

Abacus Mining & Exploration Corporation

(an exploration stage company)

Condensed Interim Financial Statements

September 30, 2016

(Unaudited)

(Expressed in Canadian dollars)

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NOTICE TO READER

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

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

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

Unaudited - expressed in Canadian dollars

	September 30, 2016	December 31, 2015
ASSETS	(\$)	(\$)
Current assets:		
Cash and cash equivalents (Note 4)	1,199,115	1,626,237
Amounts receivable	5,713	6,841
Prepaid expenses	15,485	15,066
Loan receivable (Note 5)	-	280,000
	<u>1,220,313</u>	<u>1,928,144</u>
Non-current assets:		
Equipment	15,497	19,330
Restricted cash (Note 7)	25,909	47,252
Investment in KGHM Ajax Mining Inc. (Note 6)	49,033,451	46,759,876
	<u>49,074,857</u>	<u>46,826,458</u>
	50,295,170	48,754,602
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	62,741	50,049
Long-term liabilities:		
Loan payable to KGHM (Note 6)	11,204,027	7,940,250
	<u>11,266,768</u>	<u>7,990,299</u>
Shareholders' equity: (Note 8)		
Capital stock	84,408,367	84,408,367
Share-based payments reserve	5,015,990	4,931,912
Deficit	(50,395,955)	(48,575,976)
	<u>39,028,402</u>	<u>40,764,303</u>
	50,295,170	48,754,602

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

Approved on behalf of the Board by:

"Michael McInnis"
Chief Executive Officer"Kerry Spong"
Director

ABACUS MINING & EXPLORATION CORPORATION (an exploration stage company)

Condensed interim statements of comprehensive income (loss)

Unaudited - expressed in Canadian dollars

		Three months ended September 30, 2016	Three months ended September 30, 2015	Nine months ended September 30, 2016	Nine months ended September 30, 2015
	Note	(\$)	(\$)	(\$)	(\$)
General and administrative expenses:					
Accounting and audit		9,500	4,812	40,030	38,645
Amortization		1,278	1,764	3,833	5,291
Consulting and directors' fees		37,781	22,500	85,781	170,580
Insurance		5,111	4,628	15,332	17,837
Interest expense	6	243,018	60,000	688,299	181,391
Investor relations		2,740	2,020	15,490	7,070
Legal		9,463	50,000	25,928	75,000
Office		1,080	5,660	9,054	15,070
Rent		6,086	6,085	16,229	18,652
Salaries and contract wages		83,590	36,895	190,344	106,041
Share-based payments (Note 8)		6,278	9,182	84,078	50,544
Transfer agent and regulatory fees		10,396	1,468	25,824	17,737
Travel and promotion		14,045	7,869	24,747	21,517
		<u>(430,366)</u>	<u>(212,883)</u>	<u>(1,224,969)</u>	<u>(725,375)</u>
Other items:					
Write off of loan receivable	5	(290,000)	-	(290,000)	-
Interest income		2,481	17,643	21,415	63,513
Income (loss) on equity investment in KGHM Ajax Mining Inc. (Note 6)		(68,148)	(32,040)	(326,425)	(88,926)
Foreign exchange gain (Note 7)		-	8	-	131,081
		<u>(786,033)</u>	<u>(227,272)</u>	<u>(1,819,979)</u>	<u>(619,707)</u>
Net loss and comprehensive loss for the period					
Loss per share, basic and diluted		(0.00)	(0.00)	(0.01)	(0.00)
Weighted average number of common shares outstanding	#	214,157,611 #	214,157,611 #	214,157,611 #	214,157,611

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

ABACUS MINING & EXPLORATION CORPORATION (an exploration stage company)

