Abacus Mining & Exploration Corporation

(an exploration stage company)

Financial Statements

December 31, 2016 and 2015

(Expressed in Canadian dollars)

Index

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Independent Auditor's Report

To the Shareholders of
Abacus Mining & Exploration Corp.

We have audited the accompanying financial statements of Abacus Mining & Exploration Corp., which comprise the statement of financial position as at December 31, 2016 and the statements of comprehensive loss, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Abacus Mining & Exploration Corp. as at December 31, 2016 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other matter

The financial statements as at December 31, 2015 and for the year then ended were audited by other auditors who expressed an unqualified opinion in their report dated April 15, 2016.

/s/ Deloitte LLP

Chartered Professional Accountants
April 13, 2017
Vancouver, Canada

ABACUS MINING & EXPLORATION CORPORATION (an exploration stage company)

Statements of financial position

Expressed in Canadian dollars

	NOTE	December 31, 2016	December 31, 2015
ASSETS		**($)**	**($)**
Current assets:			
Cash and cash equivalents	**4**	1,006,957	1,626,237
Amounts receivable		9,968	6,841
Prepaid expenses		15,066	15,066
Loan receivable	**5**	-	280,000
		1,031,991	1,928,144
Non-current assets:			
Equipment		14,220	19,330
Restricted cash	**7**	25,948	47,252
Investment in KGHM Ajax Mining Inc.	**6**	22,040,341	46,759,876
		22,080,509	46,826,458
		23,112,500	**48,754,602**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Accounts payable and accrued liabilities		76,513	50,049
Long-term liabilities:			
Loan payable to KGHM	**6**	12,258,118	7,940,250
		12,334,631	7,990,299
Shareholders' equity:	**8**		
Capital stock		84,408,367	84,408,367
Share-based payments reserve		5,019,746	4,931,912
Deficit		(78,650,244)	(48,575,976)
		10,777,869	40,764,303
		23,112,500	**48,754,602**

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

Contingencies (Note 9)

Subsequent events (Note 14)

Approved on behalf of the Board by:

"Michael McInnis" — Chief Executive Officer

"Kerry Spong" — Director

ABACUS MINING & EXPLORATION CORPORATION (an exploration stage company)

Statements of comprehensive loss

Expressed in Canadian dollars

	Note	December 31 2016	December 31 2015
		($)	**($)**
General and administrative expenses:			
Accounting and audit		61,849	66,083
Amortization		5,110	7,054
Consulting and directors' fees		183,724	187,455
Insurance		20,442	23,769
Interest expense	**6**	1,002,511	530,641
Investor relations		18,010	10,520
Legal		39,758	99,642
Office		32,310	18,996
Rent		22,315	26,767
Salaries and contract wages		213,438	153,225
Share-based payments	**8**	87,834	306,619
Transfer agent and regulatory fees		26,960	21,376
Travel and promotion		33,971	34,406
		(1,748,232)	(1,486,553)
Other items:			
Partial refund of proceeds on disposal of interest in Ajax project	**7**	-	(3,000,000)
Write off of loan receivable	**5**	(290,000)	-
Interest income		23,499	78,903
(Loss) income on equity investment in KGHM Ajax Mining Inc.	**6**	(28,059,535)	404,120
Foreign exchange gain	**7**	-	131,081
Net loss and comprehensive loss for the year		**(30,074,268)**	**(3,872,449)**
Loss per share, basic and diluted		(0.14)	(0.02)
Weighted average number of common shares outstanding	#	214,157,611 #	214,157,611

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

ABACUS MINING & EXPLORATION CORPORATION (an exploration stage company)

