ABACUS MINING & EXPLORATION CORP.

FINANCIAL STATEMENTS

June 30, 2008

NOTICE OF NO AUDITOR REVIEW

The accompanying unaudited interim financial statements have been prepared by management and approved by the Audit Committee and the Board of Directors.

The Company’s independent auditors have not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of the interim financial statements by an entity’s auditors.

ABACUS MINING & EXPLORATION CORPORATION
Balance Sheets
(Prepared by Management)

	June 30, 2008 (Unaudited)	December 31, 2007 (Audited)
Assets		
Current		
Cash and cash equivalents	$ 2,134,862	$ 8,914,225
Marketable securities (note 4)	439,250	892,986
Accounts receivable	81,740	110,324
Advances to contractor (note 9(a))	0	73,454
Prepaid expenses	19,463	33,900
	2,675,315	10,024,889
Mineral Interests (note 5)	48,731,853	41,830,368
Equipment (note 6)	67,174	35,686
Reclamation Deposits	12,000	23,272
	$ 51,486,342	$ 51,914,215
Liabilities		
Current		
Accounts payable and accrued liabilities	$ 1,265,072	$ 261,993
Future Income Tax (note 10)	2,111,516	2,111,516
	3,376,588	2,373,509
Shareholders' Equity		
Capital Stock (note 7)	72,277,353	72,159,753
Contributed Surplus	2,588,242	2,410,798
Deficit	(26,836,478)	(25,486,811)
Accumulated Other Comprehensive Income	80,637	456,966
	48,109,754	49,540,706
	$ 51,486,342	$ 51,914,215

Nature of Operations (note 1)
Commitment (note 11)
Subsequent Events (note 12)

Approved by the Board:

"Douglas A Fulcher"
…………………………………………………. Director
Douglas A. Fulcher

"J. Patrick Nicol"
…………………………………………………. Director
J. Patrick Nicol

ABACUS MINING & EXPLORATION CORPORATION
Statements of Operations
For the Six Months Ended June 30
(Unaudited – Prepared by Management)

	For the Three Months Ended June 30, 2008	For the Three Months Ended June 30, 2007	For the Six Months Ended June 30, 2008	For the Six Months Ended June 30, 2007
General and Administrative Expenses				
Stock-based compensation (note 7(f))	$ 58,818	$ 207,002	$ 177,443	$ 236,097
Consulting	321,888	124,793	466,431	189,357
Travel and promotion	61,121	98,359	161,109	135,922
Salaries and benefits	328,583	30,000	411,390	60,000
Legal	33,348	128,722	42,120	163,762
Accounting and audit	(380)	6,350	(380)	6,350
Rent	13,848	9,929	26,546	19,934
Office and miscellaneous	7,907	9,283	28,889	15,010
Regulatory fees	9,707	47,145	19,257	55,745
Investor relations	11,760	3,375	23,520	6,750
Management fees	0	4,500	1,500	9,000
Insurance	3,477	213	6,537	13,813
Transfer agent fees	3,436	3,718	4,684	6,886
Interest on financing	0	7,193	0	7,245
Telephone	4,359	1,989	6,964	3,536
Amortization	4,189	2,088	7,135	4,001
Interest income	(39,812)	(78,446)	(110,885)	(120,356)
Loss before Income Tax	822,249	606,213	1,272,260	813,052
Future income tax expense (recovery)	26,054	0	77,407	0
Loss for the Period	$ 848,303	$ 606,213	$ 1,349,667	813,052
Loss Per Share	$ 0.01	$ 0.01	$ 0.01	$ 0.01
Weighted Average Number of Common Shares Outstanding	108,326,075	85,731,046	108,269,066	85,731,046

ABACUS MINING & EXPLORATION CORPORATION
Statements of Shareholders' Equity
For the Six Months Ended June 30, 2008
(Unaudited – Prepared by Management)

	Number of Shares	Capital Stock	Contributed Surplus	Deficit	Accumulated Other Comprehensive Income	Total Shareholders' Equity
Balance, December 31, 2006	80,348,494	$54,832,937	$1,525,470	$(23,119,515)	$ 0	$ 33,238,892
Adjustment to opening balance net of future income taxes – change in accounting policy (note 4)	0	0	0	0	318,904	318,904
	80,348,494	54,832,937	1,525,470	(23,119,515)	318,904	33,557,796
Net loss for year	0	0	0	(2,367,296)	0	(2,367,296)
Unrealized gain on available-for-sale securities, net of future income taxes of $28,399	0	0	0	0	138,062	138,062
Comprehensive loss						(2,229,234)
Issued for cash						
Private placement, net of issue costs (notes 7(b)(i) and (ii))	26,704,509	18,409,031	0	0	0	18,409,031
Exercise of warrants	128,500	70,675	0	0	0	70,675
Exercise of options	352,500	56,400	0	0	0	56,400
Issued for services	269,338	120,000	0			120,000
Fair value of options exercised	0	15,053	(15,053)	0	0	0
Fair value of agent options issued on private placement	0	(356,978)	356,978			0
Stock-based compensation	0	0	543,403	0	0	543,403
Income tax effect on flow-through share renouncement	0	(987,365)	0	0	0	(987,365)
Balance, December 31, 2007	107,803,341	$72,159,753	$2,410,798	$(25,486,811)	$ 456,966	$49,540,706
Net loss for period	0	0	0	(1,349,667)	0	(1,349,667)
Unrealized loss on available-for-sale securities, net of future income taxes of $26,054	0	0	0	0	(376,329)	(376,329)
Comprehensive loss						(1,725,996)
Issued for cash						
Exercise of options	720,000	57,600	0	0	0	57,600
Issued for services	211,449	60,000	0	0	0	60,000
Stock-based compensation	0	0	177,444	0	0	177,444
Balance, June 30, 2008	108,734,790	$72,277,353	$2,588,242	$(26,836,478)	$ 80,637	$ 48,109,754

