Abacus Mining & Exploration Corporation

(an exploration stage company)

Condensed Interim Consolidated Financial Statements

September 30, 2018

(Unaudited)

(Expressed in Canadian dollars)

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NOTICE TO READER

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

Abacus Mining & Exploration Corporation's independent auditor has not performed a review of these unaudited condensed interim financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

ABACUS MINING & EXPLORATION CORPORATION (an exploration stage company)

Condensed interim consolidated statements of financial position

Unaudited-Expressed in Canadian dollars

	NOTE	September 30, 2018	December 31, 2017
ASSETS		**($)**	**($)**
Current assets:			
Cash and cash equivalents	**4**	66,964	480,597
Amounts receivable		3,418	7,040
Prepaid expenses		16,864	20,983
		87,246	508,620
Non-current assets:			
Restricted cash	**5**	25,875	26,000
Investment in KGHM Ajax Mining Inc.	**6**	6,104,505	6,390,810
Exploration and evaluation assets	**7**	177,496	91,828
		6,307,876	6,508,638
		6,395,122	**7,017,258**
LIABILITIES AND SHAREHOLDERS' DEFICIT			
Current liabilities:			
Accounts payable and accrued liabilities		227,540	58,047
Long-term liabilities:			
KGHM Ajax project loan	**8**	15,425,999	14,361,481
		15,653,539	14,419,528
Shareholders' equity:			
Capital stock	**9**	86,291,659	85,453,992
Reserve - stock options		5,447,849	5,354,844
Deficit		(100,997,925)	(98,211,106)
		(9,258,417)	(7,402,270)
		6,395,122	**7,017,258**

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

Nature of operations and going concern (Note 1)

Subsequent events (Note 14)

Approved on behalf of the Board by:

"Michael McInnis"
Executive Chairman

"Kerry Spong"
Director

ABACUS MINING & EXPLORATION CORPORATION (an exploration stage company)

Condensed interim consolidated statements of comprehensive loss

Unaudited-Expressed in Canadian dollars

		Three months ended		Nine months ended	
		September 30	September 30	September 30	September 30
	Note	2018	2017	2018	2017
		($)	($)	($)	($)
General and administrative expenses:					
Accounting and audit		22,224	20,335	78,054	55,210
Amortization		-	-	-	1,857
Consulting and directors' fees		22,500	23,850	67,500	100,690
Exploration and evaluation expenditures	7	107,820	186,397	680,006	350,844
Foreign exchange loss		5,933	-	1,093	-
Insurance		7,673	6,800	21,444	20,190
Interest expense	8	359,177	318,703	1,064,518	932,198
Investor relations		-	14,300	12,000	52,460
Legal		-	55,672	16,645	118,611
Office		4,351	22,356	17,925	42,221
Rent		5,800	19,240	23,800	44,269
Salaries and contract wages		90,567	55,109	291,693	162,654
Share-based payments	9	2,661	6,208	93,005	302,345
Transfer agent and regulatory fees		1,352	2,579	17,739	29,356
Travel and promotion		16,475	42,528	108,853	118,803
		646,533	774,077	2,494,275	2,331,708
Other items:					
Write off of equipment		-	(10,862)	-	(10,862)
Write off of exploration and evaluation assets		8,484	-	8,484	-
Interest income		409	3,262	2,245	6,687
Income (Loss) on equity investment in KGHM Ajax Mining Inc.	6	(80,673)	(26,234)	(286,305)	69,680
Net loss and comprehensive loss for the period		735,281	807,911	2,786,819	2,266,203
Loss per share, basic and diluted		(0.02)	(0.02)	(0.07)	(0.06)
Weighted average number of common shares outstanding	#	43,769,339 #	39,159,602 #	41,975,454 #	37,641,154

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

ABACUS MINING & EXPLORATION CORPORATION (an exploration stage company)