Statements of changes in shareholders' equity

Expressed in Canadian dollars

	NOTE	Number of shares	Capital stock	Share-based payments reserve	Deficit	Total shareholders' equity
		(#)	**($)**	**($)**	**($)**	**($)**
Balance December 31, 2014		**214,157,611**	**84,408,367**	**4,625,293**	**(44,703,527)**	**44,330,133**
Share-based payments	**8c**	-	-	306,619	-	306,619
Loss and comprehensive loss for the year		-	-	-	(3,872,449)	(3,872,449)
Balance December 31, 2015		**214,157,611**	**84,408,367**	**4,931,912**	**(48,575,976)**	**40,764,303**
Share-based payments	**8c**	-	-	87,834	-	87,834
Loss and comprehensive loss for the year		-	-	-	(30,074,268)	(30,074,268)
Balance, December 31, 2016		**214,157,611**	**84,408,367**	**5,019,746**	**(78,650,244)**	**10,777,869**

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

ABACUS MINING & EXPLORATION CORPORATION (an exploration stage company)

Statements of cash flows

Expressed in Canadian dollars

	NOTE	December 31, 2016	December 31, 2015
		($)	**($)**
Operating activities:			
Net loss for the year		(30,074,268)	(3,872,449)
Items not involving cash:			
Share of loss (income) in equity investment	**6**	28,059,535	(404,120)
Share-based payments	**8**	87,834	306,619
Amortization		5,110	7,054
Interest expense		1,002,511	530,641
Loan receivable written off	**5**	290,000	-
Foreign exchange gain on restricted cash	**7**	-	(131,081)
Changes in working capital related to operating activities:			
Prepaid expenses		-	8,210
Amounts receivable		(3,248)	2,825
Accounts payable and accrued liabilities		26,464	13,452
Loan receivable		(10,000)	(20,000)
Due from KGHM Ajax Mining Inc.		-	116,314
Partial refund of proceeds on disposal of interest in Ajax project	**7**	-	3,000,000
Cash used for operations:		(616,062)	(442,535)
Interest paid		-	(360,000)
Cash used for operating activities		**(616,062)**	**(802,535)**
Investing activities:			
Restricted cash	**7**	21,304	3,793,553
Cash contributions to equity investment	**4,6**	(24,522)	(3,449,000)
Cash (used for) provided by investing activities		**(3,218)**	**344,553**
Decrease in cash and cash equivalents during the year		(619,280)	(457,982)
Cash and cash equivalents, beginning of the year		1,626,237	2,084,219
Cash and cash equivalents, end of year		**1,006,957**	**1,626,237**

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

1. NATURE OF OPERATIONS

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

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

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

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

On April 2, 2012, KGHM exercised its option to acquire an additional 29% of KGHM Ajax, thereby increasing its ownership in KGHM Ajax to 80% (Notes 6 and 7). The Joint Venture Agreement includes provisions allowing Abacus to fund its share of cash calls from the Ajax project through to production using loans from KGHM International. Such loans will be repaid from Abacus's share of future dividends from the joint venture.

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

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

(a) Basis of preparation

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The financial statements, except for cash flow information, has been prepared using the accrual basis of accounting. The financial statements are presented in Canadian dollars, except where otherwise noted. The financial statements of Abacus were reviewed by the Audit Committee, and the Board of Directors approved and authorized for issue the financial statements on April 13, 2017.

(b) Significant accounting judgments, estimates, and assumptions

The preparation of 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 financial statements, and the reported amounts of expenses during the reporting period. In particular, significant judgments made by management in the application of IFRS during the preparation of the financial statements and estimates with a risk of material adjustment are:

(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 the Company's interest in KGHM Ajax. The Company performed an assessment, in accordance with its accounting policy, and did identify objective evidence of impairment as at December 31, 2016. Even though indicators of impairment were found, based on assessment, recoverable amount was greater than carrying value and therefore, no further impairment was recorded for investment.

Where objective evidence of impairment is found, the recoverable amount of the investment in KGHM Ajax would involve using the most recent available economic models and forecasts in assessing whether a potential impairment has occurred. The assumptions to which the calculation of recoverable amount is most sensitive are ore production volume, long term metal prices, discount rates, operating costs, and development and construction costs. 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) *Recoverability of loan receivable*
The loan receivable is subject to review for impairment at every reporting period end. In assessing whether there is any objective evidence of impairment, consideration is given to the borrower's financial position, the nature of any security relating to the loan receivable and its ability to generate cash through operations or from financings in order to be able to satisfy its obligations. Based on management's assessment, the loan receivable was not impaired as at December 31, 2015 and was written off in the year ended December 31, 2016.

