

**Abacus Mining & Exploration Corporation**  
(an exploration stage company)

Condensed Interim Financial Statements  
**March 31, 2013**

(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 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

	March 31, 2013	December 31, 2012
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents (Note 4)	\$ 1,291,906	\$ 1,353,626
Due from KGHM Ajax Mining Inc. (Note 10(a))	28,857	314,032
Prepaid expenses	20,488	28,113
Amounts receivable	17,202	17,506
	<u>1,358,453</u>	<u>1,713,277</u>
<b>Non-current assets:</b>		
Restricted cash (Note 7)	25,041,110	24,877,931
Investment in KGHM Ajax Mining Inc. (Note 5)	19,346,222	19,418,661
Equipment	45,001	49,728
	<u>\$ 45,790,786</u>	<u>\$ 46,059,597</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities:</b>		
Accounts payable and accrued liabilities (Note 10(b))	\$ 147,573	\$ 154,258
	<u>147,573</u>	<u>154,258</u>
<b>Shareholders' equity (Note 8):</b>		
Capital stock	84,382,367	84,345,175
Share-based payments reserve	4,378,802	4,377,159
Deficit	(43,117,956)	(42,816,995)
	<u>45,643,213</u>	<u>45,905,339</u>
	<u>\$ 45,790,786</u>	<u>\$ 46,059,597</u>

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

Approved on behalf of the Board by:

"James Excell"  
Chief Executive Officer

"Tom McKeever"  
Director

**ABACUS MINING & EXPLORATION CORPORATION** (an exploration stage company)**Condensed interim statements of comprehensive income (loss)**

Unaudited - expressed in Canadian dollars

	Three months ended March 31, 2013	Three months ended March 31, 2012
<b>General and administrative expenses</b> (Note 10):		
Salaries and contract wages	\$ 190,120	\$ 325,233
Travel and promotion	24,333	114,157
Consulting and directors' fees	64,985	73,710
Legal	6,142	-
Rent	52,882	57,356
Share-based payments (Note 8(e))	18,835	222,127
Office and miscellaneous	13,308	35,521
Investor relations	18,000	53,911
Insurance	7,625	10,367
Transfer agent and regulatory fees	11,023	11,732
Amortization	4,728	8,647
Accounting and audit	-	-
Expense recoveries from KGHM Ajax Mining Inc. (Note 10 (a))	(19,670)	(401,525)
<b>Loss before other items and income tax</b>	<b>(392,311)</b>	<b>(511,236)</b>
<b>Other items:</b>		
Interest income	39,540	1,058
Loss on equity investment in KGHM Ajax Mining Inc. (Note 5)	(72,439)	(282,107)
Foreign exchange gain (loss) on restricted cash (Note 7)	124,249	-
<b>Loss before income tax</b>	<b>(300,961)</b>	<b>(792,285)</b>
Deferred tax recovery (expense)	-	-
<b>Net loss and Comprehensive loss for the period</b>	<b>\$ (300,961)</b>	<b>\$ (792,285)</b>
Income (loss) per share, basic and diluted	\$ 0.00	\$ 0.00
Weighted average number of common shares outstanding	213,757,611	199,783,001

