

Abacus Mining & Exploration Corporation

(an exploration stage company)

Consolidated Financial Statements

December 31, 2021 and 2020

(Expressed in Canadian dollars)

<u>Index</u>	<u>Page</u>
Independent auditor's report	2
Financial statements:	
Consolidated statements of financial position	6
Consolidated statements of loss and comprehensive loss	7
Consolidated statements of changes in shareholders' deficit	8
Consolidated statements of cash flows	9
Notes to the consolidated financial statements	10 – 29



Independent auditor's report

To the Shareholders of Abacus Mining & Exploration Corporation

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Abacus Mining & Exploration Corporation and its subsidiary (together, the Company) as at December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2021 and 2020;
- the consolidated statements of loss and comprehensive loss for the years then ended;
- the consolidated statements of changes in shareholders' deficit for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

PricewaterhouseCoopers LLP
PricewaterhouseCoopers Place, 250 Howe Street, Suite 1400, Vancouver, British Columbia, Canada V6C 3S7
T: +1 604 806 7000, F: +1 604 806 7806

"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



Material uncertainty related to going concern

We draw attention to Note 1 in the consolidated financial statements, which describes events or conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

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

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a



guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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



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

The engagement partner on the audit resulting in this independent auditor's report is Mark Patterson.

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants

Vancouver, British Columbia

April 25, 2022

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

Expressed in Canadian dollars

	NOTE	December 31, 2021	December 31, 2020
ASSETS		(\$)	(\$)
Current assets:			
Cash and cash equivalents		57,975	628,465
Amounts receivable		14,697	25,337
Prepaid expenses		29,847	25,718
		<u>102,519</u>	<u>679,520</u>
Non-current assets:			
Investment in KGHM Ajax Mining Inc.	4	5,168,878	5,424,924
Exploration and evaluation assets	5	496,137	432,074
		<u>5,665,015</u>	<u>5,856,998</u>
		<u>5,767,534</u>	<u>6,536,518</u>
LIABILITIES AND SHAREHOLDERS' DEFICIT			
Current liabilities:			
Accounts payable and accrued liabilities		244,660	207,224
KGHM Ajax project loan	6	21,992,576	19,250,908
		<u>22,237,236</u>	<u>19,458,132</u>
Shareholders' deficit:			
Capital stock	7	90,351,664	88,824,083
Reserves		6,086,166	5,704,088
Deficit		(112,907,532)	(107,449,785)
		<u>(16,469,702)</u>	<u>(12,921,614)</u>
		<u>5,767,534</u>	<u>6,536,518</u>

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

Nature of operations and going concern (Note 1)

Subsequent events (Note 13)

Approved and authorized for issue by the Board of Directors on April 25, 2022

“Michael McInnis”
Chairman

“Kerry Spong”
Director

ABACUS MINING & EXPLORATION CORPORATION (an exploration stage company)**Consolidated statements of loss and comprehensive loss**

Expressed in Canadian dollars

		Year ended December 31,	
	Note	2021	2020
		(\$)	(\$)
General and administrative expenses:			
Accounting and audit		55,833	64,783
Exploration and evaluation expenditures	5	1,362,305	203,614
Foreign exchange loss		1,403	1,950
Insurance		35,345	25,728
Investor Relations		-	4,000
Legal		192,046	209,044
Office		18,050	56,638
Rent		-	19,200
Salaries and contract wages		226,881	164,683
Share-based payments	7	320,726	180,158
Transfer agent and regulatory fees		32,156	35,175
Travel and promotion		149,315	64,500
		<u>2,394,060</u>	<u>1,029,472</u>
Other items:			
Write off of exploration and evaluation assets		65,973	-
Interest expense	6	1,973,428	1,790,196
Loss on equity investment in KGHM Ajax Mining Inc.	4	<u>1,024,286</u>	<u>209,290</u>
Loss and comprehensive loss for the year		<u>5,457,747</u>	<u>3,028,958</u>
Loss per share, basic and diluted		(0.07)	(0.05)
Weighted average number of common shares outstanding	#	82,586,508	# 67,005,582

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

ABACUS MINING & EXPLORATION CORPORATION (an exploration stage company)

