

Abacus Mining & Exploration Corporation

Consolidated Financial Statements
December 31, 2022 and 2021

(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 – 26



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, 2022 and 2021, 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, 2022 and 2021;
- 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.

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.

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



Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter
<p>Assessment of objective evidence of impairment for investment in KGHM Ajax Mining Inc. (KGHM Ajax)</p> <p><i>Refer to note 2 – Basis of preparation, note 3 – Summary of significant accounting policies and note 4 – Investment in KGHM Ajax Mining Inc., to the consolidated financial statements.</i></p> <p>As at December 31, 2022, the Company owned 20% of the common shares of KGHM Ajax, and accounts for its investment using the equity method. The carrying value of investment in KGHM Ajax, amounted to \$4.9 million as at December 31, 2022. At the end of each reporting period, the Company's investment in KGHM Ajax is assessed by management to determine whether there is objective evidence that the Company's interest in KGHM Ajax is impaired. If objective evidence of an impairment is identified, an impairment test would be performed to determine whether any impairment loss needs to be recorded. Management applies judgement when assessing whether there is any objective evidence of impairment, including (i) consideration of KGHM Ajax's solvency (ii) any impairments reported by KGHM Ajax and (iii) changes in the political or legal environment impacting the ability to develop the Ajax project. No objective evidence of impairment was identified by management as at December 31, 2022.</p>	<p>Our approach to addressing the matter included the following procedures, among others:</p> <ul style="list-style-type: none">• Assessed the judgements made by management in determining whether there was objective evidence of impairment for the investment in KGHM Ajax, which included the following:<ul style="list-style-type: none">– Evaluated the completeness of management's assessment of whether there was any objective evidence that indicates an impairment of the investment in KGHM Ajax.– Performed an audit of the consolidated financial statements of KGHM Ajax as at December 31, 2022 and considered KGHM Ajax's solvency and the impact of recognized impairment losses, if any, in the consolidated financial statements of KGHM Ajax on the carrying amount of the Company's investment in KGHM Ajax.– Assessed for changes in the political or legal environment impacting the ability to develop the Ajax project by considering Board meeting minutes, publicly disclosed information and evidence obtained in other areas of the audit.



Key audit matter

How our audit addressed the key audit matter

We considered this a key audit matter due to the significance of the investment in KGHM Ajax and the judgments made by management when assessing whether there was any objective evidence that would require an impairment test to be performed, which have resulted in a high degree of subjectivity in performing audit procedures related to these judgements applied by management.

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 judgement 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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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 27, 2023

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

Expressed in Canadian dollars

	NOTE	December 31, 2022	December 31, 2021
ASSETS		(\$)	(\$)
Current assets:			
Cash and cash equivalents		76,717	57,975
Amounts receivable		6,233	14,697
Prepaid expenses		33,614	29,847
		<u>116,564</u>	<u>102,519</u>
Non-current assets:			
Investment in KGHM Ajax Mining Inc.	4	4,861,058	5,168,878
Exploration and evaluation assets	5	642,336	496,137
		<u>5,503,394</u>	<u>5,665,015</u>
		<u>5,619,958</u>	<u>5,767,534</u>
LIABILITIES AND SHAREHOLDERS' DEFICIT			
Current liabilities:			
Accounts payable and accrued liabilities		221,511	244,660
KGHM Ajax project loan	6	24,247,250	21,992,576
		<u>24,468,761</u>	<u>22,237,236</u>
Shareholders' deficit:			
Capital stock	7	91,065,829	90,351,664
Reserves		6,282,709	6,086,166
Deficit		<u>(116,197,341)</u>	<u>(112,907,532)</u>
		<u>(18,848,803)</u>	<u>(16,469,702)</u>
		<u>5,619,958</u>	<u>5,767,534</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 27, 2023

"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,	
	Not	2022	2021
	e	(\$)	(\$)
General and administrative expenses:			
Accounting and audit		65,893	55,833
Exploration and evaluation expenditures	5	110,287	1,362,305
Foreign exchange loss		95	1,403
Insurance		39,869	35,345
Legal		29,153	192,046
Office		14,076	18,050
Rent		10,800	-
Salaries and contract wages		210,101	226,881
Share-based payments	7	193,461	320,726
Transfer agent and regulatory fees		20,527	32,156
Travel and promotion		33,053	149,315
		<u>727,315</u>	<u>2,394,060</u>
Other items:			
Write off of exploration and evaluation assets		-	65,973
Interest expense	6	2,254,674	1,973,428
Loss on equity investment in KGHM Ajax Mining Inc.	4	307,820	1,024,286
		<u>3,289,809</u>	<u>5,457,747</u>
Loss and comprehensive loss for the year			
Loss per share, basic and diluted		(0.03)	(0.07)
Weighted average number of common shares outstanding	#	98,113,749	# 82,586,508