Condensed interim consolidated statements of changes in shareholders' deficit

Unaudited-Expressed in Canadian dollars

	NOTE	Share capital		Reserve		
		Number of shares	Capital stock	Stock options	Deficit	Total shareholders' deficit
		(#)	**($)**	**($)**	**($)**	**($)**
Balance, December 31, 2016		**35,692,935**	**84,408,367**	**5,019,746**	**(78,650,244)**	**10,777,869**
Securities issued for cash		3,400,006	998,875	-	-	998,875
Issued for Willow property option		41,668	18,750	-	-	18,750
Exercise of warrants		25,000	12,000	-	-	12,000
Share-based payments		-	-	302,345	-	302,345
Loss and comprehensive loss for the period		-	-	-	(2,266,203)	(2,266,203)
Balance, September 30, 2017		39,159,609	85,437,992	5,322,091	(80,916,447)	9,843,636
Share-based payments		-	-	32,753	-	32,753
Exercise of warrants		33,333	16,000	-	-	16,000
Loss and comprehensive loss for the period		-	-	-	(17,294,659)	(17,294,659)
Balance, December 31, 2017		39,192,942	85,453,992	5,354,844	(98,211,106)	(7,402,270)
Securities issued for cash	9	4,142,500	828,500	-	-	828,500
Issued for Willow property option	9	41,667	9,167	-	-	9,167
Share-based payments		-	-	93,005	-	93,005
Loss and comprehensive loss for the period		-	-	-	(2,786,819)	(2,786,819)
Balance, September 30, 2018		**43,377,109**	**86,291,659**	**5,447,849**	**(100,997,925)**	**(9,258,417)**

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

ABACUS MINING & EXPLORATION CORPORATION (an exploration stage company)

Condensed interim consolidated statements of cash flows

Unaudited-Expressed in Canadian dollars

	September 30 2018	September 30 2017
	($)	**($)**
Operating activities:		
Net loss for the period	(2,786,819)	(2,266,203)
Items not involving cash:		
Share of loss (income) in equity investment	286,305	(69,680)
Share-based payments	93,005	302,345
Amortization	-	1,857
Interest expense	1,064,518	932,198
Write off of equipment	-	10,862
Write off of exploration and evaluation assets	8,484	-
Changes in working capital related to operating activities:		
Prepaid expenses	4,119	(3,100)
Amounts receivable (net)	3,622	(2,112)
Accounts payable and accrued liabilities	169,494	59,127
Cash used for operating activities	**(1,157,272)**	**(1,034,705)**
Investing activities:		
Exploration and evaluation assets	(84,986)	(48,614)
Restricted cash	125	20
Cash used for investing activities	**(84,861)**	**(48,594)**
Financing activities:		
Proceeds fom warrants exercised	-	12,000
Proceeds from private placement (net)	828,500	1,020,000
Cash provided by financing activities	**828,500**	**1,032,000**
Decrease in cash and cash equivalents during the period	(413,633)	(51,299)
Cash and cash equivalents, beginning of the period	480,597	1,006,957
Cash and cash equivalents, end of period	**66,964**	**955,658**

Supplemental cash flows		
Supplemental disclosures		
Interest on cash and cash equivalents	2,074	5,187
Interest on restricted cash	171	20
Shares issued for exploration and evaluation assets	9,167	18,750
Loan advances from KGHM	-	480,000
Fair value of exercised warrants	-	7,128

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Abacus Mining & Exploration Corporation (the "Company" or "Abacus"), incorporated under the *Company Act* (British Columbia), is an exploration stage company engaged principally in the acquisition, exploration and development of mineral properties in Canada and the U.S.A. The address of the Company's office is Suite 1000, 1050 West Pender Street, Vancouver, British Columbia, Canada, V6E 3S7.

On May 1, 2017 the Company incorporated Abacus Mining & Exploration (NV) Corporation, a wholly-owned integrated Nevada, US subsidiary to hold its interest in the Willow property (Note 7).

These condensed interim consolidated financial statements have been prepared under the assumption that the Company is a going concern. The Company currently does not generate any revenue, has limited financial resources, no source of operating cash flow, and no assurances that sufficient funding, including adequate financing, will be available to conduct further exploration and development of its mineral properties. The Company's ability to continue as a going concern is dependent upon its ability to obtain the financing necessary to fund its mineral properties through the issuance of equity, debt, disposition of assets or mineral interests, or some combination thereof. These material uncertainties may cast significant doubt about the Company's ability to continue as a going concern. Management plans to continue to secure the necessary financing through the issuance of equity, debt, disposition of assets or mineral interests, or some combination thereof; however, there is no assurance that the Company will be successful in these actions. These financial statements do not give effect to adjustments to the carrying values and classification of assets and liabilities that would be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

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

These condensed interim consolidated financial statements have been prepared on a historical cost basis except for derivative financial instruments and financial instruments at fair value, if any held, that have been measured at fair value. These condensed interim consolidated financial statements are presented in Canadian dollars, except where otherwise noted.