Consolidated statements of changes in shareholders' deficit

Expressed in Canadian dollars

	NOTE	Share capital		Reserve		Deficit	Total shareholders' deficit
		Number of shares	Capital stock	Stock options	Warrants		
		(#)	(\$)	(\$)	(\$)		
Balance, December 31, 2019		62,660,776	87,444,348	5,458,359	35,625	(104,420,827)	(11,482,495)
Securities issued for cash		11,312,500	1,450,000	-	-	-	1,450,000
Share issuance costs - cash		-	(44,902)	-	-	-	(44,902)
Share issuance costs - warrants		-	(29,946)	-	29,946	-	-
Issued for Willow property option	5,7	41,667	4,583	-	-	-	4,583
Share-based payments		-	-	180,158	-	-	180,158
Loss for the year		-	-	-	-	(3,028,958)	(3,028,958)
Balance, December 31, 2020		74,014,943	88,824,083	5,638,517	65,571	(107,449,785)	(12,921,614)
Issued for Willow property option	5,7	83,333	12,083	-	-	-	12,083
Securities issued for cash		13,236,000	1,616,521	-	52,079	-	1,668,600
Share issuance costs - cash		-	(122,260)	-	-	-	(122,260)
Share issuance costs - warrants		-	(9,273)	-	9,273	-	-
Exercise of warrants		343,400	30,510	-	-	-	30,510
Share-based payments		-	-	320,726	-	-	320,726
Loss for the year		-	-	-	-	(5,457,747)	(5,457,747)
Balance, December 31, 2021		87,677,676	90,351,664	5,959,243	126,923	(112,907,532)	(16,469,702)

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

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

Expressed in Canadian dollars

	Year ended December 31,	
	2021	2020
	(\$)	(\$)
Operating activities:		
Loss for the year	(5,457,747)	(3,028,958)
Adjustments and items not involving cash:		
Share of loss in equity investment	1,024,286	209,290
Share-based payments	320,726	180,158
Interest expense	1,973,428	1,790,196
Write off of exploration and evaluation assets	65,973	-
Changes in working capital related to operating activities:		
Prepaid expenses	(4,129)	(8,134)
Amounts receivable	10,640	(20,527)
Accounts payable and accrued liabilities	37,437	(165,764)
Cash used for operating activities	(2,029,388)	(1,043,739)
Investing activities:		
Exploration and evaluation assets	(117,952)	(164,469)
Cash used for investing activities	(117,952)	(164,469)
Financing activities:		
Proceeds from warrant exercise	30,510	-
Proceeds from private placement	1,668,600	1,450,000
Share issuance costs	(122,260)	(44,902)
Cash provided by financing activities	1,576,850	1,405,098
Increase (decrease) in cash and cash equivalents during the year	(570,490)	196,890
Cash and cash equivalents, beginning of the year	628,465	431,575
Cash and cash equivalents, end of year	57,975	628,465

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

ABACUS MINING & EXPLORATION CORPORATION (an exploration stage company)

Notes to the consolidated financial statements

For the years ended December 31, 2021 and 2020

Expressed in Canadian dollars

1. NATURE OF OPERATIONS AND GOING CONCERN

Abacus Mining & Exploration Corporation (the “Company” or “Abacus”), incorporated under the *Company Act* (British Columbia), is an exploration stage company engaged principally in the acquisition, exploration and development of mineral properties in Canada. The address of the Company’s office is Suite 1000 - 1050 West Pender Street, Vancouver, British Columbia, Canada.

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.

GOING CONCERN

These consolidated financial statements have been prepared on the basis that the Company will continue as a going concern, which assumes that the Company will be able to meet its commitments, continue operations and realize its assets and discharge its liabilities in the normal course of operations for at least twelve months from December 31, 2021. As at December 31, 2021, the Company had a working capital deficit (current assets less current liabilities) of \$22,134,717 (2020: \$18,778,612). Current liabilities include the KGHM Ajax project loan (the “KGHM Loan”) of \$21,992,576 (December 31, 2020: \$19,250,908) (Note 6). During the year ended December 31, 2021 the Company incurred a net loss of \$5,457,747 (2020: \$3,028,958) and used cash for operating activities of \$2,029,388 (2020: \$1,043,739). The Company also completed private placement subsequent to the year end. (Also refer note 13)

The KGHM Loan is secured by the investment in KGHM Ajax, is non-revolving, bears interest of 10% per annum and, as amended, matures on December 31, 2022 (the “Extended Maturity Date”), 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 December 31, 2021 and as at the date of this Report, 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. There can be no assurance that the necessary environmental approvals will be granted prior to the date of maturity of the KGHM Loan, nor is there any assurance that an extension of the maturity date of the KGHM Loan will be negotiated prior to the Extended Maturity Date.