Condensed interim statements of changes in shareholders' equity

Unaudited- expressed in Canadian dollars

	Number of shares	Capital stock	Share-based payments reserve	Deficit	Total shareholders' equity
	(#)	(\$)	(\$)	(\$)	(\$)
Balance December 31, 2014	214,157,611	84,408,367	4,625,293	(44,703,527)	44,330,133
Share-based payments (Note 8(c))	-	-	50,544	-	50,544
Loss and comprehensive loss for the nine month period	-	-	-	(619,707)	(619,707)
Balance, September 30, 2015	214,157,611	84,408,367	4,675,837	(45,323,234)	43,760,970
Share-based payments (Note 8(c))	-	-	256,075	-	256,076
Loss and comprehensive loss for the three month period	-	-	-	(3,252,742)	(3,252,742)
Balance December 31, 2015	214,157,611	84,408,367	4,931,912	(48,575,976)	40,764,303
Share-based payments (Note 8(c))	-	-	84,078	-	84,078
Loss and comprehensive loss for the nine month period	-	-	-	(1,819,979)	(1,819,979)
Balance, September 30, 2016	214,157,611	84,408,367	5,015,990	(50,395,955)	39,028,402

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

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

Unaudited - expressed in Canadian dollars

	Nine months ended September 30, 2016	Nine months ended September 30, 2015
	(\$)	(\$)
Operating activities:		
Net loss for the period	(1,819,979)	(619,707)
Items not involving cash:		
Share of (income) loss in equity investment (Note 6)	326,425	88,926
Share-based payments (Note 8)	84,078	50,544
Amortization	3,833	5,291
Interest expense	688,299	180,000
Loan receivable written off (Note 5)	290,000	-
Foreign exchange gain on restricted cash (Note 7)	-	(131,081)
Changes in working capital related to operating activities:		
Prepaid expenses	(419)	6,970
Amounts receivable	1,128	6,768
Accounts payable and accrued liabilities	12,692	32,744
Loan receivable	(10,000)	(15,000)
Due from KGHM Ajax Mining Inc.	-	116,314
Cash used for operating activities	(423,943)	(278,231)
Investing activities:		
Restricted cash (Note 7)	21,343	3,442,065
Cash contributions to equity investment (Note 6)	(2,600,000)	(3,449,000)
Cash provided by (used for) investing activities	(2,578,657)	(6,935)
Financing activities:		
Loan payable to KGHM (Note 6)	2,575,478	-
Cash provided by financing activities	2,575,478	-
Decrease in cash and cash equivalents during the period	(427,122)	(285,166)
Cash and cash equivalents, beginning of the period	1,626,237	2,084,219
Cash and cash equivalents, end of period	1,199,115	1,799,053

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

ABACUS MINING & EXPLORATION CORPORATION (an exploration stage company)

Notes to the condensed interim financial statements

For the nine months ended September 30, 2016

Unaudited - expressed in Canadian dollars

1. NATURE OF OPERATIONS

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

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

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

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

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

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

(a) Basis of preparation

These condensed interim 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. The financial statements are presented in Canadian dollars, except where otherwise noted.

These condensed interim 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. The condensed interim financial statements should be read in conjunction with the Company’s annual financial statements for the year ended December 31, 2015. These condensed interim financial statements were reviewed by the Audit Committee, and the Board of Directors approved and authorized them for issuance on November 24, 2016.

(b) Significant accounting judgments, estimates, and assumptions

The preparation of condensed interim financial statements requires management to make judgments, estimates, and assumptions that affect the application of policies and reported amounts of assets and

ABACUS MINING & EXPLORATION CORPORATION (an exploration stage company)

Notes to the condensed interim financial statements

For the nine months ended September 30, 2016

Unaudited - expressed in Canadian dollars

liabilities and disclosure of contingent assets and liabilities at the date of the condensed interim financial statements, and the reported amounts of revenues and expenses during the reporting period. While management believes that the judgments and estimates made are reasonable, actual results could differ from those estimates and could impact future results of comprehensive income and cash flows. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

3. SIGNIFICANT ACCOUNTING POLICIES

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

New accounting standards not yet adopted

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

- IFRS 9, “Financial Instruments: Classification and Measurement” is effective for annual periods beginning on or after January 1, 2018.
- IFRS 16, “Leases” is effective for annual periods beginning on or after January 1, 2019.