ABACUS MINING & EXPLORATION CORPORATION
Statements of Cash Flows
For the Three Months Ended June 30
(Unaudited – Prepared by Management)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2008	2007	2008	2007
Operating Activities				
Loss for the year	$(848,303)	$ (606,213)	$ (1,349,667)	$ (813,052)
Items not involving cash				
Amortization	4,189	2,088	7,135	4,002
Stock-based compensation	58,818	207,002	177,443	236,097
Future income tax (recovery)	26,054	0	77,408	0
	(759,242)	(397,123)	(1,087,681)	(572,953)
Changes in non-cash working capital items				
Accounts receivable	17,374	(122,539)	28,584	(123,143)
Accrued interest receivable	0	(52,282)	0	63,637
Prepaid expenses	(1,523)	23,941	14,437	14,392
Loan receivable	0	(4,192)	0	(8,287)
Advances to contractor	0	(1,425)	73,454	(1,425)
Accounts payable and accrued liabilities	(132,004)	335,354	1,063,082	870,399
	(116,153)	178,857	1,179,557	815,571
Cash Used in Operating Activities	(875,395)	(218,266)	91,876	242,618
Investing Activities				
Cash, exploration funds		0		0
Mineral interests	(4,001,108)	(5,493,967)	(6,901,486)	(6,675,519)
Equipment purchases	(25,814)	(3,921)	(38,623)	(3,921)
Cash Used in Investing Activities	(4,026,922)	(5,497,888)	(6,940,109)	(6,679,440)
Financing Activities				
Issuance of capital stock for cash	57,600	18,616,457	57,600	18,717,132
Reclamation deposit	0	0	11,272	0
Cash Provided by Financing Activities	57,600	18,616,457	68,872	18,717,132
			(8,785,525)	
Increase (Decrease) in Cash During the Period	(4,844,717)	12,900,303	(6,779,363)	12,280,310
Cash and Cash Equivalents, Beginning of Period	6,979,579	3,750,471	8,914,225	4,370,464
Cash and Cash Equivalents, End of Period	$ 2,134,862	$16,650,774	$ 2,134,862	$16,650,774
Cash and Cash Equivalents Consist of:				
Cash	$ 133,122	$ 4,028	$ 133,122	$ 4,028
Temporary investments	2,001,740	16,646,746	2,001,740	16,646,746
	$ 2,134,862	$ 16,650,774	$ 2,134,862	$16,650,774

Supplemental disclosure with respect to cash flows (note 8)

1. NATURE OF OPERATIONS

Abacus Mining & Exploration Corporation (the "Company"), incorporated in British Columbia, is an exploration stage company engaged principally in the acquisition, exploration and development of mineral properties. The recovery of the Company's investment in mineral properties is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain financing to complete development and the future proceeds from the disposition of those reserves.

These financial statements have been prepared on a going-concern basis, which contemplates that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. As at June 30, 2008, the Company has working capital of $1,410,243 (2007 - $16,315,193), which will not be sufficient to achieve the Company's currently planned business objectives for 2008, and an accumulated deficit of $26,836,478 (2007 - $23,932,567). The Company's ability to continue as a going-concern is dependent on the ability of the Company to raise equity financing and the attainment of profitable operations.

These financial statements do not give effect to adjustments that would be necessary to the carrying values and classifications of assets and liabilities should the Company be unable to continue as a going-concern.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles and reflect the following:

(a) Cash and Cash Equivalents

Cash and cash equivalents comprise cash and highly-liquid temporary investments maturing within ninety days from the original dates of acquisition, and are readily convertible into known amounts of cash. Included in cash equivalents are temporary investments earning interest at 2.93%.

(b) Mineral Interests

The Company capitalizes all costs related to investments in mineral property interests on a property-by-property basis. Such costs include mineral property acquisition costs and exploration and development expenditures, net of any recoveries. Costs are deferred until such time as the extent of mineralization has been determined and mineral property interests are either developed or the Company's mineral rights are allowed to lapse. All deferred mineral property expenditures are reviewed, on a property-by-property basis, to consider whether there are any conditions that may indicate impairment. When the carrying value of a property exceeds its net recoverable amount that may be estimated by quantifiable evidence of an economic geological resource or reserve, joint venture expenditure commitments or the Company's assessment of its ability to sell the property for an amount exceeding the deferred costs, provision is made for the impairment in value.

The amounts shown for acquisition costs and deferred exploration expenditures represent costs incurred to date and do not necessarily reflect present or future values. These costs will be depleted over the useful lives of the properties upon commencement of commercial production or written off if the properties are abandoned or the claims allowed to lapse.