(iii) *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 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

The following is a summary of the Company's 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 statements of comprehensive loss. The Company's 20% (2014: 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) Mineral interests

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

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

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

(d) 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.

(e) Equipment

Equipment is recorded at cost and amortized using the declining-balance method at an annual rate of 20% for office and other equipment and 30% for computer equipment. Amortization on leasehold improvements is recorded on a straight-line basis over the term of the lease of five years.

(f) Earnings (loss) per share

Earnings (loss) per share are calculated using the weighted average number of common shares outstanding during the period. The computation of diluted earnings per share is performed by presuming the exercise of outstanding options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to re-purchase common shares at the average market price during the period. However, the calculation of diluted loss per share excludes the effects of conversions or exercise of options and warrants if they would be anti-dilutive.

(h) 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.

(i) Income taxes

The Company uses the statement of financial position method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. 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.

(j) Mining and exploration tax credit recoveries

The Company recognizes mining and exploration tax credit recoveries in the period in which the related qualifying resource expenditures are incurred. The amount recoverable is subject to review and approval by the taxation authorities and is adjusted for in the period when such approval is confirmed.

(k) 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.

(l) Financial instruments

(i) *Financial assets*

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

- FVTPL - This category comprises derivatives, or assets acquired or incurred principally for the purpose of selling or repurchasing in the near term. They are carried in the statements of financial position at fair value with changes in fair value recognized in net income (loss).
- *Loans and receivables* - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortized cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.
- *Available-for-sale* - Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized in other comprehensive income as a component of equity. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized in net income (loss).

All financial assets, except for those classified as FVTPL, are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired.

(ii) *Financial liabilities*

The Company classifies its financial liabilities into one of two categories. The Company's accounting policy for each category is as follows:

- *FVTPL* - This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing them in the near term. They are carried in the statements of financial position at fair value with changes in fair value recognized in net income (loss).

Expressed in Canadian dollars

- *Other financial liabilities* - This category includes promissory notes, amounts due to related parties, and accounts payables and accrued liabilities, interest payable to KGHM Ajax and loan from KGHM, all of which are recognized at amortized cost.

(m) Segmented information

The Company has one operating segment, mineral exploration and development, and operates in one geographical segment, being Canada.

(n) New accounting standards not yet adopted

Standards and amendments issued but not yet effective up to the date of authorization of these financial statements are as below:

IFRS 9, Financial Instruments, addresses classification and measurement of financial assets. It replaces the multiple category and measurement models in IAS 39 Financial Instruments: Recognition and Measurement for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. Requirements for financial liabilities are largely carried forward from the existing requirements in IAS 39 except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss are generally recorded in other comprehensive income. The effective date of this new standard will be for periods beginning on or after January 1, 2018 with early adoption permitted. The Company has not yet assessed the impact of this standard or determined whether it will adopt earlier.

IFRS 16, Leases specifies how an issuer will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less, or the underlying asset has an insignificant value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. IFRS 16 was issued in January 2016 and applies to annual reporting periods beginning on or after January 1, 2019. The Company has not yet assessed the impact of this standard or determined whether it will adopt earlier.

4. CASH AND CASH EQUIVALENTS

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

Cash and cash equivalents	December 31, 2016	December 31, 2015
	($)	**($)**
Bank accounts	81,957	60,794
Savings account	925,000	1,565,443
	1,006,957	1,626,237

Expressed in Canadian dollars

Supplemental information with respect to cash flows consists of the following, and include non-cash items:

Supplemental cash flows	December 31, 2016	December 31, 2015
Supplemental disclosures:	**($)**	**($)**
Interest on cash and cash equivalents	10,281	38,662
Interest on restricted cash (Note 7)	3,218	40,241
Significant non-cash items:		
Loan payable to KGHM	3,315,478	7,651,000
Contributions to equity investment	3,315,478	7,651,000