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

4. CASH and CASH EQUIVALENTS

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

	September 30, 2016	December 31, 2015
Cash and cash equivalents		
	(\$)	(\$)
Bank accounts	124,115	60,794
Savings account	1,075,000	1,565,443
	1,199,115	1,626,237

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

For the nine months ended September 30, 2016

Unaudited - expressed in Canadian dollars

Supplemental information with respect to cash flows consists of the following:

	Nine months ended September 30, 2016	Nine months ended September 30, 2015
Supplemental cash flows		
Supplemental disclosures:	(\$)	(\$)
Interest on cash and cash equivalents	8,236	30,364
Interest on restricted cash (Note 7)	3,179	32,819

5. LOAN RECEIVABLE

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

6. INVESTMENT IN KGHM AJAX MINING INC.

As at September 30, 2016, the Company owns 20% of the common and voting shares of KGHM Ajax. (2015: 20%). KGHM Ajax is a private company incorporated under the Corporations Act (British Columbia) and is currently engaged principally in the exploration and development of the Ajax Project located near Kamloops, British Columbia, which is its principal place of operation. KGHM Ajax's two shareholders are KGHM and the Company. As the Company owns 20% of the outstanding common shares of KGHM Ajax and also has representation on the Board of Directors, the Company is considered to have significant influence over KGHM Ajax, and accordingly accounts for its investment in KGHM Ajax using the equity method. Under the equity method, the investment in KGHM Ajax is initially recognized at cost then subsequently adjusted for the Company's share of the profits and/or losses of KGHM Ajax as well as distributions received from KGHM Ajax. To date no dividends or distributions to shareholders of KGHM Ajax have occurred.

During the period ended September 30, 2016, Abacus contributed \$2,600,000 (2015: \$8,600,000) to KGHM Ajax representing Abacus' 20% share of cash calls of KGHM Ajax made pursuant to the Joint Venture Agreement, in order to continue operations of KGHM Ajax. Pursuant to the terms of the Joint Venture Agreement, once the restricted funds were exhausted, Abacus could elect to contribute its proportionate share of the operational expenditures or, without any dilution to its 20% ownership of KGHM Ajax, request that KGHM provide the funding as a loan, to be recovered from Abacus' share of revenue upon commencement of production at Ajax. The restricted funds having been exhausted, the Company elected during the second quarter of fiscal 2015 that KGHM provide the funding as a loan (the "KGHM Loan"). The KGHM Loan is to be recovered from Abacus' share of revenue upon commencement of production at Ajax, and bears interest of 10% per annum. For the period ended September 30, 2016, \$2,575,478 was provided by KGHM and \$24,522 from interest earned on the collateral funds was paid towards the \$2,600,000 cash calls and the Company has accrued interest of \$688,299 for the period (December 31, 2015: \$289,250).

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

For the nine months ended September 30, 2016

Unaudited - expressed in Canadian dollars

	Cash Call	KGHM Loan	Restricted Cash	Total	Interest Accrued on KGHM Loan
December 31, 2015		\$ 7,651,000	\$ 3,449,000	\$ 11,100,000	\$ 289,250
March 31, 2016		1,515,506	24,522	1,540,028	216,494
June 30, 2016		459,972	-	459,972	228,787
September 30, 2016		600,000	-	600,000	243,018
Total for the nine months ended September 30, 2016		2,575,478	24,522	2,600,000	688,299
Total as of September 30, 2016		\$ 10,226,478	\$ 3,473,522	\$ 13,700,000	\$ 977,549