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, 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
Exercise of warrants		343,400	30,510	-	-	-	30,510
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	-	-
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)
Issued for Willow property option	5,7	166,666	10,833	-	-	-	10,833
Securities issued for cash		12,666,667	760,000	-	-	-	760,000
Share issuance costs - cash		-	(53,586)	-	-	-	(53,586)
Share issuance costs - warrants		-	(3,082)	-	3,082	-	-
Share-based payments		-	-	193,461	-	-	193,461
Loss for the year		-	-	-	-	(3,289,809)	(3,289,809)
Balance, December 31, 2022		100,511,009	91,065,829	6,152,704	130,005	(116,197,341)	(18,848,803)

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

	December 31, 2022	December 31, 2021
	(\$)	(\$)
Operating activities:		
Loss for the year	(3,289,809)	(5,457,747)
Adjustments and items not involving cash:		
Share of loss in equity investment	307,820	1,024,286
Share-based payments	193,461	320,726
Interest expense	2,254,674	1,973,428
Write off of exploration and evaluation assets	-	65,973
Changes in working capital related to operating activities:		
Prepaid expenses	(3,767)	(4,129)
Amounts receivable	8,464	10,640
Accounts payable and accrued liabilities	(23,149)	37,437
Cash used for operating activities	(552,305)	(2,029,388)
Investing activities:		
Exploration and evaluation assets	(135,367)	(117,952)
Cash used for investing activities	(135,367)	(117,952)
Financing activities:		
Proceeds from warrant exercise	-	30,510
Proceeds from private placement	760,000	1,668,600
Share issuance costs	(53,586)	(122,260)
Cash provided by financing activities	706,414	1,576,850
Increase (decrease) in cash and cash equivalents during the year	18,742	(570,490)
Cash and cash equivalents, beginning of the year	57,975	628,465
Cash and cash equivalents, end of year	76,717	57,975

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, 2022 and 2021

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. 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, 2022. As at December 31, 2022, the Company had a working capital deficit (current assets less current liabilities) of \$24,352,197 (2021: \$22,134,717). Current liabilities include the KGHM Ajax project loan (the “KGHM Loan”) of \$24,247,250 (December 31, 2021: \$21,992,576) (Note 6). During the year ended December 31, 2022 the Company incurred a net loss of \$3,289,809 (2021: \$5,457,747) and used cash for operating activities of \$552,305 (2021: \$2,029,388).

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, 2023 (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, 2022 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 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 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**

(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 27, 2023.

(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, 2022.

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.

The assessment for impairment of exploration and evaluation assets requires judgement to

determine whether indicators of impairment exist, including factors such as whether: the period for which the Company has the right to explore has expired or will expire in the future, and is not expected to be renewed; substantive expenditures on exploration activities and evaluation of mineral resources in the specific area is neither budgeted or planned; exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources; or sufficient data exists to indicate that the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale. Management reviewed exploration and evaluation assets for the year ended December 30, 2022 and did not identify any impairment indicators for the Willow project.

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. Management applies judgement in when assessing whether there is objective evidence that would require an impairment test to be performed over the investment in KGHM Ajax, including (i) consideration of KGHM Ajax's solvency, business and financial risk exposure (ii) any impairments reported by KGHM Ajax and, (iii) changes in the political or legal environment impacting the ability to develop put the Ajax project in production. The Company performed an assessment and has not identified objective evidence of impairment as at December 31, 2022 that would require the completion of an impairment test.

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 objective evidence is identified, an impairment test is performed to determine whether any impairment loss needs to be recorded.

(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.

ABACUS MINING & EXPLORATION CORPORATION (an exploration stage company)

Notes to the consolidated financial statements

For the years ended December 31, 2022 and 2021

Expressed in Canadian dollars

(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 (“FVTOCI”) or through profit or loss (“FVTPL”), 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. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. 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.

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**

Mineral property acquisition costs are capitalized to the statement of financial position; all other exploration and evaluation costs of mineral resource interests are expensed to the statement of loss and comprehensive loss.

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**

Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the tax is also recognized in other comprehensive income or directly in equity, respectively.