5. LOAN RECEIVABLE

On June 27, 2014, Abacus and Burnstone Ventures Inc. ("Burnstone") entered into a loan and security agreement (the "Loan") pursuant to which Abacus advanced $250,000 to Burnstone, to be used in relation to Burnstone's Tomichi Project located in Colorado. The Loan, bearing interest of 8% per annum, was due to mature on December 31, 2015, and was secured by a first priority security interest over Burnstone's option to acquire a 100% interest in the Tomichi Project. On January 12, 2016, the maturity date of the loan was extended to July 31, 2016. Subsequent to July 31, 2016 the Company was advised that Burnstone had been unable to maintain its agreement on the Tomichi Project in good standing, and was also unable to satisfy its indebtedness to the Company; consequently, the Company wrote off principal of $250,000 and accrued interest of $40,000.

6. INVESTMENT IN KGHM AJAX MINING INC.

As at December 31, 2016, the Company owns 20% of the common and voting shares of KGHM Ajax. (2015: 20%). KGHM Ajax is a private company incorporated under the Corporations Act (British Columbia) and is currently engaged principally in the exploration and development of the Ajax Project located near Kamloops, British Columbia, which is its principal place of operation. KGHM Ajax's two shareholders are KGHM and the Company. As the Company owns 20% of the outstanding common shares of KGHM Ajax and also has representation on the Board of Directors, the Company is considered to have significant influence over KGHM Ajax, and accordingly accounts for its investment in KGHM Ajax using the equity method. Under the equity method, the investment in KGHM Ajax is initially recognized at cost then subsequently adjusted for the Company's share of the profits and/or losses of KGHM Ajax as well as distributions received from KGHM Ajax. To date no dividends or distributions to shareholders of KGHM Ajax have occurred.

During the year ended December 31, 2016, Abacus contributed $3,340,000 (2015: $11,100,000) to KGHM Ajax representing Abacus' 20% share of cash calls of KGHM Ajax made pursuant to the Joint Venture Agreement, in order to continue operations of KGHM Ajax. Pursuant to the terms of the Joint Venture Agreement, once the restricted funds were exhausted, Abacus could elect to contribute its proportionate share of the operational expenditures or, without any dilution to its 20% ownership of KGHM Ajax, request that KGHM provide the funding as a loan, to be recovered from Abacus' share of revenue upon commencement of production at Ajax. The restricted funds having been exhausted, the Company elected during the second quarter of fiscal 2015 that KGHM provide the funding as a loan (the "KGHM Loan"). The KGHM Loan is to be recovered from Abacus' share of revenue upon commencement of production at Ajax, and bears interest of 10% per annum. For the year ended December 31, 2016, $3,315,478 (2015: $7,651,000) was provided by KGHM and $24,522 (2015: $nil) from interest earned on the collateral funds was paid towards the $3,340,000 cash calls and the Company has accrued interest of $1,002,390 for the year (December 31, 2015: $289,250).

Expressed in Canadian dollars

Cash Call		KGHM Loan		Restricted Cash		Total		Interest Accrued on KGHM Loan
December 31, 2015	**$**	**7,651,000**	**$**	**3,449,000**	**$**	**11,100,000**	**$**	**289,250**
March 31, 2016		1,515,506		24,522		1,540,028		221,997
June 30, 2016		459,972		-		459,972		237,382
September 30, 2016		600,000		-		600,000		259,594
December 31, 2016		740,000		-		740,000		283,417
Total for the year ended December 31, 2016		3,315,478		24,522		3,340,000		1,002,390
Total as of December 31, 2016	**$**	**10,966,478**	**$**	**3,473,522**	**$**	**14,440,000**	**$**	**1,291,640**

KGHM Loan Payable		2016		2015
Loan		10,966,478		7,651,000
Interest		1,291,640		289,250
As of December 31	**$**	**12,258,118**	**$**	**7,940,250**

During the year ended December 31, 2015, Abacus contributed $11,100,000 to KGHM Ajax representing Abacus' 20% share of cash calls of KGHM Ajax made pursuant to the Joint Venture Agreement, to finance the continuing operations of KGHM Ajax. Abacus' share of the cash calls was paid using funds that were previously held in restricted cash. The loan payable to KGHM is secured by the investment in KGHM Ajax.