From time to time the Company may acquire or dispose of a mineral property interest pursuant to the terms of an option agreement. As the options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are recorded as property costs or recoveries when the payments are made or received.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Asset Retirement Obligations

The Company recognizes an estimate of the liability associated with an asset retirement obligation ("ARO") in the financial statements at the time the liability is incurred. The estimated fair value of the ARO is recorded as a long-term liability, with a corresponding increase in the carrying amount of the related asset. The capitalized amount is depleted on a straight-line basis over the estimated life of the asset. The liability amount is increased each reporting period due to the passage of time and the amount of accretion is charged to earnings in the period. The ARO can also increase or decrease due to changes in the estimates of timing of cash flows or changes in the original estimated undiscounted cost. Actual costs incurred upon settlement of the ARO are charged against the ARO to the extent of the liability recorded. At present, the Company has determined that it has no material AROs to record in these financial statements.

(d) Equipment

Equipment is recorded at cost and amortized using the declining-balance method at an annual rate of 20% for office and field equipment, and 30% for computer equipment. Amortization on leasehold improvements is recorded on a straight line basis over the term of the lease.

(e) Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of estimates include the rates of amortization for equipment, the recoverability of mineral property interests, the fair value of financial instruments, balances of accrued liabilities, the assumptions used in the determination of the fair value of stock-based compensation and the determination of the valuation allowance for future income tax assets. Management believes the estimates are reasonable; however, actual results could differ from those estimates and could impact future results of operations and cash flows.

(f) Capital Stock

Capital stock issued for non-monetary consideration is recorded at fair value pursuant to the agreement to issue shares as determined by the Board of Directors of the Company based on the trading price of the shares on the TSX Venture Exchange (the "Exchange"). Costs incurred for the issue of shares are deducted from capital stock.

(g) Loss Per Share

Basic loss per share is calculated using the weighted average number of common shares outstanding during the year. The Company uses the treasury stock method for calculating diluted earnings per share. Under this method, the dilutive effect on earnings per share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the period. However, diluted loss per share is not presented where the effects on conversion and exercise of options and warrants would be anti-dilutive.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Stock-Based Compensation

The Company accounts for stock-based compensation using the fair value based method with respect to all stock-based payments to directors, employees and non-employees, including awards that are direct awards of stock and call for settlement in cash or other assets, or stock appreciation rights that call for settlement by the issuance of equity instruments. Under this standard, stock-based payments are recorded as an expense over the vesting period or when the awards or rights are granted, with a corresponding increase to contributed surplus. When stock options are exercised, the corresponding fair value is transferred from contributed surplus to capital stock.

(i) Income Taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method of tax allocation, future income tax assets and liabilities are determined based on differences between the financial statement carrying values and their respective income tax basis (temporary differences). Future income tax assets and liabilities are measured using the tax rates expected in be in effect when the temporary differences are likely to reverse. The effect on future income tax assets and liabilities of a change in tax rates is included in operations in the period in which the change is enacted or substantially assured. The amount of future income tax assets recognized is limited to the amount of the benefit that is more likely than not to be realized.

(j) Flow-Through Common Shares

Flow-through shares entitle a company that incurs certain resource expenditures in Canada to renounce them for tax purposes allowing the expenditures to be deducted for income tax purposes by the investors who purchased the shares. The proceeds from shares issued under flow-through share financing agreements are credited to capital stock and the tax benefits of the exploration expenditures incurred under these agreements are renounced to the purchaser of the shares. The tax impact to the Company of the renouncement is recorded on the date that the renunciation is filed with taxation authorities, through a decrease in capital stock and the recognition of a future tax liability.

When flow-through expenditures are renounced, a portion of the future income tax assets that were not previously recognized, due to the recording of a valuation allowance, are recognized as a recovery of future income taxes in the statement of operations.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Financial Instruments

Effective January 1, 2007, the Company adopted the Canadian Institute of Chartered Accountants' ("CICA") Handbook Section 3855, "Financial Instruments – Recognition and Measurement", which establishes standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. The Company classifies its debt and marketable equity securities into held-to-maturity, trading or available-for-sale categories. Debt securities are classified as held-to-maturity when the Company has the positive intent and ability to hold the securities to maturity. Debt securities for which the Company does not have the intent or ability to hold to maturity are classified as available-for-sale. Held-to-maturity securities are recorded as either short-term or long-term on the balance sheet based on contractual maturity date and are stated at amortized cost. Marketable securities that are bought and held principally for the purpose of selling them in the near term are classified as trading securities and are reported at fair value, with unrealized gains and losses recognized in operations. Debt and marketable securities not classified as held-to-maturity or as trading are classified as available-for-sale and are carried at fair market value, with the unrealized gains and losses, net of tax, included in the determination of comprehensive income (loss) and reported in shareholders' equity. The Company classifies all its receivables as loans and receivables and all its liabilities as other liabilities. Loans and receivables and other liabilities are carried at amortized cost.

Prior to the adoption of the new standard, the Company recorded its marketable securities at the lower of cost and market value at the balance sheet date, with any gains or losses reported in net income (loss).

On the date of adoption, the Company re-measured its financial assets and liabilities as appropriate. Any adjustment to the previous carrying amount was recognized as an adjustment to the balance of deficit at the beginning of the year, except when a financial asset is classified as available-for-sale. For available-for-sale financial assets, the adjustment has been included as the opening balance of accumulated other comprehensive income, which will be subsequently recognized in net income on disposition of the related financial assets. In accordance with this standard, prior period financial statements have not been restated.

The fair value of substantially all marketable securities is determined by quoted market prices. Gains or losses on securities sold are based on the specific identification method.

