958	42,171	92,378
		552,802	1,157,818	1,086,228	1,847,742
Other items:					
Interest income		96	911	192	1,836
Loss on equity investment in KGHM Ajax Mining Inc.	6	(84,360)	(89,253)	(126,321)	(205,632)
Net loss and comprehensive loss for the period		637,066	1,246,160	1,212,358	2,051,538
Loss per share, basic and diluted		(0.01)	(0.03)	(0.02)	(0.05)
Weighted average number of common shares outstanding	#	49,807,443	# 43,240,543	# 49,037,767	# 41,263,011

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

	Six months ended June 30,	
	2019	2018
	(\$)	(\$)
Operating activities:		
Net loss for the period (net)	(1,212,358)	(2,051,538)
Items not involving cash:		
Share of loss in equity investment	126,321	205,632
Share-based payments	-	90,344
Interest expense	793,686	705,341
Changes in working capital related to operating activities:		
Prepaid expenses	14,634	13,771
Amounts receivable (net)	257	2,899
Accounts payable and accrued liabilities	11,087	192,655
Cash used for operating activities	(266,373)	(840,896)
Investing activities:		
Exploration and evaluation assets	-	(84,985)
Interest on restricted cash	(192)	(171)
Cash used for investing activities	(192)	(85,156)
Financing activities:		
Proceeds from private placement (net)	173,256	828,500
Cash provided by financing activities	173,256	828,500
Decrease in cash and cash equivalents during the period	(93,309)	(97,552)
Cash and cash equivalents, beginning of the period	202,003	480,597
Cash and cash equivalents, end of period	108,694	383,045
Supplemental cash flows		
Supplemental disclosures		
Interest on cash and cash equivalents	-	1,665
Interest on restricted cash	192	171
Shares issued for exploration and evaluation assets	2,917	9,167

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 changes in shareholders' deficit

Unaudited - Expressed in Canadian dollars

	Share capital		Reserve		Deficit	Total shareholders' deficit	
	Note	Number of shares	Capital stock	Stock options			Warrants
Balance, December 31, 2017		39,192,942	85,453,992	5,354,844	-	(98,211,106)	(7,402,270)
Securities issued for cash		4,142,500	828,500	-	-	-	828,500
Issued for Willow property option		41,667	9,167	-	-	-	9,167
Share-based payments		-	-	90,344	-	-	90,344
Loss and comprehensive loss for the period		-	-	-	-	(2,051,538)	(2,051,538)
Balance, June 30, 2018		43,377,109	86,291,659	5,445,188	-	(100,262,644)	(8,525,797)
Securities issued for cash	9	4,872,000	462,840	-	24,360	-	487,200
Share issuance costs - cash		-	(7,916)	-	-	-	(7,916)
Share issuance costs - warrants		-	(3,593)	-	3,593	-	-
Share-based payments		-	-	(17,514)	-	-	(17,514)
Loss and comprehensive loss for the period		-	-	-	-	(1,441,706)	(1,441,706)
Balance, December 31, 2018		48,249,109	86,742,990	5,427,674	27,953	(101,704,350)	(9,505,733)
Securities issued for cash	9	3,500,000	175,000	-	-	-	175,000
Share issuance costs - cash		-	(1,744)	-	-	-	(1,744)
Share issuance costs - warrants		-	(1,473)	-	1,473	-	-
Issued for Willow property option		41,667	2,917	-	-	-	2,917
Loss and comprehensive loss for the period		-	-	-	-	(1,212,358)	(1,212,358)
Balance, June 30, 2019		51,790,776	86,917,690	5,427,674	29,425	(102,916,708)	(10,541,919)

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

	Six months ended June 30,	
	2019	2018
	(\$)	(\$)
Operating activities:		
Net loss for the period (net)	(1,212,358)	(2,051,538)
Items not involving cash:		
Share of loss in equity investment	126,321	205,632
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The accompanying notes are an integral part of the condensed interim 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.