Current tax: The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax: Deferred income tax is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity

ABACUS MINING & EXPLORATION CORPORATION (an exploration stage company)

Notes to the consolidated financial statements

For the years ended December 31, 2022 and 2021

Expressed in Canadian dollars

or different taxable entities where there is an intention to settle the balances on a net basis.

(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, 2022 and 2021, the Company had no provisions for environmental rehabilitation.

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, 2022 and 2021, 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, 2022, Abacus contributed \$Nil (2021: \$768,240) 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 in 2021 were funded through additional loans from KGHM (Note 6).

	(\$)
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
Contributions to KGHM Ajax pursuant to cash calls	-
Share of the loss of KGHM Ajax	(307,820)
December 31, 2022	4,861,058

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

For the years ended December 31, 2022 and 2021

Expressed in Canadian dollars

A summary of 100% of the assets and liabilities of KGHM Ajax and selected results of operations for the years ended December 31, 2022 and 2021 follows:

Selected financial information of KGHM Ajax	December 31, 2022	December 31, 2021
Cash and cash equivalents	\$ 450,408	\$ 3,609,708
Current assets (excluding cash & cash equivalents)	64,571	110,753
Total non-current assets	<u>30,525,039</u>	<u>30,177,949</u>
Total assets	\$ 31,040,018	\$ 33,898,410
Current liabilities	\$ 2,285,806	\$ 2,791,224
Non-current liabilities	4,443,951	5,257,824
Total shareholders' equity	<u>24,310,261</u>	<u>25,849,362</u>
Total liabilities and equity	\$ 31,040,018	\$ 33,898,410
	Year ended December 31 2022	Year ended December 31 2021
Net and comprehensive loss	\$ 1,539,101	\$ 5,121,432
Revenue	Nil	Nil

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

For the years ended December 31, 2022 and 2021

Expressed in Canadian dollars

5. EXPLORATION AND EVALUATION ASSETS

The following table shows the summary of acquisition costs for the years ended December 31, 2022 and 2021:

	Willow Project (\$)	Jersey Valley (\$)	Total (\$)
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
Acquisition Costs	146,199	-	146,199
December 31, 2022	642,336	-	642,336

The following table shows the activity by category of exploration:

	December 31, 2022 (\$)	December 31, 2021 (\$)
Exploration and Evaluation Expenditures		
Consulting and project supervision	50,033	184,267
Other	10,349	50,398
Drilling	10,836	1,069,204
Claims maintenance	32,238	58,436
Reclamation	6,831	-
Total	110,287	1,362,305

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:

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

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

For the years ended December 31, 2022 and 2021

Expressed in Canadian dollars

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, 2025	-		5,000,000	
On or before December 22, 2022, subject to regulatory approval	2,000,000	(4)	-	
Total	2,416,667			

⁽¹⁾ Issued to December 31, 2021⁽²⁾ Incurred to December 31, 2021⁽³⁾ Issued on February 16, 2022⁽⁴⁾ Issued on February 2, 2023

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. 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) with the Willow Project.

In order to earn a 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. (Note 13)

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
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 (7)
On or before April 1, 2022	25,000 (3)		

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

For the years ended December 31, 2022 and 2021

Expressed in Canadian dollars

On or before July 1, 2022	25,000	(4)		
On or before October 1, 2022	25,000	(5)		
On or before January 1, 2023	27,500	(6)	On or before December 31, 2023	120,000
On or before April 1, 2023	27,500			
On or before July 1, 2023	27,500			
On or before October 31, 2023	27,500			
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⁽⁴⁾ Paid on June 27, 2022⁽⁵⁾ Paid on September 29, 2022⁽⁶⁾ Paid on December 21, 2022⁽⁷⁾ Incurred

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. (Note 13)

Jersey Valley Property:

During the year ended December 31, 2021, the Company elected not to renew the lease on the Jersey Valley Property; 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, 2023. 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 during 2021 by \$768,240.

For the year ended December 31, 2022, \$Nil (2021: \$768,240) was provided by KGHM and the Company accrued interest of \$2,254,674 for the year (2021: \$1,973,576).

ABACUS MINING & EXPLORATION CORPORATION (an exploration stage company)

Notes to the consolidated financial statements

For the years ended December 31, 2022 and 2021

Expressed in Canadian dollars

	(\$)
Total December 31, 2020	19,250,908
Principal	768,240
Interest	1,973,428
Total December 31, 2021	21,992,576
Interest	2,254,674
Total December 31, 2022	24,247,250

7. SHAREHOLDERS' EQUITY

(a) Authorized capital stock

At December 31, 2022, 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, 2022:

Exploration and evaluation assets:

On February 16, 2022, in connection with the Willow Option Agreement, the Company issued 166,666 common shares of the Company valued at \$10,833.