(l) Comprehensive Income

Effective January 1, 2007, the Company adopted the CICA Handbook Section 1530, "Comprehensive Income", which establishes standards for presentation and disclosure of a statement of comprehensive income (loss). Comprehensive income (loss) is the overall change in the net assets of the Company for a period, other than changes attributable to transactions with shareholders. It is made up of net income (loss) and other comprehensive income (loss). Other comprehensive income (loss) consists of gains and losses affecting shareholders' equity that, under generally accepted accounting principles are excluded from net income (loss). For the Company, such items consist primarily of unrealized gains and losses on marketable equity investments. The Company has included a calculation of other comprehensive income (loss) in the statement of shareholders' equity.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) **Future Accounting Changes**

(i) Capital Disclosures

In February 2007, the CICA issued Handbook Section 1535, “Capital Disclosures”, which requires the disclosure of both qualitative and quantitative information that provides users of financial statements with information to evaluate the entity’s objectives, policies and procedures for managing capital. The new section is effective for years beginning on or after October 1, 2007. The Company is in the process of assessing the impact of this new section on its financial statements.

(ii) Financial Instruments

In February 2007, the CICA issued two new standards, Section 3862, “Financial Instruments Disclosures”, and Section 3863, “Financial Instruments Presentation”. These sections will replace the existing Section 3861, “Financial Instruments Disclosure and Presentation”. Section 3862 provides users with information to evaluate the significance of the financial instruments of the entity’s financial position and performances, nature and extent of risks arising from financial instruments, and how the entity manages those risks. Section 3863 deals with the classification of financial instruments, related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset. The new sections are effective for years beginning on or after October 1, 2007. The Company is in the process of assessing the impact of these new sections on its financial statements.

(iii) International Financial Reporting Standards ("IFRS")

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian generally accepted accounting principles with IFRS over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own generally accepted accounting principles. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

(iv) Going-concern

In June 2007, the CICA amended Handbook Section 1400, “General Standards of Financial Statement Presentation”, which requires management to make an assessment of a company’s ability to continue as a going-concern. When financial statements are not prepared on a going-concern basis, that fact shall be disclosed together with the basis on which the financial statements are prepared and the reason why the Company is not considered a going-concern. This new section is effective for years beginning on or after January 1, 2008. The Company is in the process of assessing the impact of this new section on its financial statements.

3. FINANCIAL INSTRUMENTS

The Company has designated its cash and cash equivalents as held-for-trading; marketable securities as available-for-sale; accounts receivable and advances to contractors as loans and receivable; and accounts payable and accrued liabilities as other liabilities.

3. FINANCIAL INSTRUMENTS (Continued)

(a) Fair value

The carrying values of cash and cash equivalents, accounts receivable, advances to contractors, and accounts payable and accrued liabilities equal their fair values.

(b) Credit risk

The Company is exposed to credit risk with respect to its cash and other accounts receivable. Cash and cash equivalents have been placed with a major Canadian financial institution. Other amounts receivable are primarily amounts owing from government agencies and related parties.

(c) Interest rate risk

Interest rate risk consists of two components:

(i) 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.

(ii) To the extent that changes in prevailing market interest rates differ from the interest rates 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 due to the short-term maturity of its monetary assets and liabilities.

(d) Currency risk

The Company is not exposed to significant currency risk.

4. MARKETABLE SECURITIES

The Company has investments in marketable securities of companies that have directors in common. These marketable securities have been classified as available for sale.

	2008		2007	
	Cost	**Fair Value**	**Cost**	**Fair Value**
1,682,049 (2007 – 1,682,049) common shares of Niblack Mining Corp.	$ 341,026	$ 437,333	$ 341,026	$ 891,486
8,333 common shares of Redstar Gold Corp.	1,000	1,917	1,000	1,500
Balance, June 30, 2008 and 2007	$ 342,026	$ 439,250	$ 342,026	$ 892,986

4. MARKETABLE SECURITIES (Continued)

As at December 31, 2006, 600,000 of the Niblack Mining Corp. ("Niblack") common shares held by the Company (note 5(b)) were held in escrow and had a fair value equal to cost. The increase in fair value of marketable securities over cost, net of future income taxes of $65,595, has been reflected as an adjustment to the opening balance of accumulated other comprehensive income.

During 2007, the 600,000 Niblack common shares were released from escrow and the Company acquired a further 682,049 Niblack common shares on conversion of a loan receivable (note 5(b)). The difference between the fair value and cost of marketable securities has been recorded in accumulated other comprehensive income, net of future income taxes of $93,994.

During the six month period ending June 30, 2008, the difference between the fair value and cost of marketable securities has been recorded in accumulated other comprehensive income, net of future income taxes of $16,586.

