

# **Abacus Mining & Exploration Corporation**

(an exploration stage company)

Condensed Interim Consolidated Financial Statements

**March 31, 2020**

(Unaudited)

(Expressed in Canadian dollars)

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

#### **NOTICE TO READER**

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

Abacus Mining & Exploration Corporation's independent auditor has not performed a review of these unaudited condensed interim consolidated financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of 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	March 31, 2020	December 31, 2019
<b>ASSETS</b>		<b>(\$)</b>	<b>(\$)</b>
<b>Current assets:</b>			
Cash and cash equivalents		209,643	431,575
Amounts receivable		1,007	4,810
Prepaid expenses		11,934	17,584
		<u>222,584</u>	<u>453,969</u>
<b>Non-current assets:</b>			
Investment in KGHM Ajax Mining Inc.	4	5,588,481	5,634,214
Exploration and evaluation assets	5	294,231	263,022
		<u>5,882,712</u>	<u>5,897,236</u>
		<b><u>6,105,296</u></b>	<b><u>6,351,205</u></b>
<b>LIABILITIES AND SHAREHOLDERS' DEFICIT</b>			
<b>Current liabilities:</b>			
Accounts payable and accrued liabilities		262,077	372,988
KGHM Ajax project loan	6	17,892,602	17,460,712
		<u>18,154,679</u>	<u>17,833,700</u>
<b>Shareholders' deficit:</b>			
Capital stock	7	87,448,931	87,444,348
Reserves-options		5,621,367	5,458,359
Reserve - warrants		35,625	35,625
Deficit		<u>(105,155,306)</u>	<u>(104,420,827)</u>
		<u>(12,049,383)</u>	<u>(11,482,495)</u>
		<b><u>6,105,296</u></b>	<b><u>6,351,205</u></b>

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 11)

Approved and authorized for issue by the Board of Directors on May 28, 2020

"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	
		March 31, 2020	March 31, 2019
		(\$)	(\$)
<b>General and administrative expenses:</b>			
Accounting and audit		11,550	14,396
Exploration and evaluation expenditures	5	6,397	16,222
Foreign exchange gain		(124)	(4,019)
Insurance		5,650	7,317
Interest expense	6	431,890	387,138
Legal		5,147	-
Office		4,972	4,354
Rent		4,800	8,700
Salaries and contract wages		38,884	70,374
Share-based payments	7	163,008	-
Transfer agent and regulatory fees		7,939	11,703
Travel and promotion		8,633	17,241
		<u>688,746</u>	<u>533,428</u>
Other items:			
Interest income		-	96
Loss on equity investment in KGHM Ajax Mining Inc.	4	(45,733)	(41,961)
		<u>734,479</u>	<u>575,293</u>
<b>Loss and comprehensive loss for the period</b>			
Loss per share, basic and diluted		(0.01)	(0.01)
Weighted average number of common shares outstanding	#	62,682,296	# 48,267,628

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

	NOTE	Share capital		Reserve		Deficit	Total shareholders' deficit
		Number of shares	Capital stock	Stock options	Warrants		
		(#)	(\$)	(\$)	(\$)	(\$)	(\$)
<b>Balance, December 31, 2018</b>		<b>48,249,109</b>	<b>86,742,990</b>	<b>5,427,674</b>	<b>27,953</b>	<b>(101,704,350)</b>	<b>(9,505,733)</b>
Issued for Willow property option	5,7	41,667	2,917	-	-	-	2,917
Loss and comprehensive loss for the period		-	-	-	-	(575,293)	(575,293)
<b>Balance, March 31, 2019</b>		<b>48,290,776</b>	<b>86,745,907</b>	<b>5,427,674</b>	<b>27,953</b>	<b>(102,279,643)</b>	<b>(10,078,109)</b>
Securities issued for cash	7	14,370,000	718,500	-	-	-	718,500
Share issuance costs - cash		-	(12,387)	-	-	-	(12,387)
Share issuance costs - warrants		-	(7,672)	-	7,672	-	-
Share-based payments		-	-	30,685	-	-	30,685
Loss and comprehensive loss for the period		-	-	-	-	(2,141,184)	(2,141,184)
<b>Balance, December 31, 2019</b>		<b>62,660,776</b>	<b>87,444,348</b>	<b>5,458,359</b>	<b>35,625</b>	<b>(104,420,827)</b>	<b>(11,482,495)</b>
Issued for Willow property option	5,7	41,667	4,583	-	-	-	4,583
Share-based payments		-	-	163,008	-	-	163,008
Loss and comprehensive loss for the period		-	-	-	-	(734,479)	(734,479)
<b>Balance, March 31, 2020</b>		<b>62,702,443</b>	<b>87,448,931</b>	<b>5,621,367</b>	<b>35,625</b>	<b>(105,155,306)</b>	<b>(12,049,383)</b>