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	Accumulated other comprehensive income (loss)	Deficit	Total shareholders' equity
Balance, December 31, 2011	197,242,093	80,563,461	4,462,499	-	(53,859,052)	31,166,908
Issued for cash, private placement, net of issue costs (Note 8(b)(ii))	14,446,818	2,922,609	-	-	-	2,922,609
Issued for cash, upon exercise of agent options (Note 8(b)(iii))	14,700	2,940	-	-	-	2,940
Reclassification adjustment upon exercise of agent options (Notes 8(c) and 8(d))	-	1,911	(1,911)	-	-	-
Reclassification adjustment upon exercise of stock options (Notes 8(c) and 8(d))	-	-	222,127	-	-	222,127
Net loss for the three month period	-	-	-	-	(792,285)	(792,285)
<b>Balance, March 31, 2012</b>	<b>211,703,611</b>	<b>83,490,921</b>	<b>4,682,715</b>	<b>-</b>	<b>(54,651,337)</b>	<b>33,522,299</b>
Issued for cash, private placement, net of issue costs (Note 8(b)(ii))	-	-	-	-	-	-
Issued for cash, upon exercise of agent options (Note 8(b)(iii))	754,000	150,800	-	-	-	150,800
Reclassification adjustment upon exercise of agent options (Notes 8(c) and 8(d))	-	98,020	(98,020)	-	-	-
Issued for cash, upon exercise of stock options (Note 8(b)(iv))	1,100,000	150,000	-	-	-	150,000
Reclassification adjustment upon exercise of stock options (Notes 8(c) and 8(d))	-	455,434	(677,561)	-	-	(222,127)
Share-based payments (Note 8(d))	-	-	470,025	-	-	470,025
Net income for the nine month period	-	-	-	-	11,834,342	11,834,342
<b>Balance, December 31, 2012</b>	<b>213,557,611</b>	<b>84,345,175</b>	<b>4,377,159</b>	<b>-</b>	<b>(42,816,995)</b>	<b>45,905,339</b>
Issued for cash, upon exercise of stock options (Note 8(b)(iv))	200,000	20,000	-	-	-	20,000
Reclassification adjustment upon exercise of stock options (Notes 8(c) and 8(d))	-	17,192	1,643	-	-	18,835
Net loss for the three month period	-	-	-	-	(300,961)	(300,961)
<b>Balance, March 31, 2013</b>	<b>213,757,611</b>	<b>84,382,367</b>	<b>4,378,802</b>	<b>-</b>	<b>(43,117,956)</b>	<b>45,643,213</b>

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

	Three months ended March 31, 2013	Three months ended March 31, 2012
<b>Operating activities:</b>		
Net income (loss) for the period	\$ (300,961)	\$ (792,285)
Items not involving cash:		
Share-based payments (Note 8(e))	18,835	222,127
Amortization	4,728	8,647
Loss on equity investment (Note 5)	72,439	282,107
Unrealized gain on restricted cash (Note 7)	(163,179)	-
Changes in working capital related to operating activities:	-	
Prepaid expenses	7,624	50,271
Amounts receivable	304	117,727
Accounts payable and accrued liabilities	(6,685)	(501,344)
Due from KGHM Ajax Mining Inc. (Note 10(a))	285,175	(300,434)
Due to KGHM Ajax Mining Inc. (Note 10(a))	-	(35,000)
<b>Cash used for operating activities</b>	<b><u>(81,720)</u></b>	<b><u>(948,184)</u></b>
<b>Investing activities:</b>		
<b>Cash provided by (used for) investing activities</b>	<b><u>-</u></b>	<b><u>-</u></b>
<b>Financing activities:</b>		
Issuance of capital stock for cash, net of share issuance costs, from private placement (Note 8(b)(ii))	-	2,932,951
Issuance of capital stock for cash, net of share issuance costs, from holder's exercise of agent options (Note 8(b)(iii))	-	2,940
Issuance of capital stock for cash, net of share issuance costs, from holder's exercise of stock options (Note 8(b)(iv))	20,000	-
<b>Cash provided by (used for) financing activities</b>	<b><u>20,000</u></b>	<b><u>2,935,891</u></b>
Decrease in cash and cash equivalents during the period	(61,720)	1,987,707
Cash and cash equivalents, beginning of the period	<u>1,353,626</u>	<u>484,016</u>
<b>Cash and cash equivalents, end of the period</b>	<b>\$ <u>1,291,906</u></b>	<b>\$ <u>2,471,723</u></b>

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 three months ended March 31, 2013

Unaudited - expressed in Canadian dollars

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**1. NATURE OF OPERATIONS**

Abacus Mining & Exploration Corporation (the "Company", "Abacus" or "we"), 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 in 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 ("Joint Venture Agreement"). Pursuant to the Joint Venture Agreement, KGHM subscribed for 5,100 common shares of KGHM Ajax which represents 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"). As per the Joint Venture Agreement, 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 based on an aggregate value of \$0.025 per pound for 29% of the proven and probable copper equivalent reserves as defined in the BFS. On January 6, 2012, Abacus filed on SEDAR the completed BFS with respect to the Ajax Project.

On April 2, 2012, KGHM exercised its option to acquire an additional 29% of KGHM Ajax, thereby increasing its ownership in KGHM Ajax to 80% (Note 5).

Until September 1, 2012 and for the year ended December 31, 2011, Abacus was the Operator of the Ajax Project and KGHM Ajax reimbursed Abacus for the expenses incurred as the operator of the Ajax Project. On August 17, 2012, KGHM notified Abacus that it was exercising its option to appoint KGHM International Ltd. as the operator of the Ajax Project effective September 1, 2012.