These condensed interim consolidated financial statements include the accounts of the Company and its wholly-owned integrated subsidiary, Abacus Mining & Exploration (NV) Corporation, a US company. All intercompany accounts and transactions have been eliminated.

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting.

Interim financial statements do not include all the information required for full annual financial statements. These condensed interim consolidated financial statements should be read in conjunction with the Company's annual financial statements for the year ended December 31, 2017. These condensed interim consolidated financial statements of Abacus were reviewed by the Audit Committee, and the Board of Directors approved and authorized them for issuance on November 28, 2018.

(b) Significant accounting judgments, estimates, and assumptions

The preparation of condensed interim consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed interim consolidated financial statements, and the reported amounts of expenses during the reporting period.

While management believes that these judgments and estimates are reasonable, actual results could differ from those estimates and could impact future results of comprehensive income and cash flows. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

3. SIGNIFICANT ACCOUNTING POLICIES

Other than the adoption of new accounting policies as described below, the same accounting policies have been used in the preparation of these condensed interim financial statements as those used in the most recent audited annual financial statements and reflect all the adjustments necessary for the fair presentation in accordance with IFRS of the result of the interim periods presented.

New accounting standards

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

- IFRS 2, "Share-based payment" (amended standard) is effective for annual periods beginning on or after January 1, 2018.
- IFRS 9, "Financial Instruments: Classification and Measurement" is effective for annual periods beginning on or after January 1, 2018. The Company adopted IFRS 9 retrospectively, without restatement of prior year financial statements. IFRS 9 replaces the provisions of IAS 39, Financial Instruments: Recognition and Measurement ("IAS 39") that relate to the recognition, classification, and measurements of financial assets and financial liabilities, derecognition of financial instruments and impairment of financial assets. IFRS 9 uses a single approach to determine whether a financial asset is classified and measured at amortized cost or fair value. The approach in IFRS 9 is based on how the Company manages its financial instruments and the contractual cash flow characteristics of the financial asset. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9. The application of IFRS 9 did not impact the Company's classification and measurement of financial assets and liabilities, and there was also no impact to the carrying value of any of the Company's financial assets or liabilities on the date of transition.
- IFRS 15, "Revenue from Contracts and Customers": is effective for annual periods beginning on or after January 1, 2018.

Accounting Standards issued but not yet in effect

- IFRS 16, "Leases": is effective for annual periods beginning on or after January 1, 2019.

The Company is currently evaluating the impact of this new standard on its financial statements. The impact is not expected to have a material impact on the statements of financial position or results of operations of the Company.

Unaudited-Expressed in Canadian dollars

4. CASH AND CASH EQUIVALENTS

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

Cash and cash equivalents		September 30, 2018		December 31, 2017
Bank accounts	$	66,964	$	105,597
Savings account		-		375,000
	$	66,964	$	480,597

5. RESTRICTED CASH

At September 30, 2018, the Company has restricted cash of $25,875 (December 31, 2017: $26,000) to guarantee credit card balances.

6. INVESTMENT IN KGHM AJAX MINING INC.

On June 28, 2010, KGHM Ajax Mining Inc. ("KGHM Ajax") was incorporated. KGHM Ajax is 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% (Note 8). 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. Such loans will be repaid from Abacus's share of future revenues from the joint venture.

As at September 30, 2018, the Company owns 20% of the common and voting shares of KGHM Ajax. 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 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 period ended September 30, 2018, Abacus contributed $Nil (December 31, 2017: $820,000) to KGHM Ajax representing Abacus' 20% share of cash calls of KGHM Ajax made pursuant to the JV Agreement, to finance the continuing operations of KGHM Ajax. The cash calls were funded through additional loans from KGHM (Note 8).