5. MINERAL INTERESTS

At June 30, 2008 and December 31, 2007, expenditures incurred on mineral property interests are as follows:

	Afton Mine Property					
	Afton	**Rainbow**	**Iron Mask/Ajax**	**DM/Audra**	**New Gold JV**	**Total**
Balance, December 31, 2007	$22,540,603	$2,770,388	$13,766,723	$1,308,184	$1,444,470	$41,830,368
Additions during period						
Acquisition costs	330,932	0	0	0	0	330,932
Exploration costs						
Drilling	0		1,662,247		2,955,191	4,617,438
Contract wages	0	600	349,357	20,400	434,176	804,533
Assays	0	8,318	252,957	32,766	391,936	685,977
Camp and field supplies	0	108	145,383	108	101,053	246,652
Travel and accommodation	0		96,762		110,141	206,903
Equipment rental	0		19,590		15,357	34,947
Geological consulting	0		46,480	24,578	13,248	84,306
Recording fees	0	731	2,285	731		3,747
Permitting and environmental reports	0					
Access road	0		237		1,242	1,479
Reports, drafting and maps	0					
	0	9,757	2,575,298	78,583	4,022,344	6,685,982
Less: Recoveries			(115,429)			(115,429)
Total additions during period	330,932	9,757	2,459,869	78,583	4,022,344	6,901,485
Balance, June 30, 2008	$ 22,871,535	$ 2,780,145	$16,226,592	1,386,767	$ 5,466,814	$ 48,731,853

5. MINERAL INTERESTS (Continued)

	Afton Mine Property					
	Afton	Rainbow	Iron Mask/Ajax	DM/Audra	New Gold JV	Total
Balance, December 31, 2006	$19,275,858	$2,527,122	$ 5,801,378	$ 730,542	$ 0	$28,334,900
Additions during year						
Acquisition costs	3,264,745	0	0	0	0	3,264,745
Exploration costs						
Drilling	0	214,804	5,510,536	400,224	1,072,035	7,197,599
Contract wages	0	9,110	878,782	17,812	124,912	1,030,616
Assay	0	3,905	443,513	123,664	0	571,082
Camp and field supplies	0	0	168,385	114	125,497	293,996
Travel and accommodation	0	352	392,570	1,407	94,411	488,740
Equipment rental	0	0	40,677	0	7,393	48,070
Geological consulting	0	213	36,610	5,592	19,041	61,456
Recording fees	0	0	18,472	0	0	18,472
Permitting and environmental reports	0	15,816	481,824	31,631	0	529,271
Access road	0	0	17,611	0	8,185	25,796
Reports, drafting and maps	0	0	37,485	0	0	37,485
	0	244,200	8,026,465	580,444	1,451,474	10,302,583
Less: Recoveries	0	(934)	(35,953)	(2,802)	(7,004)	*(46,693)
Total additions during year	3,264,745	243,266	7,990,512	577,642	1,444,470	13,520,635
Write-off of mineral interests	0	0	(25,167)	0	0	(25,167)
	3,264,745	243,266	7,965,345	577,642	1,444,470	13,495,468
Balance, December 31, 2007	$22,540,603	$2,770,388	$13,766,723	$1,308,184	$1,444,470	$41,830,368

* British Columbia Mining Exploration Tax Credit, which is included in accounts receivable in these financial statements.

The Company has acquired or has an option to acquire mineral interests as follows:

(a) **Iron Mask/Ajax, Rainbow, DM/Audra, New Gold JV and Afton Mine Property, Kamloops Mining Division, BC**

During the year ended December 31, 2004, the Company exercised its options and acquired a 100% interest in the Iron Mask and Rainbow properties (a total of 53 mineral claims) for $200,000, the issuance of 850,000 common shares of the Company and incurring $1,500,000 in mineral exploration expenditures on the property. The properties are subject to two separate 1.5% net smelter royalties of which the Company may purchase one-third of each for $1,000,000. Certain of the mineral claims are subject to various net profit interests or net smelter royalties held by underlying vendors of those claims.

The DM/Audra claims are part of the Iron Mask project and are presented separately due to the underlying net profit interests. The acquisition costs for DM/Audra have been included as part of the Iron Mask acquisition costs in prior years.

5. MINERAL INTERESTS (Continued)

(a) Iron Mask/Ajax, Rainbow, DM/Audra, New Gold JV and Afton Mine Property, Kamloops Mining Division, BC (Continued)

On November 25, 2005, the Company signed an Asset Purchase Agreement with the optionor to purchase land, buildings, equipment, tailings pond and the back-in rights pursuant to the Rainbow and Iron Mask property agreements ("Afton"). Effective November 23, 2007, the parties amended the agreement to extend the date for the final payment to May 30, 2008. Total aggregate consideration for the transfer of the assets is $28,500,000 to be paid as follows:

(i) 8,500,000 shares at a deemed value of $1 per share on the execution date (issued);

(ii) 5,000,000 shares at a deemed value of $1 per share and $5,000,000 cash on or before November 26, 2006 (issued and paid); and

(iii) 5,000,000 shares at a deemed value of $1 per share and $5,000,000 cash on or before May 30, 2008 ($3,000,000 paid).

Upon completion of all share issuances and cash payments, the optionor will transfer title (the "Transfer Date") of the assets to the Company, subject to any additional consideration. The final consideration is subject to a price adjustment clause if the ten-day weighted average closing price of the Company's common shares issued to the optionor, as at November 25, 2008, is less than $18,500,000, the Company will pay the optionor additional consideration equal to 81.1% of the difference between $18,500,000 and the weighted average closing price of the Company's common shares. Any reclamation liabilities that may be attributable to the assets acquired will be assessed and recorded on the transfer date.

Pursuant to a letter of intent dated October 19, 2007, the Company entered into an option agreement with New Gold Inc. ("New Gold") to acquire a 100% interest in additional claims surrounding the area of the Company's Iron Mask property. Under the terms of the option, from the date an exploration permit is obtained, the Company must incur $2,500,000 in mineral exploration expenditures within 24 months and obtain an independent NI43-101 assessment within 30 months. Upon exercise of the option, New Gold retains the right to a 10% net profits interest royalty or has the option to form a joint venture on the property with the Company.