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

**(a) Basis of preparation**

The 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 Accounting Standard 34, *Interim Financial Reporting* ("IAS 34") as issued by the IASB. These condensed 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, 2012. These condensed interim financial statements of Abacus were reviewed by the Audit Committee, and the Board of Directors approved and authorized them for issuance on May 28, 2013.

**(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 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 revision 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:

**(a) Accounting standards adopted during the period**

Effective January 1, 2013, the company adopted the following new accounting standards and interpretations:

- As of January 1, 2013, Abacus is required to adopt IFRS 11, *Joint Arrangements*, which applies to accounting for interests in joint arrangements where there is joint control. There is no material impact to the company from the adoption of this standard.
- As of January 1, 2013, Abacus is required to adopt IFRS 12, *Disclosure of Interests in Other Entities*, which includes disclosure requirements about subsidiaries, joint ventures and associates, as well as unconsolidated structured entities and replaces existing disclosure requirements. There is expected to be no material impact to the company from the adoption of this standard.
- As of January 1, 2013, Abacus is required to adopt IFRS 13, *Fair Value Measurement*. Upon adoption, the Company will utilize a single framework for measuring fair value while requiring enhanced disclosures when fair value is applied. IFRS 13 is required to be applied for accounting periods beginning on or after January 1, 2013. There is expected to be no material impact to the company from the adoption of this standard.
- As of January 1, 2013, Abacus is required to adopt IAS 28 (2011), *Investments in Associates*. As a consequence of the issuance of IFRS 10, IFRS 11 and IFRS 12, IAS 28 has been amended and will further provide the accounting and will set out the requirements for the application of the equity method. This standard will be applied by the Company when there is joint control or significant influence over an investee. There is expected to be no material impact to the company from the adoption of this standard.

**(b) Accounting standards issued for adoption in future periods**

- On January 1, 2015, Abacus will be required to adopt IFRS 9, *Financial Instruments*, which addresses classification and measurement of financial instruments and replaces the multiple category and measurement models in IAS 39, *Financial Instruments - Recognition and Measurement*, for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit and loss ("FVTPL"). IFRS 9 also replaces the models for measuring equity instruments, and such instruments are either recognized at FVTPL or at fair value through other comprehensive income. The Company has not assessed the impact of the standard or determined whether it will adopt the standard early.

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

For the three months ended March 31, 2013

Unaudited - expressed in Canadian dollars

**4. CASH and CASH EQUIVALENTS**

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

	March 31, 2013	December 31, 2012
<b>Cash and cash equivalents</b>		
Bank accounts	\$ 91,906	\$ 153,626
Temporary investments	1,200,000	1,200,000
	<u>\$ 1,291,906</u>	<u>\$ 1,353,626</u>

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

	Three months ended March 31, 2013	Three months ended March 31, 2012
<b>Supplemental cash flows</b>		
Supplemental disclosures:		
Interest on cash and cash equivalents	\$ 674	\$ 1,058
Interest on restricted cash (Note 7)	\$ 38,866	\$ -
Interest paid	\$ -	\$ -

**5. INVESTMENT IN KGHM AJAX MINING INC.**

As at March 31, 2013, the Company owns 20% of the common and voting shares of KGHM Ajax (December 31, 2012: 20%). KGHM Ajax is a private company incorporated under the British Columbia Corporations Act and is currently engaged principally in the exploration and development of the Ajax Project located near Kamloops B.C., 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 as prescribed under International Financial Reporting Standards. Under the equity method the investment in KGHM Ajax is initially recognised 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.

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

For the three months ended March 31, 2013

Unaudited - expressed in Canadian dollars

**5. INVESTMENT IN KGHM AJAX MINING INC. (Continued)**

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

<b>Investment in KGHM Ajax</b>	
Investment in KGHM Ajax as of December 31, 2010	\$ 36,641,809
Abacus's share of the losses of KGHM Ajax for the year ended December 31, 2011	(1,007,798)
Investment in KGHM Ajax as of December 31, 2011	35,634,011
The impact of KGHM exercising its development option, that resulted in Abacus incurring a partial disposition of its investment in KGHM Ajax	(20,922,555)
Abacus' cash contribution to KGHM Ajax pursuant to a cash call	5,340,000
Abacus' share of the loss of KGHM Ajax for the year ended December 31, 2012	(632,795)
Investment in KGHM Ajax as of December 31, 2012	\$ 19,418,661
Abacus' share of the loss of KGHM Ajax during the three month period ended March 31, 2013	(72,439)
Investment in KGHM Ajax as of March 31, 2013	<b>\$ 19,346,222</b>