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

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

Investment in KGHM Ajax	
Investment in KGHM Ajax as of December 31, 2014	\$ 35,255,756
Abacus' cash contributions to KGHM Ajax pursuant to cash calls	8,600,000
Abacus' share of the profit/loss of KGHM Ajax during the period ended September 30, 2016	(88,927)
Investment in KGHM Ajax as of September 30, 2015	\$ 43,766,829
Abacus' cash contributions to KGHM Ajax pursuant to cash calls	2,500,000
Abacus' share of the profit/loss of KGHM Ajax during the period ended December 31, 2015	493,047
Investment in KGHM Ajax as of December 31, 2015	\$ 46,759,876
Abacus' cash contributions to KGHM Ajax pursuant to cash calls	2,600,000
Abacus' share of the profit/loss of KGHM Ajax during the period ended September 30, 2016	(326,425)
Investment in KGHM Ajax as of September 30, 2016	\$ 49,033,451

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

For the nine months ended September 30, 2016

Unaudited - expressed in Canadian dollars

A summary of 100% of the assets and liabilities of KGHM Ajax and selected results of operations for the period ended September 30, 2016 is as follows:

Selected financial information of KGHM Ajax	September 30, 2016	December 31, 2015
Cash and cash equivalents	\$ 4,461,349	\$ 905,335
Current assets (excluding cash & cash equivalents)	1,141,662	7,097,123
Total non-current assets	<u>246,923,811</u>	<u>238,268,447</u>
Total assets	\$ 252,526,822	\$ 246,270,905
Current liabilities	\$ 2,883,207	\$ 8,015,864
Non-current liabilities	4,442,022	4,421,322
Total shareholders' equity	<u>245,201,593</u>	<u>233,833,719</u>
Total liabilities and equity	\$ 252,526,822	\$ 246,270,905
	Nine months ended September 30, 2016	Nine months ended September 30, 2015
Net and comprehensive profit (loss)	\$ (1,632,126)	\$ (444,632)
Revenue	\$ nil	\$ nil
Interest Income	21,584	70,662
Amortization	57,766	46,625
Interest expense	27,511	68,361
Income tax expense	nil	nil

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

For the nine months ended September 30, 2016

Unaudited - expressed in Canadian dollars

7. RESTRICTED CASH AND ADVANCE

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

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

	Funds held as security for credit cards	Funds held in trust with KGHM Ajax	Collateral in respect of the Advance	Total
	(\$)	(\$)	(\$)	(\$)
Balance, December 31, 2014	52,002	3,279,169	3,379,944	6,711,115
Credit card security returned	(25,875)	-	-	(25,875)
Abacus' cash contribution to KGHM Ajax (Note 6)	-	(3,449,000)	-	(3,449,000)
Foreign exchange gain	-	131,073	-	131,073
Interest income	(213)	38,899	(5,867)	32,819
Balance September 30, 2015	25,914	141	3,374,077	3,400,132
Foreign exchange gain	-	(18)	-	(18)
Interest income	45	-	7,093	7,138
Collateral returned	-	-	(3,360,000)	(3,360,000)
Balance December 31, 2015	25,959	123	21,170	47,252
Abacus' cash contribution to KGHM Ajax (Note 6)	-	-	(24,522)	(24,522)
Interest income	(50)	-	3,229	3,179
Balance September 30, 2016	25,909	123	(123)	25,909

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

Pursuant to the terms of the Joint Venture Agreement, Abacus could elect to contribute its proportionate shares of the operational expenditures or, without any dilution to its 20% ownership of KGHM Ajax, request that KGHM provide the funding as a loan, to be recovered from Abacus' share of revenue upon commencement of production at Ajax. Abacus contributed \$2,600,000 (2015: \$8,600,000) to KGHM Ajax, representing Abacus' 20% share of cash calls of KGHM Ajax made pursuant to the Joint Venture Agreement, in order to continue operations of KGHM Ajax. The restricted funds having been exhausted, the Company elected during the second quarter of fiscal 2015 that KGHM provide the funding as a loan. Under the provisions of the KGHM Loan, from January 1 to September 30, 2016, \$2,575,478 (\$7,651,000 to December 31, 2015) has been provided by KGHM, with \$24,522 from interest earned on the collateral funds put towards the \$2,600,000 cash calls and the Company has accrued total interest of \$688,299 during the period January 1, 2016 to September 30, 2016 (to December 31, 2015: \$289,250).