The Company continues to incur operating losses, has limited financial resources and, no source of operating cash inflows.. The Company’s ability to continue as a going concern is dependent upon its ability to obtain the financing necessary to fund its mineral properties through the issuance of capital stock or joint ventures, and to realize future profitable production or proceeds from the disposition of its mineral interests and to successfully negotiate the extension of the maturity of the KGHM loan. However, there can be no assurance that the Company will be successful in these actions. These material uncertainties may cast significant doubt about the Company’s ability to continue as a going concern.

These financial statements do not give effect to adjustments to the carrying values and classification of

ABACUS MINING & EXPLORATION CORPORATION (an exploration stage company)

Notes to the consolidated financial statements

For the years ended December 31, 2021 and 2020

Expressed in Canadian dollars

assets and liabilities that would be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

COVID 19

The outbreak of the coronavirus (COVID-19) global pandemic has adversely affected workforces, economies, and financial markets globally. Since March 2020, governmental measures have been implemented and amended in Canada and the rest of the world in response to the pandemic. The Company continues to operate its business, and adheres to Canadian Federal and Provincial, and US Federal and State emergency measures as those are developed. COVID-19 and the various government measures, which could include government mandated temporary closures of international borders or restrictions on travel of various personnel, could impact the Company's ability to conduct its exploration programs in a timely manner. The Company continues to adapt to these changing circumstances and to evaluate the best way to move its exploration activities forward during current conditions and when emergency measures are lifted.

2. **BASIS OF PREPARATION**

(a) **Statement of compliance**

These consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS"). They have been prepared on a historical cost basis, except for financial instruments measured at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The significant accounting policies, as disclosed, have been applied consistently to all periods presented in these financial statements. The consolidated financial statements are presented in Canadian dollars, except where otherwise noted.

These consolidated financial statements were reviewed by the Audit Committee, and the Board of Directors approved and authorized them for issuance on April 25, 2022.

(b) **Principles of consolidation**

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

(c) **Foreign currency translation**

The presentation currency and functional currency of the Company and its wholly-owned subsidiary 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 financial statements are in Canadian dollars.

(d) **Estimation uncertainty and accounting policy judgments**

The preparation of these financial statements in conformity with IFRS requires management to make certain judgments in its process of applying the Company's accounting policies and estimates of the impact of future uncertain events on the reported amounts of assets and liabilities at the date of the financial statements and the reported expenses during the period. Estimates are reviewed on an ongoing basis based on historical experience and other factors that are considered relevant under the circumstances. Revisions

to estimates and the resulting impacts on the carrying amounts of the Company's assets and liabilities are accounted for prospectively. There are no material areas of estimation uncertainty as at December 31, 2021.

Accounting policy judgments

- (i) 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 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 year ended December 30, 2021 and did not identify any impairment indicators for the Willow project. During the year, an impairment indicator was identified for the Jersey Valley project and the exploration and evaluation assets related to the project was written off.

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 has not identified any impairment indicators as at December 31, 2021.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) **Investments in associates**

Investments in which the Company exerts significant influence are accounted for using the equity method, whereby the original cost of the investment is adjusted for the Company's share of loss and comprehensive loss during the current year in the Company's consolidated statements of loss and comprehensive loss. The Company's 20% (2020: 20%) investment in KGHM Ajax is accounted for under the equity method.

IAS 28, Investments in Associates, requires that after the application of the equity method, the requirements of IFRS 9, 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 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.

ABACUS MINING & EXPLORATION CORPORATION (an exploration stage company)

Notes to the consolidated financial statements

For the years ended December 31, 2021 and 2020

Expressed in Canadian dollars

(b) **Cash and cash equivalents**

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

(c) **Financial instruments**

Classification

The Company classifies its financial assets in the following measurement categories:

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

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI.

Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

Recognition and derecognition

Financial assets: The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity.

Financial liabilities: The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

Measurement

Financial assets and liabilities at amortized cost: Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

(d) **Share-based payments**

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

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

(e) **Exploration and evaluation assets**

Exploration and evaluation costs of mineral resource interests are expensed to the statement of loss and comprehensive loss and acquisition costs are capitalized to the statement of financial position.

