Abacus Mining & Exploration Corporation

(an exploration stage company)

Condensed Interim Consolidated Financial Statements

For the Six Months Ended June 30, 2021 and 2020

(Unaudited)

(Expressed in Canadian dollars)

NOTICE TO READER

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

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

ABACUS MINING & EXPLORATION CORPORATION (an exploration stage company)
Condensed interim consolidated statements of financial position
Unaudited - Expressed in Canadian dollars

	NOTE	June 30, 2021	December 31, 2020
ASSETS		**($)**	**($)**
Current assets:			
Cash and cash equivalents		1,290,264	628,465
Amounts receivable		1,381	25,337
Prepaid expenses		8,787	25,718
		1,300,432	679,520
Non-current assets:			
Investment in KGHM Ajax Mining Inc.	**4**	4,658,630	5,424,924
Exploration and evaluation assets	**5**	500,362	432,074
		5,158,992	5,856,998
		6,459,424	**6,536,518**
LIABILITIES AND SHAREHOLDERS' DEFICIT			
Current liabilities:			
Accounts payable and accrued liabilities		479,934	207,224
KGHM Ajax project loan	**6**	20,205,323	19,250,908
		20,685,257	19,458,132
Shareholders' deficit:			
Capital stock	**7**	90,241,994	88,824,083
Reserves-options		5,906,386	5,638,517
Reserve - warrants		74,843	65,571
Deficit		(110,449,056)	(107,449,785)
		(14,225,833)	(12,921,614)
		6,459,424	**6,536,518**

The accompanying notes are an integral part of the condensed interim consolidated financial statements.
Nature of operations and going concern (Note 1)

Approved and authorized for issue by the Board of Directors on August 30, 2021

"Michael McInnis"
Chairman

"Kerry Spong"
Director

ABACUS MINING & EXPLORATION CORPORATION (an exploration stage company)

Condensed interim consolidated statements of loss and comprehensive loss

Unaudited - Expressed in Canadian dollars

	Note	Three months ended June 30		Six months ended June 30	
		2021	**2020**	**2021**	**2020**
		($)	**($)**	**($)**	**($)**
General and administrative expenses:					
Accounting and audit		13,958	24,487	20,996	36,037
Exploration and evaluation expenditures	**5**	258,517	8,034	522,821	14,431
Foreign exchange loss (gain)		(92)	521	2,226	397
Insurance		8,465	5,650	16,931	11,301
Legal		209,125	-	209,125	5,147
Office		5,095	1,810	6,206	6,781
Rent		4,800	4,800	9,600	9,600
Salaries and contract wages		56,231	25,132	118,325	64,016
Share-based payments	**7**	41,379	-	267,869	163,008
Transfer agent and regulatory fees		13,731	5,715	20,529	13,654
Travel and promotion		40,580	192	83,937	8,826
		651,790	76,341	1,278,563	333,198
Other items:					
Interest expense	**6**	483,477	438,553	954,415	870,443
Loss on equity investment in KGHM Ajax Mining Inc.	**4**	718,164	110,053	766,294	155,786
Loss and comprehensive loss for the period		1,853,431	624,947	2,999,271	1,359,427
Loss per share, basic and diluted		(0.02)	(0.01)	(0.04)	(0.02)
Weighted average number of common shares outstanding	#	76,127,801	62,702,443	75,090,100 #	62,692,370