Private Placements:

- a) On March 10, 2022 the Company closed the first tranche of a private placement, pursuant to which it issued 11,666,667 units ("Units") at a price of \$0.06 per Unit, for gross proceeds of \$700,000. 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 \$0.10 per Share until March 10, 2024. In connection with the Offering, the Company paid a total of \$11,088 in cash commissions and issued a total of 92,400 Finders' Warrants with each warrant allowing for the purchase of one Share at a price of \$0.10 per Share until March 10, 2024. The Finders' Warrants were valued at \$3,082, using the Black-Scholes pricing model using the following assumptions:

Assumptions:

Risk-free rate (%)	1.50
Expected stock price volatility (%)	132
Expected dividend yield (%)	0
Expected life of warrants (years)	2

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

- b) On March 16, 2022 the Company closed the second tranche of the private placement, pursuant to which it issued 1,000,000 units ("Units") at a price of \$0.06 per Unit, for gross proceeds of \$60,000. 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

ABACUS MINING & EXPLORATION CORPORATION (an exploration stage company)

Notes to the consolidated financial statements

For the years ended December 31, 2022 and 2021

Expressed in Canadian dollars

to purchase one Share at a price of \$0.10 per Share until March 16, 2024. There were no finders fees paid in connection with this offering.

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

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:

- c) 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, with each warrant exercisable to purchase one Share at a price of \$0.20 per Share until April 14, 2023. The Finders' Warrants 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.

- d) 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.

(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

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

For the years ended December 31, 2022 and 2021

Expressed in Canadian dollars

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 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 Plan, then the rules of the Exchange shall apply.

As at December 31, 2022, the Company had stock options outstanding to directors, officers and consultants for the purchase of up to, in the aggregate, 8,053,750 (December 31, 2021: 6,090,253) common shares exercisable as follows:

Exercise price (\$)	Expiry date	Outstanding	
		Outstanding and exercisable (#)	Remaining contractual life (yrs)
0.22	April 19, 2023	422,500	0.30
0.05	August 13, 2024	520,000	1.61
0.10	February 10, 2025	1,681,250	2.11
0.16	December 8, 2025	100,000	2.94
0.15	February 26, 2026	2,030,000	3.16
0.18	May 11, 2026	250,000	3.36
0.07	March 28, 2027	3,050,000	4.24
		8,053,750	3.10

A summary of the status of the Company's stock options as at December 31, 2022 and December 31, 2021, and changes during the years then ended follows:

	Outstanding (#)	Weighted average exercise price (\$)
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
Granted	3,050,000	0.07
Expired	(1,086,503)	0.39
Outstanding September 30, 2022	8,053,750	0.11

During the year ended December 31, 2022:

On March 28, 2022 the Company granted options allowing for the purchase of up to, in the aggregate, 3,050,000 common shares in the capital of the Company at \$0.07 per share until March 28, 2027, 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 \$193,461. The grant date fair value was estimated using the Black-Scholes option pricing model with the following assumptions:

ABACUS MINING & EXPLORATION CORPORATION (an exploration stage company)

Notes to the consolidated financial statements

For the years ended December 31, 2022 and 2021

Expressed in Canadian dollars

Assumptions:

Risk-free rate (%)	2.44
Expected stock price volatility (%)	149
Expected dividend yield (%)	0
Expected life of options (years)	5

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

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

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

For the years ended December 31, 2022 and 2021

Expressed in Canadian dollars

8. WARRANTS

As at December 31, 2022, the warrants, with a weighted average remaining life of 1.08 years, expire as follows:

Issue date	Expiry date	Number (#)	Exercise price (\$)
December 20, 2019	June 20, 2024 ⁽¹⁾	10,770,000	0.08
August 14, 2020	August 14, 2023	2,724,759	0.22
April 14, 2021	April 14, 2023	5,817,214	0.20
December 29, 2021	December 29, 2024	868,000	0.15
March 10, 2022	March 10, 2024	5,925,733	0.10
March 16, 2022	March 16, 2024	500,000	0.10
		26,605,706	

⁽¹⁾ Extended from December 20, 2022

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

	Outstanding	Weighted average exercise price
Outstanding December 31, 2020	29,433,429	\$0.14
Issued	6,685,214	\$0.19
Expired	(4,187,790)	\$0.30
Exercised	(343,400)	\$0.09
Outstanding December 31, 2021	31,587,453	\$0.14
Issued	6,425,733	\$0.10
Expired	(11,407,480)	\$0.15
Outstanding December 31, 2022	26,605,706	\$0.13