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

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

(f) Income taxes

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

(g) Share Capital

Common shares issued by the Company are classified as equity. Incremental costs directly attributable to the issue of new common shares are recognized in equity, net of tax, as a deduction from the share proceeds (share issue costs). The Company uses the residual method in determining the fair value of warrants issued to subscribers, 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.

(h) Loss per share

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

(i) Provision for environmental rehabilitation

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of exploration and evaluation assets and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future rehabilitation cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to the assets along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflects the time value of money are used to calculate the net present value. As at December 31, 2021 and 2020, the Company had no provisions for environmental rehabilitation.

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

For the years ended December 31, 2021 and 2020

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 December 31, 2021 and 2020, the Company owned 20% (KGHM: 80%) of the common and voting shares of KGHM Ajax, and has representation on the Board of Directors. Thus, the Company is considered to have significant influence over KGHM Ajax, and accordingly accounts for its investment in KGHM Ajax using the equity method, pursuant to which its investment in KGHM Ajax is initially recognized at cost then subsequently adjusted for the Company's share of the profits and/or losses of KGHM Ajax as well as any distributions received from KGHM Ajax. To date no dividends or distributions to shareholders of KGHM Ajax have occurred.

During the year ended December 31, 2021, Abacus contributed \$768,240 (2020: \$Nil) to KGHM Ajax, representing Abacus's share of cash calls of KGHM Ajax made pursuant to a Definitive Joint Venture Shareholders' Agreement (the "JV Agreement"), to finance the continuing operations of KGHM Ajax. The cash calls were funded through additional loans from KGHM (Note 6).

	(\$)
December 31, 2019	5,634,214
Contributions to KGHM Ajax pursuant to cash calls	-
Share of the loss of KGHM Ajax	(209,290)
December 31, 2020	5,424,924
Contributions to KGHM Ajax pursuant to cash calls	768,240
Share of the loss of KGHM Ajax	(1,024,286)
December 31, 2021	5,168,878

A summary of 100% of the assets and liabilities of KGHM Ajax and selected results of operations for the years ended December 31, 2021 and 2020 follows:

Selected financial information of KGHM Ajax	December 31, 2021	December 31, 2020
Cash and cash equivalents	\$ 3,609,708	\$ 604,295
Current assets (excluding cash & cash equivalents)	110,753	236,810
Total non-current assets	<u>30,177,949</u>	<u>30,219,845</u>
Total assets	\$ 33,898,410	\$ 31,060,950
Current liabilities	\$ 2,791,224	\$ 1,736,741
Non-current liabilities	5,257,824	2,191,204
Total shareholders' equity	<u>25,849,362</u>	<u>27,133,005</u>
Total liabilities and equity	\$ 33,898,410	\$ 31,060,950
	Year ended December 31 2021	Year ended December 31 2020
Net loss and comprehensive loss	\$ 5,121,432	\$ 1,046,450
Revenue	Nil	Nil

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

For the years ended December 31, 2021 and 2020

Expressed in Canadian dollars

5. EXPLORATION AND EVALUATION ASSETS

The following table shows the summary of acquisition costs for the years ended December 31, 2020 and 2021:

	Willow Project (\$)	Jersey Valley (\$)	Total (\$)
December 31, 2019	256,323	6,699	263,022
Acquisition Costs	109,778	59,274	169,052
December 31, 2020	366,101	65,973	432,074
Acquisition Costs	130,036	-	130,036
Write- Off	-	(65,973)	(65,973)
December 31, 2021	496,137	-	496,137

The following table shows the activity by category of exploration:

	December 31, 2021 (\$)	December 31, 2020 (\$)
Exploration and Evaluation Expenditures		
Consulting and project supervision	184,267	25,416
Other	50,398	15,851
Drilling	1,069,204	-
Surveying	-	59,193
Claims maintenance	58,436	64,088
Geophysics	-	39,066
Total	1,362,305	203,614

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, as amended, (the "Willow 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"), located in Douglas County, Nevada USA. To acquire the initial 60% Option Interest in the Willow Property, the Company is required to issue common shares and incur cumulative exploration expenditures as follows:

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

For the years ended December 31, 2021 and 2020

Expressed in Canadian dollars

Date	Common shares in the capital of Abacus	Cumulative minimum annual exploration expenditures
	(#)	(US\$)
TSX-V approval (received February 22, 2017)	41,667 (1)	Nil
On or before February 22, 2018	41,667 (1)	100,000
On or before February 22, 2019	41,667 (1)	400,000
On or before February 22, 2020	41,667 (1)	1,000,000
On or before February 22, 2021	83,333 (1)	1,800,000 (2)
On or before February 22, 2022	166,666 (3)	-
On or before December 31, 2022	-	3,000,000
Total	416,667	