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	Warrants	Deficit	Total shareholders' deficit
		(#)	**($)**	**($)**	**($)**	**($)**	**($)**
Balance, December 31, 2019		**62,660,776**	**87,444,348**	**5,458,359**	**35,625**	**(104,420,827)**	**(11,482,495)**
Issued for Willow property option	5,7	41,667	4,583	-	-	-	4,583
Share-based payments		-	-	163,008	-	-	163,008
Loss for the period		-	-	-	-	(1,359,427)	(1,359,427)
Balance, June 30, 2020		**62,702,443**	**87,448,931**	**5,621,367**	**35,625**	**(105,780,254)**	**(12,674,331)**
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	-	-
Share-based payments		-	-	17,150	-	-	17,150
Loss for the period		-	-	-	-	(1,669,531)	(1,669,531)
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		11,500,000	1,495,000	-	-	-	1,495,000
Share issuance costs - cash		-	(110,410)	-	-	-	(110,410)
Share issuance costs - warrants		-	(9,273)	-	9,273	-	-
Exercise of warrants		343,400	30,510	-	-	-	30,510
Share-based payments		-	-	267,869	-	-	267,869
Loss for the period		-	-	-	-	(2,999,271)	(2,999,271)
Balance, June 30, 2021		**85,941,676**	**90,241,994**	**5,906,386**	**74,843**	**(110,449,056)**	**(14,225,833)**

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

ABACUS MINING & EXPLORATION CORPORATION (an exploration stage company)

Condensed interim consolidated statements of cash flows

Unaudited - Expressed in Canadian dollars

	Six months ended June 30, 2021	2020
	($)	**($)**
Operating activities:		
Loss for the period	(2,999,271)	(1,359,427)
Adjustments and items not involving cash:		
Share of loss in equity investment	766,294	155,786
Share-based payments	267,869	163,008
Interest expense	954,415	870,443
Changes in working capital related to operating activities:		
Prepaid expenses	16,930	8,076
Amounts receivable	23,955	1,888
Accounts payable and accrued liabilities	272,713	(98,412)
Cash used for operating activities	**(697,096)**	**(258,638)**
Investing activities:		
Exploration and evaluation assets	(56,205)	(26,627)
Cash used for investing activities	**(56,205)**	**(26,627)**
Financing activities:		
Proceeds from warrant exercise	30,510	-
Proceeds from private placement	1,495,000	-
Share issuance costs	(110,410)	-
Cash provided by financing activities	**1,415,100**	**-**
Increase (decrease) in cash and cash equivalents during the perio	661,799	(285,265)
Cash and cash equivalents, beginning of the period	628,465	431,575
Cash and cash equivalents, end of period	**1,290,264**	**146,310**

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.

The Company presently has no proven or probable reserves and on the basis of information to date, it has not yet determined whether its properties contain economically recoverable ore reserves. The Company has not generated any revenues from its operations to date and consequently is considered to be in the exploration stage. The amounts shown as exploration and evaluation assets represent acquisition costs incurred to date, less any amounts written off, and do not necessarily represent present or future values. The recoverability of the carrying amounts for exploration and evaluation assets is dependent upon the confirmation of economically recoverable reserves, the Company raising capital, the sale or entering into a joint venture of the Company's exploration and evaluation assets, and/or the attainment of profitable operations.

These condensed interim consolidated financial statements have been prepared on the basis that the Company will continue as a going concern, which assumes that the Company will be able to meet its commitments, continue operations and realize its assets and discharge its liabilities in the normal course of operations for the foreseeable future. As at June 30, 2021 the Company had a working capital deficit (current assets less current liabilities) of $19,384,825 (December 31, 2020: working capital deficit of $18,778,612), which working capital deficit includes the KGHM Ajax project loan (the "KGHM Loan"), with a carrying value of $20,205,323 (December 31, 2020: $19,250,908) (Note 6). During the six-month period ended June 30, 2021 the Company incurred a loss of $2,999,271 (June 30, 2020: $1,359,427) and used cash for operating activities of $697,096 (June 30, 2020: $258,638).