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

Investment in KGHM Ajax		
Investment in KGHM Ajax as of December 31, 2014	$	35,255,756
Abacus' cash contributions to KGHM Ajax pursuant to cash calls		11,100,000
Abacus' share of the profit/loss of KGHM Ajax during the year ended December 31, 2015		404,120
Investment in KGHM Ajax as of December 31, 2015	$	46,759,876
Abacus' cash contributions to KGHM Ajax pursuant to cash calls		3,340,000
Abacus' share of the profit/loss of KGHM Ajax during the year ended December 31, 2016		(28,059,535)
Investment in KGHM Ajax as of December 31, 2016	$	22,040,341

A summary of 100% of the assets and liabilities of KGHM Ajax and selected results of operations for the year ended December 31, 2016 is as follows:

Expressed in Canadian dollars

Selected financial information of KGHM Ajax		December 31, 2016		December 31, 2015
Cash and cash equivalents	$	5,169,134	$	905,335
Current assets (excluding cash & cash equivalents)		934,357		7,097,123
Total non-current assets		108,806,038		238,268,447
Total assets	$	114,909,529	$	246,270,905
Current liabilities	$	2,172,496	$	8,015,864
Non-current liabilities		2,500,990		4,421,322
Total shareholders' equity		110,236,043		233,833,719
Total liabilities and equity	$	114,909,529	$	246,270,905

		Year ended December 31 2016		Year ended December 31 2015
Net and comprehensive loss (income)	$	140,297,676	$	(2,020,600)
Revenue	$	nil	$	nil
Interest Income		(24,817)		(458,201)
Amortization		38,482		61,103
Interest expense		27,698		88,448
Income tax recovery		(1,941,032)		nil
Impairment		139,909,340		nil

Impairment of non-current assets in KGHM Ajax

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

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

7. RESTRICTED CASH

Pursuant to the terms of the Joint Venture Agreement, KGHM elected, on April 2, 2012, to acquire an additional 29% interest in KGHM Ajax (for a total 80% interest) for cash consideration of $30,159,107 (US$29,907,881), which funds were held in trust by KGHM Ajax and presented as restricted cash on the Company's statements of financial position, as they were used to fund Abacus' share of the investment activities of KGHM Ajax.

Expressed in Canadian dollars

The following is a summary of the Company's restricted cash:

	Funds held as security for credit cards	Funds held in trust with KGHM Ajax	Collateral in respect of the Advance	Total
	($)	**($)**	**($)**	**($)**
Balance, December 31, 2014	52,002	3,279,169	3,379,944	6,711,115
Credit card security returned	(25,875)	-	-	(25,875)
Abacus' cash contribution to KGHM Ajax (Note 6)	-	(3,449,000)	-	(3,449,000)
Foreign exchange gain	-	131,055	-	131,055
Interest income	(168)	38,899	1,226	39,957
Collateral returned	-	-	(3,360,000)	(3,360,000)
Balance December 31, 2015	25,959	123	21,170	47,252
Abacus' cash contribution to KGHM Ajax (Note 6)	-	-	(24,522)	(24,522)
Interest income	(11)	-	3,229	3,218
Balance December 31, 2016	25,948	123	(123)	25,948

On June 26, 2014, Abacus signed an agreement (the "Advance Agreement") for an advance of $3,000,000 to be drawn from the funds held in trust with KGHM Ajax. Under the terms of the agreement, the advance bore interest of 8% per annum, and was due December 31, 2015. The advance was collateralized by $3,360,000 of the funds held in trust. As a condition of the agreement, Abacus continued to contribute its 20% share of the 2015 program and budget towards development of the Ajax Project from the funds held in trust. Pursuant to the terms of the Advance Agreement, as the Company was unable to repay the advance by December 31, 2015, the advance was satisfied by the collateralized funds held in trust, which were released to KGHM Ajax on January 12, 2016. As a result, these funds were not available to satisfy the Company's future funding of KGHM Ajax, and the Company recorded a partial refund of proceeds on disposal of interest in the Ajax project of $3,000,000 during the year ended December 31, 2015.

