

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

Condensed Interim Financial Statements  
**March 31, 2014**

(Unaudited)

(Expressed in Canadian dollars)

<b><u>Index</u></b>	<b><u>Page</u></b>
Notice to reader	2
Financial statements:	
Condensed interim statements of financial position	3
Condensed interim statements of comprehensive income (loss)	4
Condensed interim statements of changes in shareholders' equity	5
Condensed interim statements of cash flows	6
Notes to the condensed interim financial statements	7

#### **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, 2014	December 31, 2013
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents (Note 4)	\$ 282,073	\$ 404,516
Prepaid expenses	19,817	8,897
Amounts receivable	12,669	27,155
	<u>314,559</u>	<u>440,568</u>
<b>Non-current assets:</b>		
Restricted cash (Note 6)	16,237,549	15,960,900
Investment in KGHM Ajax Mining Inc. (Note 5)	28,794,289	28,776,426
Equipment	33,712	36,155
	<u>\$ 45,380,109</u>	<u>\$ 45,214,049</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities:</b>		
Accounts payable and accrued liabilities (Note 8)	\$ 70,164	\$ 47,190
	<u>70,164</u>	<u>47,190</u>
<b>Shareholders' equity (Note 7):</b>		
Capital stock	84,382,367	84,382,367
Share-based payments reserve	4,560,628	4,505,692
Deficit	(43,633,050)	(43,721,200)
	<u>45,309,945</u>	<u>45,166,859</u>
	<u>\$ 45,380,109</u>	<u>\$ 45,214,049</u>

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

"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, 2014	Three months ended March 31, 2013
<b>General and administrative expenses:</b>		
Salaries and contract wages	71,807	\$ 190,120
Share-based payments (Note 7(c))	54,936	4,728
Consulting and directors' fees	29,375	24,333
Rent	20,345	64,985
Office and miscellaneous	9,479	6,142
Transfer agent and regulatory fees	8,145	13,308
Insurance	7,338	52,882
Travel and promotion	3,066	18,835
Amortization	2,443	7,625
Investor relations	500	18,000
Legal & Accounting/Audit	-	11,023
Expense recoveries from KGHM Ajax Mining Inc. (Note 8 (a))	-	(19,670)
<b>Loss before other items and income tax</b>	<b>(207,434)</b>	<b>(392,311)</b>
<b>Other items:</b>		
Interest income	25,676	39,540
Profit / (Loss) on equity investment in KGHM Ajax Mining Inc. (Note 5)	17,863	(72,439)
Foreign exchange gain (loss) on restricted cash (Note 6)	252,045	124,249
<b>Net income (loss) before income tax</b>	<b>88,150</b>	<b>(300,961)</b>
<b>Comprehensive income (loss) for the period</b>	<b>88,150</b>	<b>\$ (300,961)</b>
Income (loss) per share, basic and diluted	0.00	\$ 0.00
Weighted average number of common shares outstanding	213,754,323	213,757,611