The KGHM Loan is secured by the investment in KGHM Ajax, is non-revolving, bears interest of 10% per annum, matures on December 31, 2021, 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 June 30, 2021 and as at the date of approval of these condensed interim consolidated financial statements, the Company does not have the funds available to satisfy the loan. In December 2017, following a six-year environmental assessment review process, the British Columbia Minister of Environment and Climate Change Strategy and Minister of Energy, Mines and Petroleum Resources announced they had declined the issuance of an Environmental Assessment Certificate required for the Ajax Project to proceed toward commercial production. During the year ended December 31, 2020, the maturity date of the KGHM Loan was extended to December 31, 2021 (the "Extended Maturity Date"). 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, no source of operating cash flow, and no assurances that sufficient funding will be available to conduct further exploration and development of its mineral properties. The Company's ability to continue as a going concern is dependent upon its ability to obtain the financing necessary to fund its mineral properties through the issuance of capital stock or joint ventures, to renegotiate the maturity date of the KGHM Loan and to realize future profitable production or proceeds from the disposition of its mineral interests. These material uncertainties may cast significant doubt about the Company's ability to continue as a going concern.

Management plans to continue to secure the necessary financing through a combination of equity financing and entering into joint venture arrangements; however, there is no assurance that the Company will be successful in these actions. These condensed interim consolidated financial statements do not give effect to adjustments to the carrying values and classification of assets and liabilities that would be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

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

(a) Statement of compliance

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

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. Interim financial statements do not include all the information required for full annual financial statements. These condensed interim consolidated financial statements follow the same accounting policies and methods of their application as the most recent annual financial statements and should be read in conjunction with the Company's annual financial statements for the year ended December 31, 2020. These condensed interim consolidated financial statements were reviewed by the Audit Committee, and the Board of Directors approved and authorized them for issuance on August 30, 2021.

(b) Principles of consolidation

These condensed interim consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Abacus Mining & Exploration (NV) Corporation, a company incorporated in the state of Nevada, USA. All significant inter-company transactions, balances, and unrealized foreign exchange translation gains or losses have been eliminated.

(c) Foreign currency translation

The presentation currency of the Company and the functional currency of the Company is the Canadian dollar. Transactions in currencies other than the functional currency are recorded at rates approximating those in effect at the time of the transactions. Monetary items are translated at the exchange rate in effect at the balance sheet date and non-monetary items are translated at historical exchange rates. Translation gains and losses are reflected in the consolidated statements of loss and comprehensive loss for the period. Unless otherwise indicated, all dollar amounts in these condensed interim consolidated financial statements are in Canadian dollars.

(d) Significant accounting estimates and judgments

The preparation of these condensed interim consolidated financial statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the condensed interim consolidated financial statements and the reported expenses during the period. Actual results could differ from these estimates.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

Judgments

(i) The assessment by management of the Company's liquidity position and whether going concern disclosure is required in the condensed interim consolidated financial statements.

As part of this process, management prepares cash flow budgets detailing expected expenditures for at least the next twelve months. The assessment of the Company's liquidity position takes into account the Company's working capital position, the timing of discretionary and non-discretionary expenditures and also the status of any potential equity financings.

(ii) The carrying amount of the Company's exploration and evaluation assets does not necessarily represent present or future values, and these assets have been accounted for under the assumption that the carrying value will be recoverable. Recoverability is dependent on various factors, including the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development and future profitable production or proceeds from the disposition of the exploration and evaluation assets themselves.

Additionally, there are numerous geological, economic, environmental and regulatory factors and uncertainties that could impact management's assessment as to the overall viability of its properties or to the ability to generate future cash flows necessary to cover or exceed the carrying value of the Company's exploration and evaluation assets. Management reviewed exploration and evaluation assets for the years ended December 30, 2019 and 2018 and did not identify any impairment indicators.

Estimates and assumptions

Realization of investment in associate

Realization of the Company's investment in KGHM Ajax is dependent upon KGHM Ajax obtaining permits, the satisfaction of governmental requirements, satisfaction of possible aboriginal claims, the attainment of successful production from the properties, or from the proceeds upon disposal of KGHM Ajax's assets or the Company's interest in KGHM Ajax. The Company performed an assessment, in accordance with its accounting policy, and identified objective evidence of impairment as at December 31, 2019 and December 31, 2018.