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

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

Unaudited- Expressed in Canadian dollars

	March 31, 2020	March 31, 2019
	(\$)	(\$)
<b>Operating activities:</b>		
Loss for the period	(734,479)	(575,293)
Items not involving cash:		
Share of loss in equity investment	45,733	41,961
Share-based payments	163,008	-
Interest expense	431,890	387,138
Changes in working capital related to operating activities:		
Prepaid expenses	5,650	7,317
Amounts receivable	3,803	1,574
Accounts payable and accrued liabilities	(110,912)	5,792
<b>Cash used for operating activities</b>	<b>(195,306)</b>	<b>(131,511)</b>
<b>Investing activities:</b>		
Exploration and evaluation assets	(26,626)	-
Interest on restricted cash	-	(96)
<b>Cash used for investing activities</b>	<b>(26,626)</b>	<b>(96)</b>
Increase (decrease) in cash and cash equivalents during the period	(221,932)	(131,607)
Cash and cash equivalents, beginning of the period	431,575	202,003
<b>Cash and cash equivalents, end of period</b>	<b>209,643</b>	<b>70,396</b>

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

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

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

For the three months ended March 31, 2020

Unaudited - Expressed in Canadian dollars

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**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. As at March 31, 2020 the Company had a working capital deficit (current assets less current liabilities) of \$17,932,095 (December 31, 2019: working capital deficit of \$17,379,731), which working capital deficit includes the KGHM Ajax project loan (the “KGHM Loan”), with a carrying value of \$17,892,602 (December 31, 2019: \$17,460,712) (Note 6). During the three month period ended March 31, 2020 the Company incurred a loss of \$734,479 (March 31, 2019: \$575,293) and used cash for operating activities of \$195,306 (March 31, 2019: \$131,511).

The KGHM Loan is secured by the investment in KGHM Ajax, is non-revolving, bears interest of 10% per annum, matures on December 31, 2020, and specifies the good faith commitment of the parties to negotiate for an extension of the maturity date, should the commencement of commercial production and the distribution of dividends, in an aggregate amount sufficient for purposes of repayment of the loan, not have occurred by the maturity date. At March 31, 2020 and as at the date of these condensed interim consolidated financial statements, the Company does not have the funds available to satisfy the loan. 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 required for the Ajax Project to proceed toward commercial production. Because the Ajax project is currently not able to proceed, the Company will need to negotiate an extension to the term of the KGHM Loan and there can be no assurance that an extension of the maturity date of the KGHM Loan will be negotiated prior to December 31, 2020.

The Company continues to incur operating losses, has limited financial resources, no source of operating cash flow, and no assurances that sufficient funding 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, to renegotiate the maturity date of the KGHM Loan 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. See also Note 11.

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 condensed interim consolidated 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 follow the same accounting policies and methods of their application as the most recent annual financial statements and should be read in conjunction with the Company's annual financial statements for the year ended December 31, 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 presentation currency of the Company and the functional currency of the Company is the Canadian dollar. Transactions in currencies other than the functional currency are recorded at rates approximating those in effect at the time of the transactions. Monetary items are translated at the exchange rate in effect at the balance sheet date and non-monetary items are translated at historical exchange rates. Translation gains and losses are reflected in the consolidated statements of loss and comprehensive loss for the period. Unless otherwise indicated, all dollar amounts in these condensed interim consolidated financial statements are in Canadian dollars.