A summary of 100% of the assets and liabilities of KGHM Ajax and selected results of operations for the period ended March 31st is as follows:

<b>Selected financial information of KGHM Ajax</b>	March 31, 2013	December 31, 2012
Cash and cash equivalents	\$ 105,366	\$ 5,173,612
Current assets (excluding cash & cash equivalents)	1,123,343	1,261,133
Total non-current assets	<u>100,684,132</u>	<u>95,229,896</u>
<b>Total assets</b>	<b>\$ 101,912,841</b>	<b>\$ 101,664,641</b>
Current liabilities	\$ 3,003,769	\$ 2,396,404
Non-current liabilities	2,177,914	2,174,932
Total shareholders' equity	<u>96,731,158</u>	<u>97,093,305</u>
<b>Total liabilities and equity</b>	<b>\$ 101,912,841</b>	<b>\$ 101,664,641</b>
	Three months ended March 31, 2013	Three months ended March 31, 2012
Net and comprehensive loss	\$ 362,147	\$ 575,729
Revenue	\$ nil	\$ nil
Interest income	13,766	24,353
Amortization	30,548	21,982
Interest expense	2,982	2,700
Income tax expense	nil	nil

**5. INVESTMENT IN KGHM AJAX MINING INC. (Continued)**

On January 6, 2012, Abacus filed the BFS with respect to the Ajax Project on SEDAR. This NI 43-101 compliant independent study supports a 60,000 tonne per day conventional milling plant, producing a copper-gold concentrate containing 25% Cu and 18 g/t Au. The BFS was led by Tetra Tech WEI (formally Wardrop) in conjunction with a team of globally recognized independent consultants. The base case highlights of the Ajax Project include (all economic figures in US\$):

- Total proven and probable mineral reserves of 3 billion lbs Cu and 2.7 million ozs Au at 0.27% Cu and 0.17 g/t Au based on \$2.50 Cu and \$1,085 Au
- 23 year mine life at a processing rate of 60,000 t/d or 21.9 million t/a at a LOM stripping ratio of 2.4:1
- Life of mine production of 2.5 billion lbs Cu and 2.28 million ozs Au in concentrate
- Initial capital costs of \$795 million, including contingency of \$87 million
- Cash cost per lb of copper of \$1.28 net of gold credits
- The base case of the pre-tax economic model has an internal rate of return (IRR) of 14.5% and a net present value (NPV) of US \$416 million at an 8% discount rate, with payback of the initial capital of 7.8 years

In accordance with the provisions of the Joint Venture Agreement, the Company delivered the BFS to KGHM. KGHM had 90 days thereafter to exercise its option to acquire a further 29% of KGHM Ajax for cash consideration equal to 29% of the proven and probable copper equivalent reserve in the BFS, to a maximum of US\$35 million, payable to Abacus, but for which Abacus is required to use to fund its share of KGHM Ajax's future development activities. On April 2, 2012, KGHM exercised its option to acquire the additional 29% of KGHM Ajax, thereby increasing its ownership in KGHM Ajax to 80%. As a result, cash consideration of \$30,159,107 (US\$29,907,881) was paid by KGHM. This resulted in Abacus' "Investment in KGHM Ajax" account being reduced by \$20,922,555 and resulted in the recognition of \$9,236,552 gain on this partial disposition. Pursuant to the terms of the Joint Venture Agreement, on August 17, 2012, KGHM notified Abacus that it was exercising its option to appoint KGHM International Ltd. as the operator of the Ajax Project, effective September 1, 2012.

On May 30, 2012, Abacus contributed \$5,340,000 to KGHM Ajax, representing Abacus' 20% share of a cash call of KGHM Ajax made pursuant to the Joint Venture Agreement. The purpose of the cash call was to finance the continuing operations of KGHM Ajax during 2012. Abacus' \$5,340,000 share of the cash call was paid using funds that were held in restricted cash (Note 7).

**6. MINERAL INTERESTS**

There were no expenditures deferred on mineral interests during the three months ended March 31, 2013 or the year ended December 31, 2012.