Unaudited-Expressed in Canadian dollars

Investment in KGHM Ajax	**($)**
December 31, 2016	**22,040,341**
Cash contributions to KGHM Ajax pursuant to cash calls	480,000
Share of the profit of KGHM Ajax	69,680
September 30, 2017	**22,590,021**
Cash contributions to KGHM Ajax pursuant to cash calls	340,000
Share of the loss of KGHM Ajax	(16,539,211)
December 31, 2017	**6,390,810**
Cash contributions to KGHM Ajax pursuant to cash calls	-
Share of the loss of KGHM Ajax	(286,305)
September 30, 2018	**6,104,505**

A summary of 100% of the assets and liabilities of KGHM Ajax and selected results of operations for the period ended September 30, 2018 follows:

Selected financial information of KGHM Ajax		September 30, 2018		December 31, 2017
Cash and cash equivalents	$	1,745,298	$	3,888,665
Current assets (excluding cash & cash equivalents)		435,194		507,560
Total non-current assets		31,827,220		31,752,126
Total assets	$	34,007,712	$	36,148,351
Current liabilities	$	1,178,170	$	1,883,013
Non-current liabilities		2,272,677		2,276,952
Total shareholders' equity		30,556,865		31,988,386
Total liabilities and equity	$	34,007,712	$	36,148,351
		Nine months ended September 30 2018		Nine months ended September 30 2017
Net and comprehensive loss (income)	$	1,431,521	$	(348,402)
Revenue	$	nil	$	nil
Interest Income		19,112		20,471
Amortization		76,258		48,313
Interest expense		3,705		21,304
Income tax recovery		nil		nil

Unaudited-Expressed in Canadian dollars

Impairment of non-current assets in KGHM Ajax

During the years ended December 31, 2017 and 2016 KGHM Ajax reviewed the carrying value of its mining and other assets due to the identification of indications of impairment. Impairment charges were recognized as a result to reduce the carrying value of mining and other assets to its recoverable amount.

In respect of the year ended December 31, 2017:

In December 2017, following a six-year environmental assessment review process, the British Columbia Minister of Environment and Climate Change Strategy and Minister of Energy, Mines and Petroleum Resources announced they had declined the issuance of an Environmental Assessment Certificate ("EA Certificate") for the Ajax project. The recoverable amount was determined based on fair value less costs to sell, with measurement of the value of KGHM Ajax's real estate providing the highest value. As such, KGHM Ajax recognized a total impairment of $79,754,973, which impairment was allocated among mineral interest, land, buildings and equipment.

7. EXPLORATION AND EVALUATION ASSETS

The Company has investigated ownership of its mineral interests as at September 30, 2018, and to the best of the Company's knowledge, ownership of its interests is in good standing.

	Balance December 31, 2017 ($)	Acquistion ($)	Disposition ($)	Balance September 30, 2018 ($)
Tomichi	8,484	-	(8,484)	-
Willow	83,344	94,152	-	177,496
	91,828	**94,152**	**(8,484)**	**177,496**

The following table shows the activity by category of exploration:

Exploration and Evaluation Expenditures	September 30, 2018 ($)	December 31, 2017 ($)
Drilling	442,000	-
Consulting and project supervision	112,746	138,216
Other	38,746	9,258
Permitting, fees	61,020	-
Surveying	20,144	230,915
Planning	5,350	103,948
Total	**680,006**	**482,337**

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

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

Willow Option Agreement:

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

Unaudited-Expressed in Canadian dollars

To acquire the initial 60% Option Interest in the Willow Property, the Company is required to issue common shares and incur exploration expenditures as follows:

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

(1) After taking into effect the consolidation of the common shares in the capital of the Company, as to one post-consolidation share for every six pre-consolidation shares, which post-consolidated shares commenced trading on the TSX-V on May 1, 2017.
(2) Issued on March 16, 2017; valued at $18,750.
(3) Issued on February 7, 2018; valued at $9,167.
(4) Incurred

Upon having earned the 60% Option Interest in the Willow Property and until the 10th anniversary date of the date of regulatory approval, the Company will be required to incur minimum exploration expenditures on an exploration program on the Property of US$500,000 per year. The Company will act as the Willow Property's operator during the initial five-year term and following the earning of the 60% Option Interest, until such time as a joint venture is established, as described below. Under the terms of the Option Agreement, should either Abacus or Almadex acquire the rights to additional property ("AP") within the Area of Interest ("AOI"), the other party may elect to make the AP part of the Willow Project. Alamdex elected to include the Nev-Lorraine claims (see *Nev-Lorraine Lease Agreement* below) to the Willow Project.