**(d) Significant accounting estimates and judgments**

The preparation of these condensed interim consolidated 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 condensed interim consolidated 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 condensed interim consolidated financial statements.

As part of this process, management prepares cash flow budgets detailing expected expenditures

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

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

For the three months ended March 31, 2020

Unaudited - Expressed in Canadian dollars

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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, 2019 and 2018 and did not identify any impairment indicators.

*Estimates and assumptions*

*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, 2019 and December 31, 2018.

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 estimating fair value of KGHM Ajax's non current 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.

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. SIGNIFICANT ACCOUNTING POLICIES**

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.

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

For the three months ended March 31, 2020

Unaudited - Expressed in Canadian dollars

**4. 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 March 31, 2020, 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 March 31, 2020, Abacus contributed \$Nil (December 31, 2019: \$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 6).

	(\$)
<b>December 31, 2018</b>	<b>6,020,943</b>
Cash contributions to KGHM Ajax pursuant to cash calls	-
Share of the loss of KGHM Ajax	(41,961)
<b>March 31, 2019</b>	<b>5,978,982</b>
Cash contributions to KGHM Ajax pursuant to cash calls	-
Share of the loss of KGHM Ajax	(344,768)
<b>December 31, 2019</b>	<b>5,634,214</b>
Cash contributions to KGHM Ajax pursuant to cash calls	-
Share of the loss of KGHM Ajax	(45,733)
<b>March 31, 2020</b>	<b>5,588,481</b>

A summary of 100% of the assets and liabilities of KGHM Ajax and selected results of operations for the period ended March 31, 2020 is as follows:

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

For the three months ended March 31, 2020

Unaudited - Expressed in Canadian dollars

Selected financial information of KGHM Ajax	March 31, 2020	December 31, 2019
Cash and cash equivalents	\$ 726,865	\$ 863,422
Current assets (excluding cash & cash equivalents)	178,422	249,061
Total non-current assets	<u>30,691,011</u>	<u>30,660,294</u>
<b>Total assets</b>	<b>\$ 31,596,298</b>	<b>\$ 31,772,777</b>
Current liabilities	\$ 1,458,703	\$ 1,406,517
Non-current liabilities	2,186,805	2,186,805
Total shareholders' equity	<u>27,950,790</u>	<u>28,179,455</u>
<b>Total liabilities and equity</b>	<b>\$ 31,596,298</b>	<b>\$ 31,772,777</b>
	Three months ended March 31, 2020	Three months ended March 31, 2019
Net and comprehensive loss	\$ 228,665	\$ 209,806
Revenue	\$ nil	\$ nil
Interest Income	(2,821)	(5,304)
Amortization	20,200	25,316
Interest expense	nil	1,148
Income tax expense (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 March 31, 2020 and December 31, 2019, KGHM Ajax assessed the carrying value of its mining and other assets and determined that no further impairment was indicated. The assessment with respect to the Ajax project was again done based on the estimated fair value of KGHM Ajax's non-current assets.

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

For the three months ended March 31, 2020

Unaudited - Expressed in Canadian dollars

**5. EXPLORATION AND EVALUATION ASSETS**

The Company has investigated ownership of its mineral interests as at March 31, 2020, and to the best of the Company's knowledge, ownership of its interests is in good standing.