Pursuant to the terms of the Joint Venture Agreement, Abacus could elect to contribute its proportionate shares of the operational expenditures or, without any dilution to its 20% ownership of KGHM Ajax, request that KGHM provide the funding as a loan, to be recovered from Abacus' share of revenue upon commencement of production at Ajax. Abacus contributed $3,340,000 (2015: $11,100,000) to KGHM Ajax, representing Abacus' 20% share of cash calls of KGHM Ajax made pursuant to the Joint Venture Agreement, in order to continue operations of KGHM Ajax. The restricted funds having been exhausted, the Company elected during the second quarter of fiscal 2015 that KGHM provide the funding as a loan. Under the provisions of the KGHM Loan, from January 1 to December 31, 2016, $3,315,478 ($7,651,000 to December 31, 2015) has been provided by KGHM, with $24,522 from interest earned on the collateral funds put towards the $3,340,000 cash calls and the Company has accrued total interest of $1,002,390 during the year ended December 31, 2016 (to December 31, 2015: $289,250).

8. SHAREHOLDERS' EQUITY

(a) Authorized capital stock

At December 31, 2016, the authorized capital stock of the Company is comprised of an unlimited number of common shares without par value.

(b) Share issuances - No shares issued during the year ended December 31, 2016.

(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, 2016 stock options may be granted allowing for the purchase of up to, in the aggregate, a maximum of 24,509,135 shares. The exercise price of any option granted shall not be less than the minimum price permitted by the policies of the TSX Venture Exchange (the "Exchange"). The expiry date for each option, set by the Board of Directors at the time of issue, shall not be more than five years after the grant date. Options granted vest at the discretion of the Board of Directors and in accordance with regulatory requirements. The Plan further provides that at any such time the Exchange rules differ from specific terms of the Plan, then the rules of the Exchange shall apply.

Expressed in Canadian dollars

As at December 31, 2016, the Company had stock options outstanding to directors, officers and consultants for the purchase of up to, in the aggregate, 12,840,000 (December 31, 2015: 11,340,000) common shares exercisable as follows:

December 31, 2016		**Awards Outstanding**		**Awards Exercisable**	
Exercise Price	Expiry Date	Quantity	Remaining Contractual Life	Quantity	Remaining Contractual Life
$0.235	January 26, 2017	995,000	0.07	995,000	0.07
$0.12	October 8, 2018	2,200,000	1.77	2,200,000	1.77
$0.05	February 20, 2020	1,520,000	3.14	1,520,000	3.14
$0.065	November 16, 2020	1,000,000	3.88	750,000	3.88
$0.06	December 28, 2020	5,625,000	3.99	5,587,500	3.99
$0.06	April 19, 2021	1,500,000	4.30	1,500,000	4.30
		12,840,000	**3.23**	**12,552,500**	**3.22**

The weighted average remaining contractual life of the stock options outstanding as at December 31, 2016 is 3.23 years (December 31, 2015: 4.09 years).

A summary of the status of the Company's stock options as at December 31, 2016 and December 31, 2015, and changes during the years then ended is as follows:

Status of stock options	Number of Options	Weighted Average Exercise Price
Outstanding, December 31, 2014	7,555,000	$0.18
Granted	8,165,000	$0.06
Expired	(4,380,000)	$0.20
Outstanding, December 31, 2015	11,340,000	$0.09
Granted	1,500,000	$0.06
Outstanding, December 31, 2016	12,840,000	$0.08

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

On February 20, 2015 the company granted stock options allowing for the purchase of up to, in the aggregate, 1,540,000 shares, 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 0.8%, expected life of five years, expected volatility of 88.6% and dividend yield of 0%. During the year ended December 31, 2015, 20,000 stock options expired. The total amount of share-based payments expense, which is expected to be recognized over the vesting period of these stock options, is calculated at $52,464 of which $7,103 was recognized during the year ended December 31, 2016.