Subject to the amended asset purchase agreement with Teck Resources Limited ("Teck"), as at December 31, 2010, the Company had then recorded the fair value of the common shares component of an amount owed to Teck as a \$5,706,574 current liability and the \$5,000,000 cash component due in the fourth quarter of 2012 as a long term liability. Please refer to Note 6 of the December 31, 2012 annual financial statements for more details.

- As at March 31, 2012, the Company had provided for the remaining \$5,000,000 cash component of the contractual obligation as a current liability as it was potentially due and payable by the Company in the fourth quarter of 2012. However, pursuant to the amended agreement to the Joint Venture Agreement dated April 1, 2011, KGHM Ajax agreed to assume the obligation to make the final \$5,000,000 cash payment. KGHM Ajax's obligation to make the cash payment was conditional on KGHM increasing its interest in KGHM Ajax to 80% as outlined in the Joint Venture Agreement. On April 2, 2012, KGHM exercised this interest option, and accordingly the

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

For the three months ended March 31, 2013

Unaudited - expressed in Canadian dollars

\$5,000,000 cash obligation ceased to be an obligation of Abacus; resulting in a corresponding \$5,000,000 gain.

**7. RESTRICTED CASH**

On April 2, 2012, as a result of KGHM exercising its option to acquire an additional 29% of KGHM Ajax, the cash consideration of \$30,159,107 (US\$29,907,881) paid by KGHM was placed into trust. As per the terms of the Joint Venture Agreement these funds are required to be held in trust by KGHM Ajax and these funds can only be used to fund Abacus' share of the investment activities of KGHM Ajax (Note 5). Accordingly, these funds of Abacus are presented as restricted cash.

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	Total
Balance, December 31, 2011	77,625	-	77,625
Changes to restricted cash during the 3 months ended March 31, 2012	-	-	-
Balance, March 31, 2012	77,625	-	77,625
Reduction of funds held as security, during the year ended December 31, 2012	(25,613)		(25,613)
Cash proceeds received on April 2, 2012 from the partial disposition of Abacus' investment in KGHM Ajax (Note 5)		30,159,107	30,159,107
Abacus' cash contribution to KGHM Ajax on May 30, 2012 (Note 5)	-	(5,340,000)	(5,340,000)
Unrealized foreign exchange gain (loss)	-	31,339	31,339
Unrealized interest income	121	138,531	138,652
<b>Balance, March 31, 2013</b>	<b>\$ 52,133</b>	<b>\$ 24,988,977</b>	<b>\$ 25,041,110</b>

**8. SHAREHOLDERS' EQUITY**

Share-based payments reserve is included in shareholders' equity and consists of the costs related to the issuance of stock options (Notes 8(d)), and warrants (Notes 8(c)).

**(a) Authorized capital stock**

At March 31, 2013, the authorized capital stock of the Company is comprised of an unlimited number of common shares without par value.

**(b) Share issuances**

Details of issuances of common shares during the three months ended March 31, 2013 and the year ended December 31, 2012 are as follows:

- (i) During the period ended March 31, 2013 pursuant to the exercise of 200,000 stock options (note 8(d)) the company issued 200,000 common shares for cash proceeds of \$20,000.

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

For the three months ended March 31, 2013

Unaudited - expressed in Canadian dollars

- (ii) On March 15, 2012, the Company completed a non-brokered private placement for gross proceeds of \$3,178,300 which involved the issuance of 14,446,818 Units at price of \$0.22 per Unit. Each Unit is comprised of one common share and one-half common share purchase warrant. Each full warrant is exercisable to purchase one common share at a price of \$0.32 per common share for twelve months, which were subsequently extended to September 13, 2013 (Note 8(c)). Cash issuance costs of \$245,349 were incurred by the Company in respect of this private placement, resulting in estimated net cash proceeds of \$2,932,951.
- (iii) During the year ended December 31, 2012, pursuant to the exercises of 768,700 agent options (Note 8(d)), the Company issued 768,700 shares for cash proceeds of \$153,740.
- (iv) During the year ended December 31, 2012 pursuant to the exercises of 1,100,000 stock options (Note 8(d)), the Company issued 1,100,000 shares for cash proceeds of \$150,000.