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 period ended June 30, 2019 the Company incurred a net loss of \$1,212,358 (June 30, 2018: \$2,051,538). At June 30, 2019, the Company’s liabilities exceeded its assets by \$10,541,919 (December 31, 2018: \$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 and SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES, AND ASSUMPTIONS

(a) Statement of compliance

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 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, 2018. These condensed interim consolidated financial statements were reviewed

by the Audit Committee, and the Board of Directors approved and authorized them for issuance on August 27, 2019.

(b) Principles of consolidation

These condensed interim 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 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 in the opinion of management reflect all the adjustments considered necessary for the fair presentation in accordance with IFRS of the result of the interim periods presented.

New accounting standards

The Company has adopted the following new standards, along with any consequential amendments, effective January 1, 2019. These changes were made in accordance with the applicable transitional provisions and did not impact the Company's condensed interim consolidated financial statements.

- IFRS 16, "Leases": is effective for annual periods beginning on or after January 1, 2019.
- IFRIC 23, "Uncertainty over Income Tax Treatments": is effective for annual periods beginning on or after January 1, 2019.

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

For the six months ended June 30, 2019

Unaudited - Expressed in Canadian dollars

4. RESTRICTED CASH

At June 30, 2019, the Company has restricted cash of \$26,231 (December 31, 2018: \$26,041) to guarantee credit card balances.

5. INVESTMENT IN KGHM AJAX MINING INC.

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 June 30, 2019, KGHM owns 80% and the Company owns 20% of the common and voting shares of KGHM Ajax. Additionally, the Company has representation on the Board of Directors. As such, 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.

During the period ended June 30, 2019, Abacus contributed \$Nil (December 31, 2018: \$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. Cash calls are funded through additional loans from KGHM (Note 7).

	(\$)
December 31, 2017	6,390,810
Cash contributions to KGHM Ajax pursuant to cash calls	-
Share of the loss of KGHM Ajax	(205,632)
June 30, 2018	6,185,178
Cash contributions to KGHM Ajax pursuant to cash calls	-
Share of the loss of KGHM Ajax	(164,235)
December 31, 2018	6,020,943
Cash contributions to KGHM Ajax pursuant to cash calls	-
Share of the loss of KGHM Ajax	(126,321)
June 30, 2019	5,894,622

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

For the six months ended June 30, 2019

Unaudited - Expressed in Canadian dollars

A summary of 100% of the assets and liabilities of KGHM Ajax and selected results of operations for the period ended June 30, 2019 is as follows:

Selected financial information of KGHM Ajax	June 30, 2019		December 31, 2018	
Cash and cash equivalents	\$	1,258,269	\$	1,817,166
Current assets (excluding cash & cash equivalents)		131,152		206,478
Total non-current assets		<u>31,647,656</u>		<u>31,681,955</u>
Total assets	\$	33,037,077	\$	33,705,599
Current liabilities	\$	1,254,869	\$	1,291,785
Non-current liabilities		2,300,714		2,300,714
Total shareholders' equity		<u>29,481,494</u>		<u>30,113,100</u>
Total liabilities and equity	\$	33,037,077	\$	33,705,599
		Six months ended June 30 2019		Six months ended June 30 2018
Net and comprehensive loss	\$	631,606	\$	1,028,157
Revenue	\$	nil	\$	nil
Interest Income		19,233		14,812
Amortization		51,171		51,909
Interest expense		1,148		3,705
Income tax recovery		nil		nil
Impairment		nil		nil

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 June 30, 2019 and December 31, 2018, KGHM Ajax reviewed the carrying value of its mining and other assets and determined that no further impairment was indicated.

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

For the six months ended June 30, 2019

Unaudited - Expressed in Canadian dollars

6. EXPLORATION AND EVALUATION ASSETS

The Company has investigated ownership of its mineral interests as at June 30, 2019, and to the best of the Company's knowledge, ownership of its interests is in good standing.