On July 24, 2006, two purchase and sale agreements to acquire additional property adjoining the western edge of the Company's Rainbow property were completed. The first agreement, dated March 24, 2006 to acquire three mineral claims, required a cash payment of $20,000 (paid) and the issuance of 50,000 common shares (issued) of the Company. During 2007, title to one of the claims lapsed. The second agreement, dated March 20, 2006 to acquire two mineral claims, required a cash payment of $2,500 (paid) and the issuance of 10,000 common shares (issued) of the Company. During 2007, title to both of the claims lapsed resulting in a write-down of $25,167. Both vendors retain a 1% net smelter royalty of which the Company may reduce to 0.5% by payment of $500,000 to each vendor.

5. MINERAL INTERESTS (Continued)

(b) **Niblack Project, Alaska, USA**

The Company held a 100% interest in 47 mineral claims and 16 patented mineral claims subject to the issue of 500,000 common shares upon making a decision to place the property into production. The optionor of a 70.49% interest in the property had retained a variable 1% to 3% net smelter returns royalty based on the profitability of the property. Certain net profit interests were held by other parties with respect to a 29.51% interest in the property. An additional 100% interest in two patented mineral claims had been acquired subject to a final US $10,000 payment. During 2002, the property was written-down to a nominal value of $1.

On March 15, 2005, the Company received shareholder approval to transfer Abacus Alaska Inc., the holder of the Niblack property, into Niblack, a newly incorporated company. On April 15, 2005, shareholders of the Company received one new share of Niblack and four new shares of the Company for every four Company shares held. Initial capital for Niblack was provided by a $300,000 plus interest loan entered into on December 16, 2004 by the Company, which is convertible into Niblack shares at a price of $0.50 per share. The Company was also issued 1,000,000 (escrowed) Niblack shares as bonus for the foregoing loan. As at December 31, 2007, all shares had been released from escrow. The loan bears interest at a rate of 5% per annum, compounded monthly and was to be repaid on or before December 16, 2006. In 2007, interest of $10,190 (2006 - $16,102) was accrued on the loan. On September 11, 2007, Niblack issued to the Company 682,049 common shares at a price of $0.50 per share in repayment of the loan balance and accrued interest totalling $341,025.

(c) **Title to Mineral Property Interests**

Although the Company has taken steps to verify title to mineral properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company’s title. Property title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

(d) **Realization of Assets**

The investment in and expenditures on mineral property interests comprise a significant portion of the Company’s assets. Realization of the Company’s investment in these assets is dependent upon the establishment of legal ownership, the obtaining of permits, the satisfaction of governmental requirements and possible aboriginal claims, the attainment of successful production from the properties or from the proceeds of their disposal.

Resource exploration and development is highly speculative and involves inherent risks. While the rewards if an ore body is discovered can be substantial, few properties that are explored are ultimately developed into producing mines. There can be no assurance that current exploration programs will result in the discovery of economically viable quantities of ore.

5. MINERAL INTERESTS (Continued)

(e) **Environmental**

Environmental legislation is becoming increasingly stringent and costs and expenses of regulatory compliance are increasing. The impact of new and future environmental legislation on the Company's operations may cause additional expenses and restrictions.

If the restrictions adversely affect the scope of exploration and development on the mineral properties, the potential for production on the property may be diminished or negated.

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous material and other matters. The Company may also be held liable should environmental problems be discovered that were caused by former owners and operators of its properties and properties in which it has previously had an interest. The Company conducts its mineral exploration activities in compliance with applicable environmental protection legislation. The Company is not aware of any existing environmental problems related to any of its current or former properties that may result in material liability to the Company.

6. EQUIPMENT

	2008		
	Cost	Accumulated Amortization	Net
Computer equipment	$ 108,424	$ 65,072	$ 43,352
Other equipment	19,091	14,904	4,187
Office equipment	30,408	19,606	10,802
Leasehold improvements	9,814	981	8,833
Balance, June 30, 2008	$ 167,737	$ 100,563	$ 67,174

7. CAPITAL STOCK

(a) **Authorized**
Unlimited number of common shares without par value

(b) **Private Placements**

(i) On June 7, 2007, the Company closed a brokered private placement and issued 13,645,000 units at a price of $0.70 per unit and 11,250,000 flow-through units at a price of $0.80 per unit for gross proceeds of $18,551,500. Each unit consists of one common share and one-half of one common share purchase warrant. Each flow-through unit consists of one flow-through common share and one-half of one common share purchase warrant. Each of the 12,447,500 share purchase warrants above entitles the holder to purchase one additional common share until December 6, 2008 at a price of $1.25 per share.

The agents received a cash commission of $781,305 and were issued 739,000 units with the same terms and conditions as the units described above, and 2,489,500 agent options. Each agent option will entitle the agents to purchase one common share until December 6, 2008 at a price of $0.85 per share. The 2,489,500 options issued to the agents were fair valued at $351,268 (note 7(g)).