**(c) Share purchase warrants**

At March 31, 2013 and December 31, 2012, the Company has outstanding share purchase warrants entitling the holders to acquire common shares as follows:

Expiry Date	Exercise Price	Outstanding as at December 31, 2012	Issued	Exercised	Expired	Outstanding as at March 31, 2013
September 13, 2013	\$0.32	7,223,409	-	-	-	7,223,409
		7,223,409	-	-	-	7,223,409

On March 1, 2013 the Company applied to the TSX Venture Exchange ("the Exchange") to extend the expiry date of previously issued warrants of the Company (Note 8(d)) by a further six months to September 13, 2013. The Exchange approved the application to extend the term of the warrants on March 13, 2013.

On March 26, 2012, pursuant to the exercise of 14,700 agent options (Note 8(e)), the Company issued 14,700 warrants. On May 16, 2012, pursuant to the exercise of 754,000 agent options (Note 8(e)), the company issued 754,000 warrants. These warrants expired unexercised on December 29, 2012.

**(d) Stock options**

The Company has a fixed number stock option plan, which reserves a specified number of shares up to a maximum of 20% of the Company's issued shares as at the date of shareholder approval. The exercise price of any option granted shall be equal to the greater of the amount designated at the time of the grant, or the market price on the trading day immediately preceding the day on which the TSX Venture Exchange receives notice of the grant, subject in either case to a minimum of \$0.10 per common share. 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. Generally, options granted vest 25% on date of grant, 25% six months after grant, 25% twelve months after grant and 25% eighteen months after grant.

As at March 31, 2013, the Company had stock options outstanding to directors, officers and consultants for the purchase of 9,510,000 (December 31, 2012: 11,260,000) common shares exercisable as follows:

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Exercise Price	Expiry Date	Awards Outstanding		Awards Exercisable	
		Quantity	Remaining Contractual Life	Quantity	Remaining Contractual Life
\$0.260	August 29, 2013	1,650,000	0.41	1,650,000	0.41
\$0.150	February 20, 2014	560,000	0.89	560,000	0.89
\$0.200	June 29, 2014	1,530,000	1.25	1,530,000	1.25
\$0.250	September 17, 2014	100,000	1.46	100,000	1.46
\$0.180	July 21, 2015	1,000,000	2.31	1,000,000	2.31
\$0.190	August 27, 2015	1,560,000	2.41	1,560,000	2.41
\$0.190	September 7, 2015	150,000	2.43	150,000	2.43
\$0.270	January 12, 2016	850,000	2.78	850,000	2.78
\$0.220	April 4, 2016	125,000	3.01	125,000	3.01
\$0.235	January 26, 2017	1,985,000	3.82	1,500,000	3.82
		<b>9,510,000</b>	<b>2.10</b>	<b>9,025,000</b>	<b>2.01</b>

The weighted average remaining contractual life of the stock options outstanding as at March 31, 2013 is 2.10 years (December 31, 2012: 2.14 years).

A summary of the status of the Company's stock options as at March 31, 2013 and December 31, 2012, and changes during the three month and twelve month periods then ended is as follows:

Status of stock options	Number of Options	Weighted Average Exercise Price
Outstanding, December 31, 2011	11,260,000	\$0.24
Granted	2,670,000	\$0.24
Expired	(400,000)	\$0.65
Exercised	(1,100,000)	\$0.14
Forfeited	(1,170,000)	\$0.23
Outstanding, December 31, 2012	11,260,000	\$0.24
Granted	-	-
Expired	(1,135,000)	\$0.45
Exercised	(200,000)	\$0.10
Forfeited	(415,000)	\$0.24
<b>Outstanding, March 31, 2013</b>	<b>9,510,000</b>	<b>\$0.22</b>

The fair value of the stock options that are expected to vest is recognized as share-based payments expense over the vesting period of the options. During the three month period ended March 31, 2013, share-based payments expense for stock option grants vesting during the period was \$18,835 (March 31, 2012: \$222,127).

During the year ended December 31, 2012, the Company granted 2,670,000 stock options, having a weighted average grant date fair value of \$0.18 per share. The grant date fair value was estimated using

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the Black-Scholes option pricing model with the following weighted average assumptions: risk-free interest rate of 1.326%, expected life of five years, expected volatility of 104% 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 \$472,787 of which \$432,929 was recognized during the year ended December 31, 2012 and \$18,835 was recognized during the period ended March 31, 2013.