	Willow Project (\$)	Jersey Valley (\$)	Total (\$)
<b>December 31, 2018</b>	<b>226,891</b>	-	<b>226,891</b>
Acquisition Costs	2,917	-	2,917
<b>March 31, 2019</b>	<b>229,808</b>	-	<b>229,808</b>
Acquisition Costs	26,515	6,699	33,214
<b>December 31, 2019</b>	<b>486,131</b>	<b>6,699</b>	<b>263,022</b>
Acquisition Costs	4,583	26,626	31,209
<b>March 31, 2020</b>	<b>490,714</b>	<b>33,325</b>	<b>294,231</b>

The following table shows the activity by category of exploration:

	March 31, 2020 (\$)	December 31, 2019 (\$)
<b>Exploration and Evaluation Expenditures</b>		
Consulting and project supervision	5,359	36,493
Other	1,038	7,790
Claims maintenance	-	54,859
<b>Total</b>	<b>6,397</b>	<b>99,142</b>

**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:

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

For the three months ended March 31, 2020

Unaudited - Expressed in Canadian dollars

	Common shares in the capital of Abacus (the "Shares")	Minimum Annual Exploration Expenditures on the Exploration Program ("Expenditures")
Date	(#)	(US\$)
TSX-V approval (received February 22, 2017)	41,667 <sup>(1)</sup>	Nil
On or before the February 22, 2018	41,667 <sup>(2)</sup>	100,000 <sup>(3)</sup>
On or before the February 22, 2019	41,667 <sup>(4)</sup>	300,000 <sup>(5)</sup>
On or before the February 22, 2020	41,667 <sup>(6)</sup>	600,000 <sup>(7)</sup>
On or before the February 22, 2021	83,333	800,000
On or before the February 22, 2022	166,666	1,200,000
<b>Total</b>	<b>416,667</b>	<b>3,000,000</b>

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

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

<sup>(3)</sup> Incurred

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

<sup>(5)</sup> Incurred

<sup>(6)</sup> Issued on February 13, 2020; valued at \$4,583

<sup>(7)</sup> Incurred

Upon having earned the 60% Option Interest in the Willow Property and until February 22, 2027, 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. 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 February 22, 2027. 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, as amended, (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:

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

For the three months ended March 31, 2020

Unaudited - Expressed in Canadian dollars

<b>Date</b>	<b>Minimum Payments (US\$)</b>	<b>Date</b>	<b>Cumulative Minimum Annual Exploration Expenditures</b>
Initial minimum payment	3,000 <sup>(1)</sup>	-	-
On execution of the Agreement	60,000 <sup>(2)</sup>	On or before December 31, 2018	20,000 <sup>(3)</sup>
On or before January 1, 2019	70,000 <sup>(4)</sup>	On or before December 31, 2019	40,000 <sup>(5)</sup>
On or before January 1, 2020	20,000 <sup>(6)</sup>	On or before December 31, 2020	60,000
On or before December 31, 2020	60,000	-	-
On or before January 1, 2021	90,000	On or before December 31, 2021	80,000
On or before January 1, 2022	100,000	On or before December 31, 2022	100,000
On or before January 1, 2023	110,000	On or before December 31, 2023	120,000
On or before January 1, 2024	120,000	On or before December 31, 2024	140,000
On or before January 1, 2025	130,000	On or before December 31, 2025	160,000
On or before January 1, 2026	140,000	On or before December 31, 2026	180,000
On or before January 1, 2027	150,000	On or before December 31, 2027	200,000
<b>Total</b>	<b>1,053,000</b>		

<sup>(1)</sup> Paid August 15, 2017<sup>(2)</sup> Paid February 6, 2018<sup>(3)</sup> Incurred<sup>(4)</sup> Paid December 20, 2018<sup>(5)</sup> Incurred<sup>(6)</sup> Paid December 19, 2019

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.

**Jersey Valley Property:**

On October 10, 2019, the Company entered into a Letter of Intent (the "Jersey Valley LOI") with a private Nevada company for a 15-year lease on the Jersey Valley gold property, located in Nevada. On February 25, 2020, the Jersey Valley LOI was replaced with the Mining Lease and Option to Purchase Agreement (the "Jersey Valley Agreement"). The Jersey Valley Agreement is a 15-year exclusive lease allowing the Company to explore the property pursuant to the following payment schedule:

	<b><u>US\$</u></b>
On signing (Paid)	5,000
On or before January 31, 2020 (Paid)	20,000
On or before October 10, 2020	25,000
On or before October 10, 2021	35,000
On or before October 10, 2022	50,000
On or before October 10, 2023	100,000
On or before October 10 of each year beginning with the year 2024	150,000

The Jersey Valley property can be purchased outright at any time for US\$2,000,000 and includes an NSR of 2% if the price of gold is less than US\$1,600, and 3% if the price is greater than US\$1,600.