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

Nev-Lorraine Lease Agreement:

The Company entered into an Exploration and Option to Purchase Agreement (the "NL Agreement") dated effective January 1, 2018, with three individuals (collectively, the "Optionors"), to lease the Nev-Lorraine unpatented mining claims located in Douglas County, Nevada, USA (the "Nev-Lorraine Property"). The Agreement is a ten-year lease agreement allowing the Company to explore the Nev-Lorraine claims pursuant to the following payments and expenditures:

Unaudited-Expressed in Canadian dollars

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

[1] Paid August 15, 2017

[2] Paid February 6, 2018

At any time during the life of the NL Agreement, the Company can elect to purchase the claim group outright from the Optionors, for sums ranging from US$1,500,000 to US$1,950,000. The Optionors do not retain an NSR, and the yearly expenditures are cumulative, meaning that any excess expenditure can be carried through to subsequent years. The Nev-Lorraine Property is in the AOI, and is included in the Willow Project as AP, under the terms of the Willow Option Agreement.

Tomichi Property:

During the year ended December 31, 2017, the Company acquired, by staking, claims comprising the Tomichi Property, in Nevada. The claims were not renewed, and as such, all associated costs were written off during September 2018.

8. KGHM AJAX PROJECT LOAN

Under the terms of the JV Agreement, and without dilution to its 20% ownership of KGHM Ajax, the Company requested, beginning in 2015, that KGHM provide the Company's funding of the operations at Ajax as a loan (the "KGHM Loan").

The KGHM Loan is non-revolving, bears interest of 10% per annum, is secured by the investment in KGHM Ajax, and has a maturity date of December 31, 2020. Under the terms of the JV Agreement, if, at the time of maturity of the loan, the commencement of commercial production and the distribution of dividends by the JV to the Company are not sufficient to repay the KGHM Loan, the parties must, in good faith, negotiate an extension. Additionally, should the Company incur debt outside of the KGHM Loan or dispose of assets, in each case in excess of $100,000, any prepayment of the debt is only in the amount of the funds borrowed or sale proceeds received.

Unaudited-Expressed in Canadian dollars

For the period ended September 30, 2018 $Nil (2017: $480,000) was provided by KGHM and the Company accrued interest of $1,064,518 for the period (2017: $932,198).

KGHM Loan Payable		
Total December 31, 2016	**$**	**12,258,118**
Funds advanced by KGHM		480,000
Interest		932,198
Total September 30, 2017	**$**	**13,670,317**
Funds advanced by KGHM		340,000
Interest		351,164
Total December 31, 2017	**$**	**14,361,481**
Funds advanced by KGHM		-
Interest		1,064,518
Total September 30, 2018	**$**	**15,425,999**

9. SHAREHOLDERS' DEFICIT

(a) Authorized capital stock

At September 30, 2018, the authorized capital stock of the Company is comprised of an unlimited number of common shares without par value.

On May 1, 2017, the Company completed a 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.

(b) Share issuances

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

On April 3, 2018, the company closed a non-brokered private placement for gross proceeds of $828,500 through the issuance of 4,142,500 units of the Company ("Units") at a price of $0.20 per Unit. Each Unit consists of one common share of the Company and one non-transferable common share purchase warrant, with each warrant exercisable to purchase one common share of the Company at a price of $0.30 per common share until April 3, 2021.

(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 March 31, 2018 stock options may be granted allowing for the purchase of up to, in the aggregate, a maximum of 4,084,855 shares. The exercise price of any option granted shall not be less than the minimum price permitted by the policies of the TSX Venture Exchange (the "Exchange"). The expiry date for each option, set by the Board of Directors at the time of issue, shall not be more than five years after the grant date. Options granted vest at the discretion of the Board of Directors and in accordance with regulatory requirements. The Plan further provides that at any such time the Exchange rules differ from specific terms of the Plan, then the rules of the Exchange shall apply.