7. CAPITAL STOCK (Continued)

(b) **Private Placements** (Continued)

(ii) The Company concurrently issued, on a non-brokered basis, 443,700 units at a price of $0.70 per unit and 595,750 flow-through units at a price of $0.80 per unit to raise gross proceeds of $787,190. Each unit consists of one common share and one-half of one common share purchase warrant. Each flow-through unit consists of one flow-through common share and one-half of one common share purchase warrant. Each of the 519,725 share purchase warrants above entitles the holder to purchase one additional common share until January 3, 2009 at a price of $1.25 per share.

Finders received a cash commission of $7,000 and were issued 31,059 units with the same terms and conditions as the units described above and 56,870 agent options. Each agent option will entitle the holder to purchase one additional common share until January 3, 2009 at a price of $0.85 per share. The 56,870 options issued to the agents were fair valued at $5,710 (note 7(g)).

Other cash share issuance costs of $141,354 were incurred by the Company in respect of these private placements, resulting in net cash proceeds received of $18,409,031.

(iii) On February 17, 2006, the Company closed a private placement financing for gross proceeds of $14,500,000 comprised of 20,000,000 units at a price of $0.60 per unit and 3,571,430 flow-through units at a price of $0.70 per unit. Each unit consists of one common share and one-half of one common share purchase warrant. Each flow-through unit consists of one flow-through common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share on or before February 16, 2008 at a price of $0.85 per share. The agents received a cash commission of $942,500 and 2,357,143 share purchase warrants. Each warrant entitles the agent to purchase one common share on or before February 16, 2008 at a price of $0.75 per share. Share issuance costs on the private placement totaled $968,982, resulting in net cash proceeds received of $13,531,018.

(c) **Renounced Exploration Expenditures**

In February 2007, the Company renounced $2,893,801 (2006 - $900,000) of exploration expenditures under its flow-through share program, resulting in a future income tax liability of $987,365 (2006 - $320,580), which was deducted from capital stock. The Company subsequently reduced a portion of the future income tax liability by recognizing previously unrecorded future income tax assets.

7. CAPITAL STOCK (Continued)

(d) Share Purchase Warrants

The Company has, as at June 30, 2008, share purchase warrants outstanding entitling the holders to acquire common shares as follows:

Outstanding as at December 31, 2007	Exercise Price	Expiry Date	Issued	Exercised	Expired	Outstanding as at June 30, 2008
11,785,715	$0.85	February 16, 2008	0	0	(11,785,715)	0
2,357,143	$0.75	February 16, 2008	0	0	(2,357,143)	0
12,817,000	$1.25	December 6, 2008	0	0	0	12,817,000
535,255	$1.25	January 3, 2009	0	0	0	535,255
27,495,113			0	0	(14,142,858)	13,352,255

(e) Stock Options

The Company has a 20% fixed stock option plan, which allows the board of directors to grant options to directors, officers, employees and consultants. Under the terms of the option plan, a maximum of 16,178,267 options may be granted.

Options to purchase common shares have been granted to directors, employees and consultants at exercise prices determined by reference to the market value on the date of the grant. As at June 30, 2008, the Company had stock options outstanding to directors and employees for the purchase of up to 9,525,000 common shares exercisable as follows:

Options Outstanding		
Number of Options	Exercise Price	Expiry Date
475,000	$0.15	September 4, 2008
300,000	$0.29	October 9, 2008
1,175,000	$0.16	September 17, 2009
1,450,000	$0.32	October 23, 2009
800,000	$0.28	March 4, 2010
500,000	$0.34	May 20, 2010
2,000,000	$0.90	April 7, 2011
400,000	$0.65	March 15, 2012
500,000	$0.45	January 11, 2013
925,000	$0.45	February 1, 2013
1,000,000	$0.43	May 5, 2013
9,525,000		

7. CAPITAL STOCK (Continued)

(e) **Stock Options** (Continued)

A summary of the status of the Company's stock options as at June 30, 2008 and changes during the period then ended are as follows:

	2008	
	Number of Options	**Weighted Average Exercise Price**
Outstanding at beginning of year	7,820,000	$0.42
Granted	2,425,000	$0.44
Exercised	720,000	$0.08
Expired	0	$0.00
Outstanding at June 30, 2008	9,525,000	$0.45

(f) Stock-Based Compensation

During the period ended June 30, 2008, the Company granted employee incentive stock options to acquire 1,425,000 common shares at an exercise price of $0.45 per share and 1,000,000 common shares at an exercise price of $0.43. The fair value of these stock options is recognized into stock-based compensation expense over the vesting period of the options of which $177,443 was recognized in this period.

During the year ended December 31, 2007, the Company granted stock options for consulting fees to a director to acquire up to an aggregate of 400,000 common shares at an exercise price of $0.65 per share. The fair value of these stock options is recognized into stock-based compensation expense over the vesting period of the options. The total fair value of these options was calculated at $207,040 ($0.52 per option), of which $129,399 was recognized in 2007 and $77,641 will be recognized in 2008.

During the year ended December 31, 2006, the Company granted stock options for wages and consulting fees to acquire up to an aggregate of 2,000,000 common shares at an exercise price of $0.95. The fair value of these stock options is recognized into stock-based compensation expense over the vesting period of the options. The total fair value of these options was calculated at $828,008 ($0.41 per option), of which $414,004 was recognized in each of 2006 and 2007.

7. CAPITAL STOCK (Continued)

(f) **Stock-Based Compensation** (Continued)

The fair value of stock options used to calculate stock-based compensation expense is estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

	2007	2006
Risk-free interest rate	3.92%	4.07%
Expected dividend yield	0	0
Expected stock price volatility	116%	81%
Expected option life in years	5	5

(g) **Agent Options**

The Company granted agent options related to the sale of the Company's securities through the course of its private placement.