	Balance December 31, 2018 (\$)	Acquisition Costs (\$)	Balance June 30, 2019 (\$)
Willow	226,891	2,917	229,808

The following table shows the activity by category of exploration:

Exploration and Evaluation Expenditures	June 30, 2019 (\$)	December 31, 2018 (\$)
Drilling	-	442,000
Consulting and project supervision	27,360	139,273
Other	4,415	44,663
Permitting	-	22,088
Surveying	-	28,900
Claims maintenance	-	42,679
Mapping	-	5,350
Total	31,775	724,953

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.)

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 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 an initial 60% 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") (#)	Minimum Annual Exploration Expenditures on the Exploration Program ("Expenditures") (US\$)
TSX-V approval (received February 22, 2017)	41,667 ⁽¹⁾	Nil
On or before the February 22, 2018	41,667 ⁽²⁾	100,000 ⁽³⁾
On or before the February 22, 2019	41,667 ⁽⁴⁾	300,000 ⁽⁵⁾
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>
Total	416,667	3,000,000

(1) Issued on March 16, 2017; valued at \$18,750.

(2) Issued on February 7, 2018; valued at \$9,167.

(3) Incurred

(4) Issued on February 19, 2019; valued at \$2,917

(5) Incurred

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

For the six months ended June 30, 2019

Unaudited - Expressed in Canadian dollars

Upon having earned the initial 60% interest in the Willow Property and until the 10th anniversary date of the date of regulatory approval, the Company will be required to incur minimum exploration expenditures on an exploration program on the Willow 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 initial 60% 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. Almadex 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 10th 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 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 NL 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 Agreement	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

ABACUS MINING & EXPLORATION CORPORATION (an exploration stage company)

Notes to the condensed interim consolidated financial statements

For the six months ended June 30, 2019

Unaudited - Expressed in Canadian dollars

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.

7. 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 June 30, 2019 \$Nil (2018: \$Nil) was provided by KGHM and the Company accrued interest of \$793,686 for the period (2018: \$705,341).

	(\$)
Total December 31, 2017	14,361,481
Funds advanced by KGHM	-
Interest	705,341
Total June 30, 2018	15,066,822
Funds advanced by KGHM	-
Interest	767,123
Total December 31, 2018	15,833,945
Funds advanced by KGHM	-
Interest	793,686
Total June 30, 2019	16,627,631

8. SHAREHOLDERS' EQUITY

(a) Authorized capital stock

At June 30, 2019, the authorized capital stock of the Company is comprised of an unlimited number of common shares without par value.

(b) Share issuances

On February 19, 2019, in connection with the Willow Option Agreement, the Company issued 41,667 common shares of the Company valued at \$2,917.

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

For the six months ended June 30, 2019

Unaudited - Expressed in Canadian dollars

On May 22, 2019, the Company closed a non-brokered private placement for gross proceeds of \$175,000 through the issuance of 3,500,000 units ("Units") at a price of \$0.05 per Unit. Each Unit consists of one common share of the Company and one non-transferable common share purchase warrant ("Warrant"), with each Warrant exercisable to purchase one common share of the Company at a price of \$0.08 per common share until May 22, 2022. The Company paid \$1,735 in cash commissions and issued 35,000 Warrants to finders, which warrants were valued at \$1,473 using the Black-Scholes Option Pricing Model and the following assumptions: risk-free interest rate of 1.75%, expected life of three years, expected volatility of 175.08% and dividend yield of 0%.

(c) Stock options

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.

As at June 30, 2019, the Company had stock options outstanding to directors, officers and consultants as follows:

Exercise price (\$)	Expiry date	Outstanding	
		Outstanding (#)	Remaining contractual life (yrs)
0.30	February 20, 2020	253,330	0.64
0.39	November 16, 2020	166,666	1.38
0.36	December 28, 2020	937,496	1.50
0.36	April 19, 2021	250,000	1.81
0.42	February 21, 2022	962,500	2.65
0.25	December 20, 2022	150,000	3.48
0.22	April 19, 2023	447,500	3.81
		3,167,492	2.22

The weighted average remaining contractual life of the stock options outstanding as at June 30, 2019 is 2.22 years (2018: 2.30 years).