Unaudited-Expressed in Canadian dollars

As at September 30, 2018, the Company had stock options outstanding to directors, officers and consultants for the purchase of up to, in the aggregate, 3,534,157 shares (September 30, 2017: 2,936,667) common shares exercisable as follows:

		Outstanding		Exercisable	
Exercise price ($)	**Expiry date**	**Outstanding (#)**	**Remaining contractual life (yrs)**	**Exercisable (#)**	**Remaining contractual life (yrs)**
0.72	October 8, 2018	366,665	0.02	366,665	0.02
0.30	February 20, 2020	253,330	1.39	253,330	1.39
0.39	November 16, 2020	166,666	2.13	166,666	2.13
0.36	December 28, 2020	937,496	2.25	937,496	2.25
0.36	April 19, 2021	250,000	2.55	250,000	2.55
0.42	February 21, 2022	962,500	3.40	962,500	3.40
0.25	December 20, 2022	150,000	4.22	150,000	4.22
0.22	April 19, 2023	447,500	4.55	441,250	4.55
		3,534,157	**2.08**	**3,527,907**	**2.08**

A summary of the stock options transactions follows:

	Outstanding	**Weighted average exercise price**
Outstanding December 31, 2016	**2,140,000**	**0.48**
Granted	962,500	0.42
Expired	(165,843)	0.42
Outstanding September 30, 2017	**2,936,657**	**0.48**
Granted	150,000	0.40
Outstanding December 31, 2017	**3,086,657**	**0.41**
Granted	447,500	0.22
Outstanding September 30, 2018	**3,534,157**	**0.39**

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

On April 19, 2018, the Company granted options allowing for the purchase of up to, in the aggregate, 447,500 shares at $0.22 per share until April 19, 2023, to employees, consultants, directors and officers of the Company. The grant date fair value was estimated using the Black-Scholes option pricing model with the following weighted average assumptions: risk-free interest rate of 2.12%, expected life of five years, expected volatility of 178.01% and dividend yield of 0%. The total amount of share-based payments expense is calculated at $89,726, of which $87,375 was recognized during the period ended September 30, 2018.

Pursuant to the vesting of options granted in prior years, the Company recognized $5,630 in share-based payments during the nine months ended September 30, 2018.

Unaudited-Expressed in Canadian dollars

10. WARRANTS

The Company uses the residual method in determining the fair value of warrants issued, which method provides for the allocation of the consideration received to the fair value to the shares issued and allocating any residual amount to the warrants issued.

<u>During the period ended September 30, 2018:</u>
On April 3, 2018, the Company issued 4,142,500 warrants, with each warrant entitling the holder to purchase one common share at a price of $0.30 until on April 3, 2021. As the fair value of the shares exceeded the consideration received, no residual amount existed, and the warrants were valued at $Nil.

A summary of the warrant transactions follows:

	Outstanding	Weighted average exercise price
Outstanding December 31, 2016	**-**	
Issued	1,700,000	$0.08
Exercised	(58,333)	$0.48
Outstanding December 31, 2017	**1,641,667**	**$0.48**
Issued	4,142,500	$0.30
Outstanding September 30, 2018	**5,784,167**	**$0.35**

As at September 30, 2018, the warrants, with a weighted average remaining life of 2.21 years, expire as follows:

Issue date	Expiry Date	Outstanding (#)	Exercise price ($)
March 8, 2017	March 8, 2020	1,641,667	0.48
April 3, 2018	April 3, 2021	4,142,500	0.30
		5,784,167	

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

In March 2017, the Company issued 1,700,000 warrants, with each warrant entitling the holder to purchase one common share at a price of $0.48 until on March 8, 2020. As the fair value of the shares exceeded the consideration received, no residual amount existed, and the warrants were valued at $Nil.