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

For the three months ended March 31, 2020

Unaudited - Expressed in Canadian dollars

**6. 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 additional debt or dispose of assets, in each case in excess of \$100,000, the funds borrowed or sales proceeds received must be used to make repayments on the KGHM Loan. Because the Ajax project is currently not able to proceed, the Company will need to negotiate an extension to the term of the KGHM Loan.

For the period ended March 31, 2020 \$Nil (2019: \$Nil) was provided by KGHM and the Company accrued interest of \$431,890 for the period (2019: \$387,138).

	(\$)
<b>Total December 31, 2018</b>	<b>15,833,945</b>
Funds advanced by KGHM	-
Interest	387,138
<b>Total March 31, 2019</b>	<b>16,221,082</b>
Funds advanced by KGHM	-
Interest	1,239,630
<b>Total December 31, 2019</b>	<b>17,460,712</b>
Funds advanced by KGHM	-
Interest	431,890
<b>Total March 31, 2020</b>	<b>17,892,602</b>

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

At March 31, 2020, the authorized capital stock of the Company is comprised of an unlimited number of common shares without par value.

**(a) Share issuances**

On February 13, 2020, in connection with the Willow Option Agreement, the Company issued 41,667 common shares of the Company valued at \$4,583.

**(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 shares. 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

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

For the three months ended March 31, 2020

Unaudited - Expressed in Canadian dollars

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 March 31, 2020, the Company had stock options outstanding to directors, officers and consultants as follows:

Exercise price (\$)	Expiry date	Outstanding	
		Outstanding (#)	Remaining contractual life (yrs)
0.39	November 16, 2020	166,666	0.63
0.36	December 28, 2020	912,496	0.74
0.36	April 19, 2021	250,000	1.05
0.42	February 21, 2022	912,503	1.89
0.25	December 20, 2022	150,000	2.72
0.22	April 19, 2023	422,500	3.04
0.05	August 13, 2024	520,000	4.36
0.10	February 10, 2025	1,681,250	4.86
		<b>5,015,415</b>	<b>2.98</b>

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

	Outstanding (#)	Weighted average exercise price (\$)
<b>Outstanding December 31, 2018</b>	<b>3,167,492</b>	<b>0.35</b>
<b>Outstanding March 31, 2019</b>	<b>3,167,492</b>	<b>0.35</b>
Granted	520,000	0.05
Expired	(108,330)	0.35
<b>Outstanding December 31, 2019</b>	<b>3,579,162</b>	<b>0.31</b>
Granted	1,681,250	0.10
Expired	(244,997)	0.30
<b>Outstanding March 31, 2020</b>	<b>5,015,415</b>	<b>0.24</b>

***During the period ended March 31, 2020:***

On February 10 2020 the Company granted options allowing for the purchase of up to, in the aggregate, 1,681,250 shares at \$0.10 per share until February 10, 2025, to employees, consultants, directors and officers of the Company. The options vested immediately and the total amount of share-based payments expense was calculated at \$163,008, which was recognized during the period ended March 31, 2020. The grant date fair value was estimated using the Black-Scholes option pricing model with the following assumptions

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

For the three months ended March 31, 2020

Unaudited - Expressed in Canadian dollars

Assumptions:	
Risk-free rate (%)	1.75
Expected stock price volatility (%)	135
Expected dividend yield (%)	0
Expected life of options (years)	5