Where objective evidence of impairment is identified, the recoverable amount of the investment in KGHM Ajax would involve using the most recent financial information from KGHM in assessing whether a potential impairment has occurred. The assumptions estimating fair value of KGHM Ajax's non-current assets. These assumptions and estimates are subject to change based on economic and other factors and these changes can have a material impact on the calculation of recoverable amount of the project.

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

Unaudited - Expressed in Canadian dollars

3. SIGNIFICANT ACCOUNTING POLICIES

The same accounting policies have been used in the preparation of these condensed interim consolidated financial statements as those used in the most recent audited annual financial statements and in the opinion of management reflect all the adjustments considered necessary for the fair presentation in accordance with IFRS of the result of the interim periods presented.

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 June 30, 2021, KGHM owns 80% and the Company owns 20% of the common and voting shares of KGHM Ajax. Additionally, the Company has representation on the Board of Directors. As such, the Company is considered to have significant influence over KGHM Ajax, and accordingly accounts for its investment in KGHM Ajax using the equity method, pursuant to which its investment in KGHM Ajax is initially recognized at cost then subsequently adjusted for the Company's share of the profits and/or losses of KGHM Ajax as well as any distributions received from KGHM Ajax. To date no dividends or distributions to shareholders of KGHM Ajax have occurred.

During the period ended June 30, 2021, Abacus contributed $Nil (December 31, 2020: $Nil) to KGHM Ajax representing Abacus' 20% share of cash calls of KGHM Ajax made pursuant to the JV Agreement, to finance the continuing operations of KGHM Ajax. Cash calls are funded through additional loans from KGHM (Note 6).

	($)
December 31, 2019	**5,634,214**
Cash contributions to KGHM Ajax pursuant to cash calls	-
Share of the loss of KGHM Ajax	(155,786)
June 30, 2020	**5,478,428**
Cash contributions to KGHM Ajax pursuant to cash calls	-
Share of the loss of KGHM Ajax	(53,504)
December 31, 2020	**5,424,924**
Cash contributions to KGHM Ajax pursuant to cash calls	-
Share of the loss of KGHM Ajax	(766,294)
June 30, 2021	**4,658,630**

5. EXPLORATION AND EVALUATION ASSETS

The Company has investigated ownership of its mineral interests as at June 30, 2021, and to the best of the Company's knowledge, ownership of its interests is in good standing.

	Willow Project ($)	Jersey Valley ($)	Total ($)
December 31, 2019	**256,323**	**6,699**	**263,022**
Acquisition Costs	4,583	26,626	31,209
June 30, 2020	**260,906**	**33,325**	**294,231**
Acquisition Costs	105,196	32,648	137,843
December 31, 2020	**366,102**	**65,972**	**432,074**
Acquisition Costs	68,288	-	68,288
June 30, 2021	**434,390**	**65,972**	**500,362**

Unaudited - Expressed in Canadian dollars

The following table shows the activity by category of exploration:

Exploration and Evaluation Expenditures	June 30, 2021 ($)	June 30, 2020 ($)
Consulting and project supervision	81,240	8,708
Other	23,973	1,712
Drilling	403,840	-
Claims maintenance	13,769	4,011
Total	**522,821**	**14,431**

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"), 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 exploration expenditures as follows:

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	(2)
On or before February 22, 2019	41,667	(1)	400,000	(2)
On or before February 22, 2020	41,667	(1)	1,000,000	(2)
On or before February 22, 2021	83,333	(1)	1,800,000	(2)
On or before February 22, 2022	166,666		3,000,000	
Total	**416,667**			

(1) Issued to June 30, 2021
(2) Incurred to June 30, 2021

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.

Unaudited - Expressed in Canadian dollars

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:

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	(2)
On or before January 1, 2019	70,000	(1)	On or before December 31, 2019	40,000	(2)
On or before January 1, 2020	20,000	(1)	On or before December 31, 2020	60,000	(2)
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		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 to June 30, 2021
(2) Incurred to June 30, 2021

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

Jersey Valley Property:

On October 10, 2019, the Company entered into a Letter of Intent (the "Jersey Valley LOI") with a private Nevada company for a 15-year lease on the Jersey Valley gold property, located in Nevada. 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

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.