⁽¹⁾ Issued to December 31, 2021⁽²⁾ Incurred to December 31, 2021⁽³⁾ Issued on February 16, 2022

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 entity 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 consolidated financial statements**

For the years ended December 31, 2021 and 2020

Expressed in Canadian dollars

Date	Minimum Payments (US\$)	Date	Cumulative Minimum Annual Exploration Expenditures (US\$)
Initial minimum payment	3,000 (1)	-	-
On execution of the Agreement	60,000 (1)	On or before December 31, 2018	20,000
On or before January 1, 2019	70,000 (1)	On or before December 31, 2019	40,000
On or before January 1, 2020	20,000 (1)	On or before December 31, 2020	60,000
On or before December 31, 2020	60,000 (1)	-	-
On or before January 1, 2021	22,500 (1)		
On or before April 1, 2021	22,500 (1)		
On or before July 1, 2021	22,500 (1)		
On or before October 1, 2021	22,500 (1)	On or before December 31, 2021	80,000 (2)
On or before January 1, 2022	25,000 (1)	On or before December 31, 2022	100,000
On or before April 1, 2022	25,000 (3)		
On or before July 1, 2022	25,000		
On or before October 1, 2022	25,000		
On or before January 1, 2023	110,000	On or before December 31, 2023	120,000
On or before January 1, 2024	120,000	On or before December 31, 2024	140,000
On or before January 1, 2025	130,000	On or before December 31, 2025	160,000
On or before January 1, 2026	140,000	On or before December 31, 2026	180,000
On or before January 1, 2027	150,000	On or before December 31, 2027	200,000
Total	1,053,000		

⁽¹⁾ Paid to December 31, 2021⁽²⁾ Incurred to December 31, 2021⁽³⁾ Paid on March 31, 2022

At any time during the life of the NL Agreement, the Company can elect to purchase the claim group outright from the Optionors, for a sum 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. The Jersey Valley LOI is a 15-year exclusive lease allowing the Company to explore the property pursuant to the following payment schedule:

	US\$
On signing (Paid)	5,000
On or before January 31, 2020 (Paid)	20,000
On or before October 10, 2020 (Paid)	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

ABACUS MINING & EXPLORATION CORPORATION (an exploration stage company)

Notes to the consolidated financial statements

For the years ended December 31, 2021 and 2020

Expressed in Canadian dollars

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. During the year ended December 31, 2021, the Company elected not to renew the lease on Jersey Valley; as such, the Company wrote off \$65,973 in acquisition costs related to the Jersey Valley property prior to December 31, 2021.

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 as amended, has a maturity date of December 31, 2022. 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. In connection with a subscription by the Company in the Common Shares of KGHM Ajax, for which KGHM Ajax has agreed to pay the subscription price on behalf of the Company, it was agreed to increase the principal amount of the Loan by \$768,240.

For the year ended December 31, 2021, \$768,240 (2020: \$Nil) was provided by KGHM and the Company accrued interest of \$1,973,576 for the year (2020: \$1,790,196).

	(\$)
Total December 31, 2019	17,460,712
Interest	1,790,196
Total December 31, 2020	19,250,908
Principal	768,240
Interest	1,973,428
Total December 31, 2021	21,992,576

7. SHAREHOLDERS' EQUITY

(a) Authorized capital stock

At December 31, 2021, the authorized capital stock of the Company is comprised of an unlimited number of common shares without par value.

(b) Share issuances

Year ended December 31, 2021:

Exploration and evaluation assets:

On March 4, 2021, in connection with the Willow Option Agreement, the Company issued 83,333 common shares of the Company valued at \$12,083.

Private Placements:

a) On April 14, 2021, the Company closed a private placement, pursuant to which it issued 11,500,000 units ("Units") at a price of \$0.13 per Unit, for gross proceeds of

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

For the years ended December 31, 2021 and 2020

Expressed in Canadian dollars

\$1,495,000. Each Unit consists of one common share of the Company (“Share”) and one-half of one common share purchase warrant, with each full Warrant exercisable to purchase one Share at a price of \$0.20 per Share until April 14, 2023. In connection with the Offering, the Company paid a total of \$17,476 in cash commissions and issued a total of 67,214 Finders’ Warrants, which were valued at \$9,273, using the following assumptions:

Assumptions:

Risk-free rate (%)	0.28
Expected stock price volatility (%)	157
Expected dividend yield (%)	0
Expected life of warrants (years)	2

The unit price of this offering was less than the trading price of the shares on the date of issuance, therefore, no residual value has been assigned to the warrants.