9. INCOME TAXES

As at December 31,	2022 (\$)	2021 (\$)
Net loss for the year	3,289,809	5,457,747
Canadian federal and provincial income tax rates	27.00%	27.00%
Expected income tax recovery	888,248	1,473,592
Permanent differences	(39,213)	(77,565)
Tax benefits not recognized	(849,036)	(1,396,027)
Total income tax recovery	-	-

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

For the years ended December 31, 2022 and 2021

Expressed in Canadian dollars

As at December 31,	2022	2021
	(\$)	(\$)
Unrecognized deductible temporary differences and unused tax losses		
Non-capital loss carryforwards	32,373,825	29,507,156
Capital loss - Canada	3,670,603	3,670,603
Non refundable mining investment tax credit	673,959	673,959
Exploration and evaluation assets	3,765,241	3,637,284
Excess of tax value over accounting values of	47,967,700	47,659,880
Share issue cost	136,879	131,575
	88,614,231	85,280,457

At December 31, 2022, the Company has Canadian loss carry forwards of approximately \$32,373,825, which have not been recognized. The Company also has US loss carry forwards of approximately \$1,230,766 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 2042.

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, 2022 and 2021 are as follows:

Management's and director's compensation	December 31, 2022	December 31, 2021
	(\$)	(\$)
Accounting	26,344	18,751
Consulting and contract wages	163,813	172,219
	190,157	190,970

During the year ended December 31, 2022, the Company was charged, by a company with directors in common, \$10,800 (2021: \$Nil) in respect of rent.

At December 31, 2022 \$168,477 (December 31, 2021: \$158,787) was owed to various key management personnel in respect of consulting, contract wages and expenses incurred on behalf of the Company.

11. FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENTManagement of Capital Risk

The Company manages its capital structure and makes adjustments to it to effectively support the

ABACUS MINING & EXPLORATION CORPORATION (an exploration stage company)

Notes to the consolidated financial statements

For the years ended December 31, 2022 and 2021

Expressed in Canadian dollars

acquisition, exploration and development of mineral properties. In the definition of capital, the Company includes, as disclosed on its statement of financial position: share capital, deficit, equity reserves.

The properties in which the Company currently has an interest are in the exploration stage; as such the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for general administrative costs, the Company will be using its existing working capital and will need to raise additional amounts. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the year ended December 31, 2022.

Financial Instruments and 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, 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 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, 2022	December 31, 2021
	(\$)	(\$)
Bank accounts	76,717	57,975

(b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty meeting obligations associated with financial liabilities. The Company has a budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company aims to ensure that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash and cash equivalents.

(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.

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

For the years ended December 31, 2022 and 2021

Expressed in Canadian dollars

(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.

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, 2022	December 31, 2021
	(\$)	(\$)
Exploration & Evaluation Assets		
Canada	-	-
United States	642,336	496,137
	642,336	496,137
	December 31, 2022	December 31, 2021
	(\$)	(\$)
Total Assets		
Canada	4,977,622	5,271,397
United States	642,336	496,137
	5,619,958	5,767,534

13. SUBSEQUENT EVENTS

- On February 2, 2023, in connection with the Willow Option Agreement, 2,000,000 shares in the capital of the Company were issued to Almadex.
- On February 27, 2023, the NL Agreement was amended, pursuant to which the payments to be made to the Optionors of US\$27,500 each on or before April 1, 2023, July 1, 2023, and October 1, 2023 (the "individual Payments") were aggregated, such that the total of the Individual Payments in the amount of US\$82,500 is due to be paid to the Optionors on or before December 31, 2023.
- On March 2, 2023, the Company issued stock options allowing for the acquisition of up to, in the aggregate, 1,080,000 shares in the capital of the Company at \$0.05 per share until March 2, 2028.
- On April 14, 2023, warrants allowing for the acquisition of up to, in the aggregate, 5,817,214

ABACUS MINING & EXPLORATION CORPORATION (an exploration stage company)

Notes to the consolidated financial statements

For the years ended December 31, 2022 and 2021

Expressed in Canadian dollars

- shares in the capital of the Company at \$0.20 per share expired.
- On April 19, 2023, stock options allowing for the acquisition of up to, in the aggregate, 422,500 shares in the capital of the Company at \$0.22 per share expired.