**9. COMMITMENTS**

The Company currently had a lease agreement for the rental of office premises in Vancouver expiring March 31, 2013. The cost of the entire premises was shared between the Company and three other companies. Commencing April 1, 2013, the company is leasing minimal Vancouver office space on a month to month basis. In addition, commencing February 1, 2011, the Company entered into a three-year lease agreement for the rental of office premises in Toronto. The Company's proportionate share of minimum annual rental payments payable under both of these lease arrangements is as follows:

<u>Minimum annual rental payments</u>		
2013	\$	86,859
2014	\$	4,186

**10. 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) KGHM Ajax**

Until August 31, 2012, the Company acted as the Operator for the Ajax Project on behalf of KGHM Ajax and was reimbursed for direct costs it incurred as the Operator. The Company offsets amounts recovered against the respective expense item. The Company was reimbursed the following amounts from KGHM Ajax.

	Three months ended March 31, 2013	Three months ended March 31, 2012
<b>Amounts reimbursed to Abacus as the Operator of the Ajax Project</b>		
Exploration and evaluation, and acquisition expenditures for mineral interests	\$ 3,696	\$ 869,745
Contract wages	4,276	114,522
Office and administrative expenditures	15,394	616,666
Equipment	-	-
	<u>\$ 23,366</u>	<u>\$ 1,600,933</u>

As at March 31, 2013, \$28,857 (December 31, 2012: \$314,032) is due from KGHM Ajax all of which was collected by May 2013. As at March 31, 2013, \$nil (December 31, 2012: nil) was due to KGHM Ajax.

**(b) Former directors**

For the three month period ended March 31, 2013, \$6,000 (March 31, 2012 \$15,000) of consulting fees were charged by a former director of the Company. As at March 31, 2013, included in accounts payable and accrued liabilities is \$nil (December 31, 2012: nil) payable to the former director.

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**(c) Management's compensation**

Gross compensation of management personnel, before recoveries from KGHM Ajax of a portion thereof, is as follows:

	Three months ended March 31, 2013	Three months ended March 31, 2012
<b>Management's compensation</b>		
Management's compensation as included in exploration and evaluation expenditures which are wholly recovered from KGHM	\$ -	\$ 280,606
Management's compensation as included in the statement of comprehensive loss	134,000	312,243
Share-based payments (Note 8(e))	18,835	222,127
Directors' fees	58,750	73,710
	<u>\$ 211,585</u>	<u>\$ 888,686</u>

Key management personnel were not paid post-retirement benefits or other long-term benefits during the three month period ended March 31, 2013 and the year ended December 31, 2012.

**11. FINANCIAL RISK MANAGEMENT**

The Company has classified its cash and cash equivalents, restricted cash and contractual obligations as fair value through profit and loss ("FVTPL"); marketable securities as available-for-sale; amounts receivable as loans and receivables; and accounts payable, accrued liabilities and loan payable as other financial liabilities. The carrying values of cash and cash equivalents, amounts receivable (excluding due from related parties), restricted cash, and accounts payable and accrued liabilities (excluding due to related parties) approximate their fair values due to the short-term maturity of these financial instruments. The loan payable approximated fair value as it was at a market rate of interest. The Company's risk exposure and the impact on the Company's financial instruments are summarized below.

**(a) Fair value**

The Company's measurement of fair value of financial instruments in accordance with the fair value hierarchy is as follows:

Fair value hierarchy	Total	Level 1	Level 2	Level 3
<b>As at December 31, 2012:</b>				
Assets				
Funds held in trust with KGHM Ajax	\$ 24,825,918	\$ 24,825,918	\$ -	-
<b>As at March 31, 2013:</b>				
Assets				
Funds held in trust with KGHM Ajax	\$ 24,988,977	\$ 24,988,977	\$ -	-

**(b) Credit risk**

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

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<b>Concentration of credit risk and maximum exposure</b>	March 31, 2013	December 31, 2012
Bank accounts	\$ 91,906	\$ 153,626
Temporary investments	1,200,000	1,200,000
Due from KGHM Ajax (Notes 10(a))	28,857	314,032
Restricted cash (Note 7)	25,041,110	24,877,931
	\$ 26,361,873	\$ 1,667,658

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**(c) Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty meeting obligations associated with financial liabilities. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated financing and investing activities. Accounts payable and accrued liabilities of \$147,573 (December 31, 2012: \$154,258) are due in the second quarter of 2013.

**(d) 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 is not exposed to significant 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.