- b) On December 29, 2021, the Company closed a private placement, pursuant to which it issued 1,736,000 units (“Units”) at a price of \$0.10 per Unit, for gross proceeds of \$173,600. Each Unit consists of one common share of the Company (“Share”) and one-half of one common share purchase warrant, with each full Warrant exercisable to purchase one Share at a price of \$0.15 per Share until December 29, 2024.

The unit price of this offering was greater than the trading price of the shares on the date of issuance, therefore, the fair value assigned to Warrants using the residual value method was \$52,079.

Exercise of warrants:

On April 28, 2021, warrants were exercised, pursuant to which the Company issued a total of 343,400 common shares of the Company, for total proceeds of \$30,510.

Year ended December 31, 2020:Financings:

The Company closed private placements (“Offerings”) pursuant to which it issued common shares (“Shares”), warrants (“Warrants”), and paid finders’ fees in cash and warrants (“Finders’ Warrants”) as follows:

	Private Placements		
	Offering #1	Offering #2	Total
Closing Date	August 14, 2020	August 14, 2020	
Gross Proceeds	\$600,000	\$850,000	\$1,450,000
Shares Issued	6,000,000	5,312,500	11,312,500
Warrants Issued	3,000,000	2,656,246	5,656,246
Warrant Exercise Price	\$0.15	\$0.22	
Warrant Expiry Date	August 14, 2022	August 14, 2023	
Finders' Fees			
Cash	\$20,076	\$21,924	\$42,000
Finders' Warrants	100,380	68,513	168,893
Exercise Price	\$0.15	\$0.22	
Expiry Date	August 14, 2022	August 14, 2023	

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

For the years ended December 31, 2021 and 2020

Expressed in Canadian dollars

The fair value assigned to the Warrants using residual value method was \$Nil, and the Finders' Warrants issued were valued, in total, at \$29,946, which fair value was recorded as share issuance costs based on the Black-Scholes pricing model using the following assumptions:

Assumptions:	Offering #1	Offering #2
Risk-free rate (%)	1.6	1.6
Expected stock price volatility (%)	156	154
Expected dividend yield (%)	0	0
Expected life of warrants (years)	2	3

Exploration and evaluation assets:

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

The Company has a stock option plan (the "Plan") administered by the Board of Directors, which has the discretion to grant options for up to a maximum of 10% of the issued and outstanding share capital amount at the time of grant. Options granted can be exercisable no later than ten years from date of grant or such lesser period as determined by the Company's Board of Directors, with the exercise price to be set by the Board at the time such option is granted and in accordance with the rules of the TSX-Venture Exchange (the "Exchange"). Options vest at the discretion of the Board, with the exception of options granted to parties providing investor relations services, which will vest in equal quarterly intervals over a term of no less than 12 months from the date of the grant. The 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 December 31, 2021, the Company had stock options outstanding to directors, officers and consultants for the purchase of up to, in the aggregate, 6,090,253 (December 31, 2020: 4,060,253) common shares exercisable as follows:

Exercise price	Expiry date	Outstanding	
		Outstanding	Remaining contractual life
(\$)		(#)	(yrs)
0.42	February 21, 2022	912,503	0.14
0.25	December 20, 2022	150,000	0.97
0.22	April 19, 2023	422,500	1.30
0.05	August 13, 2024	520,000	2.61
0.10	February 10, 2025	1,681,250	3.11
0.24	September 11, 2022	24,000	0.69
0.16	December 8, 2025	100,000	3.94
0.15	February 26, 2026	2,030,000	4.16
0.18	May 11, 2026	250,000	4.36
		6,090,253	2.85

A summary of the status of the Company's stock options as at December 31, 2021 and December 31, 2020, and changes during the years then ended follows:

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

For the years ended December 31, 2021 and 2020

Expressed in Canadian dollars

	Outstanding	Weighted average exercise price
	(#)	(\$)
Outstanding December 31, 2019	3,579,162	0.31
Granted	1,805,250	0.11
Expired	(1,324,159)	0.26
Outstanding December 31, 2020	4,060,253	0.20
Granted	2,280,000	0.15
Expired	(250,000)	0.36
Outstanding December 31, 2021	6,090,253	0.18