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
<b>Balance, December 31, 2012</b>	<b>213,557,611</b>	<b>\$ 84,345,175</b>	<b>\$ 4,377,159</b>	<b>\$ (42,816,995)</b>	<b>\$ 45,905,339</b>
Issued for cash, upon exercise of stock options (Note 7(b))	200,000	20,000	-	-	20,000
Reclassification adjustment upon exercise of stock options (Notes 7(c))	-	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>\$ (43,117,956)</b>	<b>\$ 45,643,213</b>
Share-based payments (Note 7(c))	-	-	145,725	-	145,725
Reclassification adjustment upon exercise of stock options (Notes 7(c))	-	-	(18,835)	-	(18,835)
Net loss for the nine month period	-	-	-	(603,244)	(603,244)
<b>Balance, December 31, 2013</b>	<b>213,757,611</b>	<b>\$ 84,382,367</b>	<b>\$ 4,505,692</b>	<b>\$ (43,721,200)</b>	<b>\$ 45,166,859</b>
Share-based payments (Note 7(c))	-	-	54,936	-	54,936
Reclassification adjustment upon exercise of stock options (Notes 7(c))	-	-	-	-	-
Net profit for the three month period	-	-	-	88,150	88,150
<b>Balance, March 31, 2014</b>	<b>213,757,611</b>	<b>\$ 84,382,367</b>	<b>\$ 4,560,628</b>	<b>\$ (43,633,050)</b>	<b>\$ 45,309,945</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, 2014	Three months ended March 31, 2013
<b>Operating activities:</b>		
Net income (loss) for the period	\$ 88,150	\$ (300,961)
Items not involving cash:		
Profit on equity investment (Note 5)	(17,863)	72,439
Share-based payments (Note 7(c))	54,936	18,835
Amortization	2,443	4,728
Unrealized gain on restricted cash (Note 6)	(276,649)	(163,179)
Changes in working capital related to operating activities:		
Prepaid expenses	7,338	7,624
Amounts receivable	(3,772)	304
Accounts payable and accrued liabilities	22,974	(6,685)
Due from KGHM Ajax Mining Inc. (Note 8(a))	-	285,175
<b>Cash used for operating activities</b>	<b><u>(122,443)</u></b>	<b><u>(81,720)</u></b>
<b>Financing activities:</b>		
Issuance of capital stock for cash, net of share issuance costs, from holder's exercise of stock options (Note 7(b))	-	20,000
<b>Cash provided by (used for) financing activities</b>	<b><u>-</u></b>	<b><u>20,000</u></b>
Decrease in cash and cash equivalents during the period	(122,443)	(61,720)
Cash and cash equivalents, beginning of the period	404,516	1,353,626
<b>Cash and cash equivalents, end of the period</b>	<b>\$ 282,073</b>	<b>\$ 1,291,906</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, 2014

Unaudited - expressed in Canadian dollars

---

**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, 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 Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). 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, 2013. The interim financial statements have been prepared under the assumption that the Company is a going concern. As at March 31, 2014, the Company has approximately \$280,000 in working capital which is only sufficient to cover its estimated requirements until late 2014. As the Company currently does not have revenue, it is dependent on raising additional funds through the issue of equity, debt, disposition of assets, or some combination

**ABACUS MINING & EXPLORATION CORPORATION** (an exploration stage company)

**Notes to the condensed interim financial statements**

For the three months ended March 31, 2014

Unaudited - expressed in Canadian dollars

---

thereof, to sustain operations beyond late 2014. The Company cannot guarantee it will be successful in raising additional funds. The existence of these uncertainties cast significant doubt on the company's ability to continue as a going concern. Should the Company cease to be a going concern, significant adjustments to the financial statements may be required. 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 22, 2014.

**(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 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:

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

- The IASB has postponed indefinitely the mandatory adoption of 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.

**4. CASH and CASH EQUIVALENTS**

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

	March 31, 2014	December 31, 2013
<b>Cash and cash equivalents</b>		
Bank accounts	\$ 82,073	\$ 29,516
Temporary investments	200,000	375,000
	<u>\$ 282,073</u>	<u>\$ 404,516</u>

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

For the three months ended March 31, 2014

Unaudited - expressed in Canadian dollars

---

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

	Three months ended March 31, 2014	Three months ended March 31, 2013
<b>Supplemental cash flows</b>		
Supplemental disclosures:		
Interest on cash and cash equivalents	\$ 1,181	\$ 674
Interest on restricted cash (Note 7)	\$ 24,604	\$ 38,866

---

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

As at March 31, 2014, the Company owns 20% of the common and voting shares of KGHM Ajax. (December 31, 2013: 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.