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
<b>Outstanding December 31, 2018</b>	<b>10,701,457</b>	<b>\$0.28</b>
<b>Outstanding March 31, 2018</b>	<b>10,701,457</b>	<b>\$0.49</b>
Issued	3,500,000	\$0.08
Issued	35,000	\$0.08
Issued	10,870,000	\$0.08
Issued	143,500	\$0.08
<b>Outstanding December 31, 2019</b>	<b>25,249,957</b>	<b>\$0.10</b>
Expired	(1,641,667)	\$0.48
<b>Outstanding March 31, 2020</b>	<b>23,608,290</b>	<b>\$0.14</b>

As at March 31, 2020, the warrants, with a weighted average remaining life of 2.11 years, expire as follows:

Issue date	Expiry date	Number (#)	Exercise price (\$)
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
December 20, 2019	December 20, 2022	11,013,500	0.08
		<b>23,608,290</b>	

**8. RELATED PARTY TRANSACTIONS**

The Company has arrangements pursuant to which parties related to the Company by way of directorship or officership provide certain services, either directly or through companies owned or controlled by the officers and directors. Transactions were in the normal course of operations and all of the costs recorded are based on fair value. The Company's related party expenses for the periods ended March 31, 2020 and 2019 are as follows:

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

For the three months ended March 31, 2020

Unaudited - Expressed in Canadian dollars

<b>Management's and director's compensation</b>	<b>March 31, 2020</b>	<b>March 31, 2019</b>
	(\$)	(\$)
Accounting	5,250	6,438
Consulting and contract wages	29,689	61,125
	<b>34,939</b>	<b>67,563</b>

During the period ended March 31, 2020, the Company was charged, by a company with directors in common, \$4,800 in respect of rent (2019: \$8,700).

At March 31, 2020, \$161,899 (December 31, 2019: \$164,498) was owed to various key management personnel in respect of consulting and contract wages and expenses incurred on behalf of the Company. 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 three non-executive directors, which directors fees were suspended effective July 1, 2018.

**9. 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 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, 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, as all amounts are held through a single major Canadian financial institution. The Company's concentration of credit risk and maximum exposure follows:

<b>Concentration of credit risk and maximum exposure</b>	<b>March 31, 2020</b>	<b>December 31, 2019</b>
	(\$)	(\$)
Bank accounts	209,643	431,575

**(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 \$262,077 (December 31, 2019: \$372,988) are due in the second quarter of 2020. Additionally, in connection with the Company's interest at the Ajax Project, the Company is party to the KGHM Loan, which at March 31, 2020 had a carrying value of \$17,892,602 (December 31, 2019: \$17,460,712). (See Note 1)

**(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

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

For the three months ended March 31, 2020

Unaudited - Expressed in Canadian dollars

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.

**10. SEGMENTED INFORMATION**

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

	March 31, 2020	December 31, 2019
	(\$)	(\$)
<b>Exploration &amp; Evaluation Assets</b>		
Canada	-	-
United States	294,231	263,022
	<b>294,231</b>	<b>263,022</b>
	March 31, 2020	December 31, 2019
	(\$)	(\$)
<b>Total Assets</b>		
Canada	5,811,064	6,088,184
United States	294,231	263,022
	<b>6,105,296</b>	<b>6,351,205</b>

**11. SUBSEQUENT EVENT**

Since March 2020, several governmental measures have been implemented in Canada and the rest of the world in response to the coronavirus (COVID-19) pandemic. While the impact of COVID-19 and these measures are expected to be temporary, the current circumstances are dynamic and the impacts of COVID-19 on the Company's business operations cannot be reasonably estimated at this time. The Company anticipates this could have an adverse impact on its business, results of operations, financial position and cash flows in 2020. The Company continues to operate its business, and in response to Federal and Provincial emergency measures, has requested its employees and consultants work remotely wherever possible. These government measures, which could include government mandated closures of international borders, of the Company or its contractors, could impact the Company's ability to conduct its

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

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

For the three months ended March 31, 2020

Unaudited - Expressed in Canadian dollars

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exploration programs in a timely manner, and the Company is evaluating the best way to move its exploration activities forward when the emergency measures are lifted.