Unaudited - Expressed in Canadian dollars

6. KGHM AJAX PROJECT LOAN

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

The KGHM Loan is non-revolving, bears interest of 10% per annum, is secured by the investment in KGHM Ajax, and has a maturity date of December 31, 2020. Under the terms of the JV Agreement, if, at the time of maturity of the loan, the commencement of commercial production and the distribution of dividends by the JV to the Company are not sufficient to repay the KGHM Loan, the parties must, in good faith, negotiate an extension. Additionally, should the Company incur additional debt or dispose of assets, in each case in excess of $100,000, the funds borrowed or sales proceeds received must be used to make repayments on the KGHM Loan. The parties to the loan are currently negotiating an extension to the term of the KGHM Loan but there can be no assurance that an extension will be negotiated prior to December 31, 2020.

For the period ended June 30, 2021 $Nil (2019: $Nil) was provided by KGHM and the Company accrued interest of $954,415 for the period (2020: $870,443).

	($)
Total December 31, 2019	**17,460,712**
Funds advanced by KGHM	-
Interest	870,443
Total June 30, 2020	**18,331,155**
Funds advanced by KGHM	-
Interest	919,753
Total December 31, 2020	**19,250,908**
Funds advanced by KGHM	-
Interest	954,415
Total June 30, 2021	**20,205,323**

Unaudited - Expressed in Canadian dollars

7. SHAREHOLDERS' EQUITY

(a) Authorized capital stock

At June 30, 2021, the authorized capital stock of the Company is comprised of an unlimited number of common shares without par value.

(b) Share issuances

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 Placement:
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 $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

Legal, regulatory and other cash costs associated with the private placement totaled $92,934.

(c) Stock options

At the Company's Annual General Meeting held January 31, 2019, the Shareholders approved the repeal of the "20% fixed" stock option plan dated May 28, 2009 and the implementation of a "10% rolling" stock option plan (the "Rolling Plan"), pursuant to which the Board of Directors has the discretion to grant options for up to a maximum of 10% of the issued and outstanding shares. Options granted must be exercised no later than ten years from date of grant or such lesser period as determined by the Company's Board of Directors, and the exercise price to be set by the Board at the time such option is granted and in accordance with the rules of the Exchange. Options vest at the discretion of the Board, with the exception of options granted to parties providing investor relations services, which options will vest in equal quarterly intervals over a term of no less than 12 months from the date of the grant. The Rolling Plan further provides that at any such time the Exchange rules differ from specific terms of the Rolling Plan, then the rules of the Exchange shall apply.

Unaudited - Expressed in Canadian dollars

As at June 30, 2021, the Company had stock options outstanding to directors, officers and consultants as follows:

Exercise price ($)	Expiry date	Outstanding (#)	Remaining contractual life (yrs)
0.42	February 21, 2022	912,503	0.64
0.25	December 20, 2022	150,000	1.47
0.22	April 19, 2023	422,500	1.80
0.05	August 13, 2024	520,000	3.11
0.10	February 10, 2025	1,681,250	3.61
0.24	September 11, 2022	24,000	1.20
0.16	December 8, 2025	100,000	4.44
0.15	February 26, 2026	2,030,000	4.66
0.18	May 11, 2026	250,000	4.87
		6,090,253	**3.35**

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

	Outstanding (#)	Weighted average exercise price ($)
Outstanding December 31, 2019	**3,579,162**	**0.31**
Granted	1,681,250	0.10
Expired	(244,997)	0.30
Outstanding June 30, 2020	**5,015,415**	**0.24**
Granted	24,000	0.24
Expired	(166,666)	0.35
Expired	(912,496)	0.24
Granted	100,000	0.16
Outstanding December 31, 2020	**4,060,253**	**0.18**
Granted	2,030,000	0.15
Granted	250,000	0.18
Expired	(250,000)	0.36
Outstanding June 30, 2021	**6,090,253**	**0.18**

During the period ended June 30, 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 $226,490, which was recognized during the period ended June 30, 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 (%)	166
Expected dividend yield (%)	0
Expected life of options (years)	5

Unaudited - Expressed in Canadian dollars

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 period ended June 30, 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 option allowing for the purchase of up to 250,000 common shares of the Company at $0.36 per share expired.