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, 2012	\$ 19,418,661
Abacus' cash contribution to KGHM Ajax pursuant to cash calls	9,600,000
Abacus' share of the loss of KGHM Ajax during the nine month period ended December 31, 2013	(235,367)
Other	(6,868)
Investment in KGHM Ajax as of December 31, 2013	<b>\$ 28,776,426</b>
Abacus' cash contribution to KGHM Ajax pursuant to cash calls	-
Abacus' share of the profit of KGHM Ajax during the three month period ended March 31, 2014	17,863
Investment in KGHM Ajax as of March 31, 2014	<b>\$ 28,794,289</b>

---

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

For the three months ended March 31, 2014

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 March 31, 2014 is as follows:

<b>Selected financial information of KGHM Ajax</b>	March 31, 2014	December 31, 2013
Cash and cash equivalents	\$ 13,832,702	\$ 23,500,018
Current assets (excluding cash & cash equivalents)	1,038,620	1,936,607
Total non-current assets	<u>134,603,845</u>	<u>123,211,938</u>
<b>Total assets</b>	<b>\$ 149,475,167</b>	<b>\$ 148,648,563</b>
Current liabilities	\$ 3,279,388	\$ 2,545,234
Non-current liabilities	2,189,995	2,186,861
Total shareholders' equity	<u>144,005,784</u>	<u>143,916,468</u>
<b>Total liabilities and equity</b>	<b>\$ 149,475,167</b>	<b>\$ 148,648,563</b>
	Three months ended March 31, 2014	Three months ended March 31, 2013
Net and comprehensive profit (loss)	\$ 89,316	\$ (362,147)
Revenue	\$ nil	\$ nil
Interest income	66,880	19,055
Amortization	9,138	30,548
Interest expense	3,134	8,271
Income tax expense	nil	nil

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

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

For the three months ended March 31, 2014

Unaudited - expressed in Canadian dollars

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 investment 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 which under the terms of the Joint Venture Agreement is required to fund Abacus' share of the investment activities of KGHM Ajax. 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 is 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 previously held in restricted cash (Note 6).

During the year ended December 31, 2013, Abacus contributed \$9,600,000 to KGHM Ajax representing Abacus' 20% share of cash calls of KGHM Ajax made pursuant to the Joint Venture Agreement. The purpose of the cash calls is to finance the continuing operations of KGHM Ajax during 2013. Abacus' share of the cash call was paid using funds that were previously held in restricted cash (Note 6).

No cash calls have been received during the three months ended March 31, 2014.

**6. 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, 2012	52,012	24,825,919	24,877,931
Abacus' cash contribution to KGHM Ajax in 2013 (Note 5)	-	(9,600,000)	(9,600,000)
Unrealized foreign exchange gain (loss)	-	505,079	505,079
Unrealized interest income	12	177,878	177,890
Balance, December 31, 2013	\$ 52,024	\$ 15,908,876	\$ 15,960,900
Abacus' cash contribution to KGHM Ajax (Note 5)	-	-	-
Unrealized foreign exchange gain (loss)	-	252,045	252,045
Unrealized interest income	147	24,457	24,604
<b>Balance, March 31, 2014</b>	<b>\$ 52,171</b>	<b>\$ 16,185,378</b>	<b>\$ 16,237,549</b>

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

For the three months ended March 31, 2014

Unaudited - expressed in Canadian dollars

**7. 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)).

**(a) Authorized capital stock**

At March 31, 2014, 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, 2014 and the year ended December 31, 2013 are as follows:

- (i) In January 2013, pursuant to the exercise of 200,000 stock options the company issued 200,000 common shares for cash proceeds of \$20,000.

**(c) 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, 2014, the Company had stock options outstanding to directors, officers and consultants for the purchase of 9,060,000 (December 31, 2013: 9,160,000) common shares exercisable as follows:

Exercise Price	Expiry Date	Awards Outstanding		Awards Exercisable	
		Quantity	Remaining Contractual Life	Quantity	Remaining Contractual Life
\$0.20	June 29, 2014	1,200,000	0.25	1,200,000	0.25
\$0.25	September 17, 2014	100,000	0.47	100,000	0.47
\$0.18	July 21, 2015	1,000,000	1.31	1,000,000	1.31
\$0.19	August 27, 2015	1,360,000	1.41	1,360,000	1.41
\$0.27	January 12, 2016	850,000	1.79	850,000	1.79
\$0.235	January 26, 2017	1,850,000	2.83	1,850,000	2.83
\$0.12	October 8, 2018	2,700,000	4.52	675,000	4.52
		<b>9,060,000</b>	<b>2.49</b>	<b>7,035,000</b>	<b>1.90</b>

The weighted average remaining contractual life of the stock options outstanding as at March 31, 2014 is 2.49 years (December 31, 2013: 2.70 years).