On November 16, 2015 the company granted stock options allowing for the purchase of up to, in the aggregate, 1,000,000 shares, to directors 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 0.94%, expected life of five years, expected volatility of 93.16% and dividend yield of 0%. The total amount of share-based payments expense, which is expected to be recognized over the vesting period of these stock options, is calculated at $41,542 of which $23,969 was recognized during the year ended December 31, 2016.

On December 28, 2015 the company granted stock options allowing for the purchase of up to, in the aggregate, 5,625,000 shares, 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 0.75%, expected life of five years, expected volatility of 93.78% and dividend yield of 0%. The total amount of share-based payments expense, which is expected to be recognized over the vesting period of these stock options, is calculated at $239,944 of which $4,211 was recognized during the year ended December 31, 2016.

On April 19, 2016, the Company granted options allowing for the purchase of up to, in the aggregate, 1,500,000 shares at $0.06 per share until April 19, 2021, to a director 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 0.79%, expected life of five years, expected volatility of 96.82% and dividend yield of 0%. The total amount of share-based payments expense is calculated at $52,551 which was recognized during the year ended December 31, 2016.

9. CONTINGENCIES

STK'EMLUPSEMC TE SECWEPEMC Nation (SSN) Legal Claim

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

SSN Panel Review

The SSN has conducted its own panel review of the Ajax project separate from the provincial and federal environmental review processes. Subsequent to the year end, on March 4, 2017, the SSN announced that the outcome of the panel review was that it was not able to support the Ajax mine. KGHM's management is assessing the impact, if any, that this result may have on the development of the Ajax mine, but the base assumptions for the project currently remain unchanged.

Expressed in Canadian dollars

10. INCOME TAXES

	Year ended December 31, 2016 ($)	Year ended December 31, 2015 ($)
Income taxes		
Loss for the year	30,074,268	3,872,449
Effective statutory tax rate	26%	26%
Expected income tax receovery	(7,819,310)	(1,006,837)
Change in benefit of deferred tax losses not recognized	7,763,973	189,527
Non-deductible items	55,337	817,310
Total expense reported	**$ 0**	**$ 0**

Unrecognized deductible temporary differences and unused tax losses	December 31, 2016 ($)	December 31, 2015 ($)
Net capital loss carry-forwards	1,835,302	1,710,300
Non-capital loss carry-forwards	16,441,135	11,413,919
Non-refundable mining income tax credit	673,959	175,231
Share issue costs	-	87,827
Excess of tax values over accounting values of:		
Investments	29,217,039	1,157,504
Mineral intersts	-	419,404
Equipment	45,280	40,169
	48,212,715	**15,004,354**

Loss carry-forwards	December 31, 2016 ($)	December 31, 2015 ($)
Net capital losses, which carry forward indefintely to offset future taxable capital gains	1,835,302	1,710,302
Non-capital losses, which expire as follows:		
2028	969,662	969,662
2029	2,740,111	2,740,111
2031	1,896,050	1,896,050
2032	2,489,488	2,489,488
2033	1,415,710	1,415,710
2034	1,173,950	1,173,950
2035	4,084,375	4,084,375
2036	1,671,789	-
	16,441,135	**14,769,346**

Expressed in Canadian dollars

11. RELATED PARTY TRANSACTIONS

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

(a) Compensation of key management personnel

Key management personnel consist of the directors and executive officers of the Company. The remuneration, including share-based payments, of key management personnel during the years ended December 31, 2016 and 2015 follow:

Management's and director's compensation	December 31, 2016	December 31, 2015
	($)	($)
Accounting	33,813	30,563
Consulting and contract wages	153,500	86,250
Share-based payments (Note 8(c))	80,870	306,619
Directors' fees	84,375	84,375
	352,558	507,807