11. RELATED PARTY TRANSACTIONS

All advances to and amounts due to 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 of key management personnel during the period ended September 30, 2018 and 2017 follows:

Unaudited-Expressed in Canadian dollars

Management's and director's compensation	September 30, 2018	September 30, 2017
	($)	($)
Accounting	24,906	31,750
Consulting and contract wages	274,472	116,813
Directors' fees	67,500	67,500
	366,878	216,063

Key management personnel are also eligible to receive incentive stock options. Share-based payments is a non-cash item, resulting from the application of the Black-Scholes Option Pricing Model using assumptions in respect of expected dividend yield average risk-free interest rates, expected life of the options and expected volatility, and is intended to represent the fair value determined under the Black-Scholes model of the vested portion of existing options during the period. During the period ended September 30, 2018, the Company expensed $79,200 in share-based payments (2017: $291,226) pursuant to incentive stock option grants to key management personnel.

During the period ended September 30, 2018, the Company was charged, by a company with directors in common, $23,800 in respect of rent.

12. FINANCIAL RISK MANAGEMENT

In accordance with the adoption of IFRS 9 on January 1, 2018, the Company measures its cash and cash equivalents, restricted cash, amounts receivable, accounts payable, and KGHM Ajax project loan at amortized cost. The Company's investment in KGHM Ajax is carried at fair value through profit or loss. The carrying values of cash and cash equivalents, amounts receivable, restricted cash, and accounts payable approximate their fair values due to the short-term maturity of these financial instruments. The Company's risk exposure and the impact on the Company's financial instruments are summarized below.

(a) Credit risk

The Company manages credit risk, in respect of its cash and cash equivalents, by purchasing highly liquid, short-term investment-grade securities held at major Canadian financial institutions. Concentration of credit risk exists with respect to the Company's cash and cash equivalents (Note 4) and restricted cash (Note 5), as all amounts are held through a single major Canadian financial institution. The Company's concentration of credit risk and maximum exposure thereto is as follows:

Concentration of credit risk and maximum exposure		September 30, 2018		December 31, 2017
Bank accounts	$	66,964	$	105,597
Savings account		-		375,000
Restricted cash		25,875		26,000
	$	92,839	$	506,597

(b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty meeting obligations associated with financial liabilities. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated financing and investing activities. Accounts payable and accrued liabilities of $205,040 are due in the fourth quarter of 2018. At September 30, 2018, the Company had cash and cash equivalents, and accounts receivable of $66,964 and $3,418, respectively, which is sufficient to satisfy the expected requirements for the fourth quarter of 2018 (Note 14).

(c) Market risk

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

(i) *Interest rate risk*

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

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

(ii) *Foreign currency risk*

The Company incurs certain expenses in currencies other than the Canadian dollar. The Company is subject to foreign currency risk as a result of fluctuations in exchange rates. The Company manages this risk by maintaining bank accounts in US dollars to pay these foreign currency expenses as they arise. Receipts in foreign currencies are maintained in those currencies. The Company does not undertake currency hedging activities. The Company also does not attempt to hedge the net investment and equity of integrated foreign operations.

(iii) *Other price risk*

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk. The Company is exposed to changes in fair value of its investment in KGHM Ajax, which is based on the underlying fair value of KGHM Ajax's assets.

13. SEGMENTED INFORMATION

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

	September 30, 2018 ($)	December 31, 2017 ($)
Exploration & Evaluation Assets		
Canada	-	-
United States	177,496	91,828
	177,496	**91,828**

	September 30, 2018 ($)	December 31, 2017 ($)
Total Assets		
Canada	6,217,626	6,925,430
United States	177,496	91,828
	6,395,122	**7,017,258**

14. SUBSEQUENT EVENTS

- On October 8, 2018, incentive stock options allowing for the acquisition of up to, in the aggregate, 366,665 shares of the Company at $0.72 per share expired.

- On November 23, 2018, the Company closed a non-brokered private placement for gross proceeds of $487,200 through the issuance of 4,872,000 units of the Company ("Units") at a price of $0.10 per Unit. Each Unit consists of one common share of the Company and one non-transferable common share purchase warrant (“Warrant”), with each Warrant exercisable to purchase one common share of the Company at a price of $0.20 per common share for a period of three years from the date of closing of the financing. In connection with the private placement, the Company paid a total of $4,529 in cash commissions and issued a total of 45,290 Warrants to finders. All securities issued will be subject to a statutory four month hold period expiring on March 23, 2019, and the financing received final TSX Venture Exchange approval on November 26, 2018.