During the year ended December 31, 2021:

On February 26, 2021 the Company granted options allowing for the purchase of up to, in the aggregate, 2,030,000 common shares in the capital of the Company at \$0.15 per share until February 26, 2026, 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 \$279,347, which was recognized during the year ended December 31, 2021. The grant date fair value was estimated using the Black-Scholes option pricing model with the following assumptions:

Assumptions:	
Risk-free rate (%)	0.7
Expected stock price volatility (%)	155
Expected dividend yield (%)	0
Expected life of options (years)	5

On May 11, 2021, the Company granted stock options allowing for the purchase of up to, in the aggregate, 250,000 common shares in the capital of the Company at \$0.18 per share until May 11, 2026 to a consultant of the Company. The options vested immediately and the total amount of share-based payments expense was calculated at \$41,379, which was recognized during the year ended December 31, 2021. The grant date fair value was estimated using the Black-Scholes option pricing model with the following assumptions:

Assumptions:	
Risk-free rate (%)	0.73
Expected stock price volatility (%)	155
Expected dividend yield (%)	0
Expected life of options (years)	5

On April 19, 2021, stock options allowing for the purchase of up to 250,000 common shares of the Company at \$0.36 per share expired.

During the year ended December 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-

ABACUS MINING & EXPLORATION CORPORATION (an exploration stage company)

Notes to the consolidated financial statements

For the years ended December 31, 2021 and 2020

Expressed in Canadian dollars

based payments expense was calculated at \$163,008, which was recognized during the year ended December 31, 2020. The grant date fair value was estimated using the Black-Scholes option pricing model with the following assumptions:

Assumptions:

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

On September 11, 2020, the Company granted options allowing for the purchase of up to, in the aggregate, 24,000 shares at \$0.24 per share until September 11, 2022, to a consultant of the Company. The options vested immediately and the total amount of share-based payments expense was calculated at \$3,568, which was recognized during the year ended December 31, 2020. The grant date fair value was estimated using the Black-Scholes option pricing model with the following assumptions:

Assumptions:

Risk-free rate (%)	0.24
Expected stock price volatility (%)	155
Expected dividend yield (%)	0
Expected life of options (years)	2

On December 8, 2020, the Company granted options allowing for the purchase of up to, in the aggregate, 100,000 shares at \$0.16 per share until December 8, 2025, to a consultant of the Company. The options vested immediately and the total amount of share-based payments expense was calculated at \$13,582, which was recognized during the year ended December 31, 2020. The grant date fair value was estimated using the Black-Scholes option pricing model with the following assumptions:

Assumptions:

Risk-free rate (%)	0.41
Expected stock price volatility (%)	167
Expected dividend yield (%)	0
Expected life of options (years)	5

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

For the years ended December 31, 2021 and 2020

Expressed in Canadian dollars

8. WARRANTS

As at December 31, 2021, the warrants, with a weighted average remaining life of 0.95 years, expire as follows:

Issue date	Expiry date	Number (#)	Exercise price (\$)
November 23, 2018	November 23, 2022	4,872,000	0.20
May 22, 2019	May 22, 2022	3,335,000	0.08
December 20, 2019	December 20, 2022	10,913,500	0.08
August 14, 2020	August 14, 2022	3,056,980	0.15
August 14, 2020	August 14, 2023	2,724,759	0.22
April 14, 2021	April 14, 2023	5,817,210	0.20
December 29, 2021	December 29, 2024	868,000	0.15
		31,587,449	

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

	Outstanding	Weighted average exercise price
Outstanding December 31, 2019	25,249,957	\$0.10
Expired	(1,641,667)	\$0.48
Issued	5,825,139	\$0.18
Outstanding December 31, 2020	29,433,429	\$0.14
Issued	6,685,210	\$0.40
Expired	(4,187,790)	\$0.30
Exercised	(343,400)	\$0.09
Outstanding December 31, 2021	31,587,449	\$0.14

9. INCOME TAXES

As at December 31,	2021	2020
	(\$)	(\$)
Net loss for the year	5,457,747	3,028,958
Canadian federal and provincial income tax rates	27.00%	27.00%
Expected income tax recovery	1,473,592	817,819
Permanent differences	(77,565)	(44,129)
Tax benefits not recognized	(1,396,027)	(773,690)
Total income tax recovery	-	-