A summary of the changes in the Company's stock options follows:

	Outstanding	Weighted average exercise price
Outstanding December 31, 2017	3,086,657	0.41
Granted	447,500	0.22
Outstanding June 30, 2018	3,534,157	0.35
Expired	(366,665)	0.72
Outstanding December 31, 2018	3,167,492	0.35
Outstanding June 30, 2019	3,167,492	0.35

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

(d) 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.

A summary of the changes in the Company's warrants follows:

	Outstanding	Weighted average exercise price	Expiry Date
Outstanding December 31, 2017	1,641,667	\$0.48	
Issued	4,142,500	\$0.30	April 3, 2021
Outstanding June 30, 2018	5,784,167	\$0.48	
Issued	4,917,290	\$0.20	Nov 23, 2021
Outstanding December 31, 2018	10,701,457	\$0.28	
Issued	3,535,000	\$0.08	May 22, 2022
Outstanding June 30, 2019	14,236,457	\$0.23	

As at June 30, 2019, the warrants, with a weighted average remaining life of 2.14 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
May 22, 2019	May 22, 2022	3,535,000	0.08
		14,236,457	

9. 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.

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 June 30, 2019 and 2018 follow:

	June 30, 2019 (\$)	June 30, 2018 (\$)
Accounting	16,065	18,438
Consulting and contract wages	122,250	175,571
Directors' fees	-	45,000
	138,315	239,009

During the period ended June 30, 2019, the Company paid a company, with directors in common, \$14,500 in respect of rent (2018: \$17,400).

At June 30, 2019, \$86,875 (December 31, 2018: \$94,410) was owed to various key management personnel in respect of consulting, contract wages and expenses incurred on behalf of the Company. The Company

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has arrangements with its directors, whereby it has agreed to provide directors fees, as to \$5,625 per quarter to the Company's non-executive directors, which directors fees were suspended effective July 1, 2018.

10. FINANCIAL RISK MANAGEMENT

Financial assets and liabilities have been classified into categories that determine their basis of measurement and, for items measured at fair value on a recurring basis, whether changes in fair value are recognized in loss or other comprehensive loss. The Company has classified its cash and cash equivalents, restricted cash and receivables as financial assets measured at amortized cost; accounts payable and accrued liabilities and KGHM Ajax project loan as financial liabilities measured at amortized cost. 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 and restricted cash (Note 4), as all amounts are held through a single major Canadian financial institution. The Company's concentration of credit risk and maximum exposure follows:

	June 30, 2019	December 31, 2018
	(\$)	(\$)
Bank accounts	108,694	202,003
Restricted cash	26,231	26,041
	<u>134,925</u>	<u>228,044</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 \$184,681 are due in the third quarter of 2019. At June 30, 2019, the Company had cash and cash equivalents, and accounts receivable of \$108,694 and \$3,200, respectively, which is insufficient to satisfy the expected requirements for the third quarter of 2019.

(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%.

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(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.

11. 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:

	June 30, 2019	December 31, 2018
	(\$)	(\$)
Exploration & Evaluation Assets		
Canada	-	-
United States	229,808	226,891
	229,808	226,891
	June 30, 2019	December 31, 2018
	(\$)	(\$)
Total Assets		
Canada	6,040,585	6,274,915
United States	229,808	226,891
	6,270,393	6,501,806

12. SUBSEQUENT EVENT

On August 13, 2019, the Company granted options to employees, consultants, directors and officers of the Company allowing for the purchase of up to, in the aggregate, 520,000 shares at \$0.05 per share until August 13, 2024.