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

For the nine months ended September 30, 2016

Unaudited - expressed in Canadian dollars

8. SHAREHOLDERS' EQUITY**(a) Authorized capital stock**

At September 30, 2016, the authorized capital stock of the Company is comprised of an unlimited number of common shares without par value.

(b) Share issuances - No shares issued during the nine months ended September 30, 2016.

(c) Stock options

The Company has a "20% fixed" stock option plan (the "Plan") pursuant to which stock options may be granted to its directors, officers, employees and consultants, to a maximum of 20% of the Company's issued shares as at the date of shareholder approval of the Plan, such that at December 31, 2015 stock options may be granted allowing for the purchase of up to, in the aggregate, a maximum of 24,509,135 shares. The exercise price of any option granted shall not be less than the minimum price permitted by the policies of the TSX Venture Exchange (the "Exchange"). The expiry date for each option, set by the Board of Directors at the time of issue, shall not be more than five years after the grant date. Options granted vest at the discretion of the Board of Directors and in accordance with regulatory requirements. The Plan further provides that at any such time the Exchange rules differ from specific terms of the Plan, then the rules of the Exchange shall apply.

As at September 30, 2016, the Company had stock options outstanding to directors, officers and consultants for the purchase of up to, in the aggregate, 12,840,000 (December 31, 2015: 11,340,000) common shares exercisable as follows:

September 30 2016		Awards Outstanding		Awards Exercisable	
Exercise Price	Expiry Date	Quantity	Remaining Contractual Life	Quantity	Remaining Contractual Life
\$0.235	January 26, 2017	995,000	0.32	995,000	0.57
\$0.12	October 8, 2018	2,200,000	2.02	2,200,000	2.02
\$0.05	February 20, 2020	1,520,000	3.39	1,520,000	3.39
\$0.065	November 16, 2020	1,000,000	4.13	500,000	4.13
\$0.06	December 28, 2020	5,625,000	4.24	5,550,000	4.24
\$0.06	April 19, 2021	1,500,000	4.55	1,500,000	4.55
		12,840,000	3.48	12,265,000	3.45

The weighted average remaining contractual life of the stock options outstanding as at September 30, 2016 is 3.48 years (December 31, 2015: 4.09 years).

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

For the nine months ended September 30, 2016

Unaudited - expressed in Canadian dollars

A summary of the status of the Company's stock options as at September 30, 2016 and December 31, 2015, and changes during the nine month and twelve month periods then ended is as follows:

Status of stock options	Number of Options	Weighted Average Exercise Price
Outstanding, December 31, 2014	7,555,000	\$0.18
Granted	1,540,000	\$0.05
Cancelled	(2,000,000)	\$0.22
Expired	(2,340,000)	\$0.19
Outstanding, September 30, 2015	4,755,000	\$0.12
Granted	6,625,000	\$0.06
Expired	(40,000)	\$0.20
Outstanding, December 31, 2015	11,340,000	\$0.09
Granted	1,500,000	\$0.06
Outstanding, September 30, 2016	12,840,000	\$0.08

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

On February 20, 2015 the company granted stock options allowing for the purchase of up to, in the aggregate, 1,540,000 shares, to employees, directors and officers of Abacus. The grant date fair value was estimated using the Black-Scholes option pricing model with the following weighted average assumptions: risk-free interest rate of 0.8%, expected life of five years, expected volatility of 88.6% and dividend yield of 0%. The total amount of share-based payments expense, which is expected to be recognized over the vesting period of these stock options, is calculated at \$52,464 of which \$5,901 was recognized during the period ended September 30, 2016.