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

(d) Warrants

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

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

	Outstanding	Weighted average exercise price
Outstanding December 31, 2019	**25,249,957**	**$0.10**
Expired	(1,641,667)	$0.48
Outstanding June 30, 2020	**23,608,290**	**$0.14**
Issued	3,100,380	$0.15
Issued	2,724,759	$0.22
Outstanding December 31, 2020	**29,433,429**	**$0.15**
Issued	5,817,210	$0.20
Expired	(4,142,500)	$0.30
Exercised	(300,000)	$0.08
Exercised	(43,400)	$0.15
Outstanding June 30, 2021	**30,764,739**	**$0.14**

Unaudited - Expressed in Canadian dollars

As at June 30, 2021, the warrants, with a weighted average remaining life of 1.32 years, expire as follows:

Issue date	Expiry date	Number (#)	Exercise price ($)
November 23, 2018	November 23, 2021	4,917,290	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
		30,764,739	

On April 3, 2021, warrants allowing for the purchase of up to 4,142,5000 common shares of the Company at $0.30 per share expired.

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.

8. RELATED PARTY TRANSACTIONS

The Company has arrangements pursuant to which parties related to the Company by way of directorship or officership provide certain services, either directly or through companies owned or controlled by the officers and directors. Transactions were in the normal course of operations and all of the costs are recorded at terms agreed upon between the parties. The Company's related party expenses for the periods ended June 30, 2021 and 2020 are as follows:

Management's and director's compensation	June 30, 2021	June 30, 2020
	($)	($)
Accounting	8,313	18,906
Consulting and contract wages	89,656	43,564
	97,969	**62,470**

During the period ended June 30, 2021, the Company was charged, by a company with directors in common, $9,600 in respect of rent (2020: $9,600).

At June 30, 2021, $135,822 (December 31, 2020: $135,822) was owed to various key management personnel in respect of consulting and contract wages and expenses incurred on behalf of the Company.

9. FINANCIAL RISK MANAGEMENT

Financial assets and liabilities have been classified into categories that determine their basis of measurement and, for items measured at fair value on a recurring basis, whether changes in fair value are recognized in loss or other comprehensive loss. The Company has classified its cash and cash equivalents and receivables as financial assets measured at amortized cost; accounts payable and accrued liabilities and KGHM Ajax project loan as financial liabilities measured at amortized cost. The carrying values of cash and cash equivalents, amounts receivable, and accounts payable and accrued liabilities approximate their fair values due to the short-term maturity of these financial instruments. The Company's risk exposure and the impact on the Company's financial instruments are summarized below.

(a) Credit risk

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

Concentration of credit risk and maximum exposure	**June 30, 2021**	**December 31, 2020**
	($)	**($)**
Bank accounts	1,290,264	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 $479,934 (December 31, 2020: $207,224) are due in the third quarter of 2021. Additionally, in connection with the Company's interest at the Ajax Project, the Company is party to the KGHM Loan, which at June 30, 2021 had a carrying value of $20,205,323 (December 31, 2020: $19,250,908). (See Note 1)

(c) Market risk

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

Unaudited - Expressed in Canadian dollars

10. SEGMENTED INFORMATION

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

	June 30, 2021 ($)	December 31, 2020 ($)
Exploration & Evaluation Assets		
Canada	-	-
United States	500,362	432,074
	500,362	**432,074**

	June 30, 2021 ($)	December 31, 2020 ($)
Total Assets		
Canada	5,959,061	6,104,444
United States	500,362	432,074
	6,459,424	**6,536,518**