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

For the years ended December 31, 2021 and 2020

Expressed in Canadian dollars

As at December 31,	2021	2020
	(\$)	(\$)
Unrecognized deductible temporary differences and unused tax losses		
Non-capital loss carryforwards	29,507,156	26,759,886
Capital loss - Canada	3,670,603	3,670,603
Non refundable mining investment tax credit	673,959	673,959
Exploration and evaluation assets	3,806,336	2,105,520
Excess of tax value over accounting values of	47,659,880	46,635,594
Share issue cost	131,575	50,745
	85,449,509	79,896,307

At December 31, 2021, the Company has Canadian loss carry forwards of approximately \$28,348,745 which have not been recognized. The Company also has US loss carry forwards of approximately \$1,158,410 available to reduce future years' income for tax purposes. The Company recognizes the benefit of tax losses only to the extent of anticipated future taxable income in relevant jurisdictions. The Canadian and US tax loss carry forwards expire between 2028 and 2041.

10. 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 years ended December 31, 2021 and 2020 are as follows:

Management's and directors' compensation	December 31, 2021	December 31, 2020
	(\$)	(\$)
Accounting	18,751	26,937
Consulting and contract wages	172,219	122,668
	190,970	149,605

During the year ended December 31, 2021, the Company was charged, by a company with directors in common, \$Nil (2020: \$19,300) in respect of rent.

At December 31, 2021 \$158,787 (December 31, 2020: \$135,822) was owed to various key management personnel in respect of consulting, contract wages and expenses incurred on behalf of the Company.

11. 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, restricted cash, accounts payable and accrued liabilities and the KGHM Ajax project loan 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

ABACUS MINING & EXPLORATION CORPORATION (an exploration stage company)

Notes to the consolidated financial statements

For the years ended December 31, 2021 and 2020

Expressed in Canadian dollars

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:

Concentration of credit risk and maximum exposure	December 31, 2021	December 31, 2020
	(\$)	(\$)
Bank accounts	57,975	628,465

(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 \$244,660 (December 31, 2020: \$207,224) are due as at December 31, 2021. (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 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 cash flow interest rate risk on the KGHM loan since the interest rate 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.

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

For the years ended December 31, 2021 and 2020

Expressed in Canadian dollars

12. SEGMENTED INFORMATION

All of the Company's operations are in the mineral exploration sector and the Company operates in a single segment. The non-currents and total assets of the Company are in following geographical locations:

	December 31, 2021 (\$)	December 31, 2020 (\$)
Exploration & Evaluation Assets		
Canada	-	-
United States	496,137	432,074
	496,137	432,074
	December 31, 2021 (\$)	December 31, 2020 (\$)
Total Assets		
Canada	5,271,397	6,104,444
United States	496,137	432,074
	5,767,534	6,536,518

13. SUBSEQUENT EVENTS

- On February 9, 2022, the Willow Option Agreement was amended, such that the February 22, 2022 date for the cumulative exploration minimum annual exploration expenditures of US\$3,000,000 was extended to December 31, 2022 (Note 5).
- On February 16, 2022, the Company issued 166,666 common shares valued at \$10,833, in connection with the Willow Option Agreement (Note 5).
- On February 21, 2022, incentive stock options allowing for the purchase of up to, in the aggregate, 912,503 common shares at \$0.42 per common share expired.
- On March 10, 2022, the Company closed the first tranche of a non-brokered private placement ("Offering") for gross proceeds of \$700,000, pursuant to which the Company issued 11,666,667 common shares and warrants allowing for the purchase of up to, in the aggregate, 5,833,333 common shares at \$0.10 per common share until March 10, 2024. On March 16, 2022, the Company closed the second tranche of the Offering for gross proceeds of \$60,000, pursuant to which the Company issued 1,000,000 common shares and warrants allowing for the purchase of up to, in the aggregate, 500,000 common shares at \$0.10 per common share until March 16, 2024. In connection with the Offering, the Company paid finders' fees of \$11,088 and issued warrants allowing for the purchase of up to, in the aggregate, 92,400 common shares until March 10, 2024.
- On March 28, 2022, the Company granted incentive stock options allowing for the acquisition of up to, in the aggregate, 3,050,000 common shares at \$0.07 per common share until March 28, 2027.
- On March 31, 2022 the Company paid US\$25,000 to the Optionors, in connection with the Nev-Lorraine Lease Agreement (Note 5).