On November 16, 2015 the company granted stock options allowing for the purchase of up to, in the aggregate, 1,000,000 shares, to directors of Abacus. The grant date fair value was estimated using the Black-Scholes option pricing model with the following weighted average assumptions: risk-free interest rate of 0.94%, expected life of five years, expected volatility of 93.16% and dividend yield of 0%. The total amount of share-based payments expense, which is expected to be recognized over the vesting period of these stock options, is calculated at \$41,542 of which \$16,468 was recognized during the period ended September 30, 2016.

On December 28, 2015 the company granted stock options allowing for the purchase of up to, in the aggregate, 5,625,000 shares, to employees, directors and officers of Abacus. The grant date fair value was estimated using the Black-Scholes option pricing model with the following weighted average assumptions: risk-free interest rate of 0.75%, expected life of five years, expected volatility of 93.78% and dividend yield of 0%. The total amount of share-based payments expense, which is expected to be recognized over the vesting period of these stock options, is calculated at \$239,944 of which \$9,159 was recognized during the period ended September 30, 2016.

On April 19, 2016, the Company granted options allowing for the purchase of up to, in the aggregate, 1,500,000 shares at \$0.06 per share until April 19, 2021, to a director of the Company. The grant date fair value was estimated using the Black-Scholes option pricing model with the following weighted average assumptions: risk-free interest rate of 0.79%, expected life of five years, expected volatility of 96.82% and

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dividend yield of 0%. The total amount of share-based payments expense is calculated at \$52,550 which was recognized during the period ended September 30, 2016.

9. RELATED PARTY TRANSACTIONS

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

(a) Compensation of key management personnel

Key management personnel consist of the directors and executive officers of the Company. The remuneration, including share-based payments, of key management personnel during the periods ended September 30, 2016 and 2015 follow:

	Nine months ended September 30, 2016	Nine months ended September 30, 2015
Management's compensation	(\$)	(\$)
Accounting	26,375	22,125
Consulting and contract wages	114,875	55,000
Share-based payments (Note 8(c))	80,424	50,544
Directors' fees	61,875	67,500
	<u>283,549</u>	<u>195,169</u>

10. FINANCIAL RISK MANAGEMENT

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

(a) Credit risk

The Company manages credit risk, in respect of its cash and cash equivalents, by purchasing highly liquid, short-term investment-grade securities held at major Canadian financial institutions. Concentration of credit risk exists with respect to the Company's cash and cash equivalents (Note 4), restricted cash (Note 7) and loan receivable (Note 5), as all amounts are held through a single major Canadian financial institution. The Company's concentration of credit risk and maximum exposure thereto is as follows:

Concentration of credit risk and maximum exposure	September 30, 2016	December 31, 2015
Bank accounts	\$ 124,115	\$ 101,237
Savings account	1,075,000	1,525,000
Loan Receivable	-	280,000
Restricted cash (Note7)	25,909	47,252
	<u>\$ 1,225,024</u>	<u>\$ 1,953,489</u>

(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

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anticipated financing and investing activities. Accounts payable and accrued liabilities of \$62,741 (December 31, 2015: \$50,049) are due in the fourth quarter of 2016. At September 30, 2016, the Company had cash and cash equivalents, and accounts receivable of \$1,199,115 and \$5,713, respectively, which is sufficient to satisfy the expected requirements for the fourth quarter of 2016. The advance of \$3,000,000 from funds in trust and interest thereon (\$360,000 to December 31, 2015) payable to KGHM was due on December 31, 2015. Pursuant to the terms of the Advance Agreement, as the Company was unable to repay the advance by December 31, 2015, the advance was satisfied by the collateralized funds held in trust, which were released to KGHM Ajax on January 12, 2016.

(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 exposed to significant interest rate risk.

(ii) Foreign currency risk

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

(iii) Other price risk

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