The Company has, as at June 30, 2008, agent options outstanding entitling the holders to acquire common shares as follows:

Outstanding as at December 31, 2007	Exercise Price	Expiry Date	Issued	Exercised	Expired	Outstanding as at June 30, 2008
2,489,500	$0.85	December 6, 2008	0	0	0	2,489,500
56,870	$0.85	January 3, 2009	0	0	0	56,870
2,546,370			0	0	0	2,546,370

The fair value of agent options, in the amount of $356,978 ($0.14 per option) and included as a reduction to capital stock, were estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

	2007
Risk-free interest rate	4.60%
Expected dividend yield	0
Expected stock price volatility	64%
Expected life in years	1.5

8. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

(a) During the period ended June 30, 2008, the Company issued 211,449 (2007 – 117,044) shares valued at $60,000 (2007 - $60,000) for settlement of certain accounts payable.

(b) Interest received during the period amounted to $110,885 (2006 - $120,356).

9.. RELATED PARTY TRANSACTIONS

(a) The Company conducts the majority of its exploration activities through an exploration services contractor in which a director is a principal. The Company paid that contractor $6,600,371 (2007 - $3,400,233) for exploration costs and $565,522 (2007 - $111,179) to reimburse office and administrative costs that include contract wages of $411,390 (2007 - $60,000). As at June 30, 2008, there was $942,972 (2007 - $893,141) payable to that contractor.

(b) A management fee of $1,500 (2007 - $9,000) and rent of $3,014 (2007 - $18,082) were paid to a company in which a director is a principal. As at June 30, 2008, there was $nil (2007 - $4,514) due to that company and included in accounts payable.

(c) The Company shares office and administrative costs with a company with three directors in common. As at June 30, 2008, $2,146 (2007 - $2,146) was due from this company and included in accounts receivable.

(d) The Company shares office and administrative costs with a company with four directors in common. As at June 30, 2008, $6,690 (2007 - $6,690) was due from this company and included in accounts receivable.

(e) Consulting fees of $45,000 (2007 - $15,000) were paid to directors of the Company. As at June 30, 2008, $18,154 (2007 - $6,184) was payable to these directors.

All advances to and amounts due from (to) related parties have repayment terms similar to the Company's other accounts receivable (payable) and are without interest. All of the above transactions and balances are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

10. INCOME TAXES

The Company has capital losses of approximately $11,173,000 available to be carried forward indefinitely to offset future taxable capital gains.

The Company has accumulated non-capital losses for Canadian tax purposes of approximately $3,535,000 that expire in various years to 2027 as follows:

2008	$	188,000
2009		165,000
2010		257,000
2014		553,000
2015		537,000
2026		716,000
2027		1,119,000
	$	3,535,000

Future income tax assets and liabilities are recognized for temporary differences between the carrying amounts of the balance sheet items and their corresponding tax values as well as for the benefit of losses available to be carried forward to future years for tax purposes that are likely to be realized.

Significant components of the Company's future tax assets and liabilities, after applying enacted corporate income tax rates, are as follows:

		2007		2006
Future income tax assets (liabilities)				
Temporary differences in assets	$	(3,496,322)	$	424,345
Temporary differences in marketable securities		(78,512)		0
Permanent differences in assets		377,658		264,493
Non-capital losses carried forward		1,007,148		1,023,533
Capital losses carried forward		1,592,120		1,906,075
		(597,908)		3,618,446
Valuation allowance for future income tax assets		(1,513,608)		(3,618,446)
Future income tax assets (liabilities), net	$	(2,111,516)	$	0

10. INCOME TAXES (Continued)

The reconciliation of income tax provision computed at statutory rates to the reported income tax provision is as follows:

	2007	2006
Income tax benefit computed at Canadian statutory rates	$ 456,232	$ 428,455
Temporary differences not recognized in year	(11,948)	(2,943)
Stock-based compensation	(185,409)	(240,993)
Permanent differences not recognized in year	123,080	59,627
Renunciation of flow-through expenditures	(3,254,997)	(987,365)
Utilization of previously unrecognized future income tax assets	1,426,509	1,063,799
Reduction in future income taxes resulting from statutory rate reduction	416,376	0
	$ (1,030,157)	$ 320,580

11.. COMMITMENT

During 2007, the Company and related parties entered into a lease agreement for the rental of office premises for a six-year period, expiring March 31, 2013. The cost of the entire premises is shared primarily between the Company and four other companies related by a common director. The Company's proportionate share of minimum annual rental payments under this arrangement is payable as follows:

2008	$ 23,642
2009	23,642
2010	25,858
2011	26,597
2012	26,597
Thereafter	6,649
	$ 132,985

12.. SUBSEQUENT EVENT

(a) On August 14, 2008, the Company announced that it will offer, on a non-brokered basis, up to 10,000,000 flow-through units at $0.30 per flow-through unit to raise gross proceeds of up to $3,000,000. Each flow-through unit will consist of one flow-through common shares and one-half of one non-transferable warrant. Each whole warrant will entitle the holder to purchase one non-flow-through common share at a price of $0.50 per share for a period of eighteen months from the closing date of the offering. The closing date is anticipated to occur on or before September 3, 2008.