12. FINANCIAL RISK MANAGEMENT

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

(a) Credit risk

The Company manages credit risk, in respect of its cash and cash equivalents, by purchasing highly liquid, short-term investment-grade securities held at major Canadian financial institutions. Concentration of credit risk exists with respect to the Company's cash and cash equivalents (Note 4), restricted cash (Note 7) and loan receivable (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, 2016		December 31, 2015
Bank accounts	$	81,957	$	101,237
Savings account		925,000		1,525,000
Loan Receivable		-		280,000
Restricted cash		25,948		47,252
	$	1,032,905	$	1,953,489

(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 $76,513 (December 31, 2015: $50,049) are due in the first quarter of 2017. At December 31, 2016, the Company had cash and cash equivalents, and accounts receivable of $1,006,957 and $9,968, respectively, which is sufficient to satisfy the expected requirements for the first quarter of 2017. The advance of $3,000,000 from funds in trust and interest thereon ($360,000 to December31, 2015) payable to KGHM was due on December 31, 2015. Pursuant to the terms of the Advance Agreement, as the Company was unable to repay the advance by December 31, 2015, the advance was satisfied by the collateralized funds held in trust, which were released to KGHM Ajax on January 12, 2016. The KGHM Loan is to be recovered from Abacus' share of revenue upon commencement of production at Ajax,

(c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign currency risk and other price risk.

(i) *Interest rate risk*

a) To the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk.

b) To the extent that changes in prevailing market rates differ from the interest rate in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

The Company is not susceptible to interest rate risk since the KGHM loan is fixed at 10%.

(ii) *Foreign currency risk*

The Company holds no foreign currency, and thus is not exposed to foreign currency risk.

(iii) *Other price risk*

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk. The Company is not currently exposed to other price risk.

13. PRIOR YEAR RECLASSIFICATIONS

Certain amounts reflected in the statement of cash flows and Note 10 do not correspond to the 2015 financial statements and reflect adjustments made for consistency with current year disclosures.

14. SUBSEQUENT EVENTS

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

  To acquire the initial 60% Option Interest in the Property, the Company is required to issue common shares and incur exploration expenditures in accordance with the following table:

Expressed in Canadian dollars

Date	**Common shares in the capital of Abacus (the "Shares") (#)**	**Minimum Annual Exploration Expenditures on the Exploration Program ("Expenditures") (US$)**
TSX-V approval ("Approval") (Issued subsequent to December 31, 2016)	250,000	Nil
On or before the 1 year anniversary of Approval	250,000	100,000
On or before the 2 year anniversary of Approval	250,000	300,000
On or before the 3 year anniversary of Approval	250,000	600,000
On or before the 4 year anniversary of Approval	500,000	800,000
On or before the 5 year anniversary of Approval	1,000,000	1,200,000
Total	**2,500,000**	**3,000,000**

Upon having earned the 60% Option Interest in the 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 Property's operator during the initial five-year term and following the earning of the 60% Option Interest, until such time as a joint venture is established, as described below.

In order to earn the 15% Additional Interest, such that the Company would have an aggregate interest of 75% in the Property, the Company will be required to deliver a Feasibility Study on the Property to Almadex on or before the 10^{th} anniversary date of the date of regulatory approval. Upon having earned the Additional Interest, the Company will continue to act as the Property's operator until such time as a 75:25 joint venture is established for the further management, exploration and development of the Property.

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

- On February 15, 2017, the Company announced a proposed consolidation of its common shares, as to 6 old shares in the capital of the Company for 1 new share in the capital of the Company. The share consolidation is subject to regulatory approval and approval by the shareholders of the Company. Should the consolidation be approved, any securities outstanding or securities to be issued under agreements prior to the consolidation will be subject to the consolidation.

- On January 26, 2017, stock options allowing for the purchase of up to, in the aggregate, 995,000 shares in the capital of the Company expired. On February 21, 2017, the Company granted, subject to regulatory policies, stock options to directors, employees and consultants of the Company, allowing for the acquisition of up to, in the aggregate, 5,775,000 shares in the capital of the Company at a price of $0.07 per share until February 21, 2022.