A summary of the status of the Company's stock options as at March 31, 2014 and December 31, 2013, and changes during the three month and twelve month periods then ended is as follows:

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

For the three months ended March 31, 2014

Unaudited - expressed in Canadian dollars

<b>Status of stock options</b>	<b>Number of Options</b>	<b>Weighted Average Exercise Price</b>
Outstanding, December 31, 2012	11,260,000	\$0.24
Granted	2,700,000	\$0.12
Expired	(2,785,000)	\$0.34
Exercised	(200,000)	\$0.10
Forfeited	(1,815,000)	\$0.20
Outstanding, December 31, 2013	9,160,000	\$0.19
Expired	(100,000)	\$0.15
<b>Outstanding, March 31, 2014</b>	<b>9,060,000</b>	<b>\$0.19</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, 2014 share-based payments expense for stock option grants vesting during the period was \$54,936 (March 31, 2013: \$18,835).

On October 8, 2013 the company granted 2,700,000 stock options to employees, directors and officers of Abacus. In considering the stock option grants, the board of directors took into account the 50% reductions in individual director fees (effective July 1, 2013) and officers' salaries (effective October 1, 2013) that have been made voluntarily by the directors and the executive officers to help preserve the cash resources 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 1.871%, expected life of five years, expected volatility of 100.2% 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 \$241,653 of which \$54,936 was recognized during the three months ended March 31, 2014 (year ended December 31, 2013: \$112,384).

During the year ended December 31, 2013, an additional 1,207,500 stock options were forfeited by former employees, per the terms in their employment contracts.

**8. 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.

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

For the three months ended March 31, 2014

Unaudited - expressed in Canadian dollars

---

	Three months ended March 31, 2014	Three months ended March 31, 2013
<b>Amounts reimbursed to Abacus as the Operator of the Ajax Project</b>		
Exploration and evaluation, and acquisition expenditures for mineral interests	\$ -	\$ 3,696
Contract wages	-	4,276
Office and administrative expenditures	-	15,394
Equipment	-	-
	<u>\$ -</u>	<u>\$ 23,366</u>

---

As at March 31, 2014, \$nil (December 31, 2013: \$nil) is due from KGHM Ajax .

**(b) 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, 2014	Three months ended March 31, 2013
<b>Management's compensation</b>		
Management's compensation as included in the statement of comprehensive loss	42,500	134,000
Share-based payments (Note 8(e))	54,936	18,835
Directors' fees	<u>29,375</u>	<u>58,750</u>
	<u>\$ 126,811</u>	<u>\$ 211,585</u>

---

Key management personnel were not paid post-retirement benefits or other long-term benefits during the three month period ended March 31, 2014 and the year ended December 31, 2013.

As of July 1, 2013 the directors of the Company took a voluntary 50% decrease in their directors' fees. As of October 1, 2013, the executive directors of the company took a voluntary 50% decrease in their salaries.

**9. 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 (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 Company's risk exposure and the impact on the Company's financial instruments are summarized below.

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

For the three months ended March 31, 2014

Unaudited - expressed in Canadian dollars

**(a) Fair value**

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

<b>Fair value hierarchy</b>				
<b>As at December 31, 2013:</b>	Total	Level 1	Level 2	Level 3
Financial assets				
Cash and cash equivalents	\$ 404,516	404,516	-	-
Funds held in trust with KGHM Ajax	15,960,900	15,960,900	-	-
Total financial assets	\$ 16,365,416	16,365,416	-	-
		<u>Carrying value</u>	<u>Fair value</u>	
Total financial assets	\$ 16,365,416	16,365,416	16,365,416	
Amounts receivable		8,397	8,397	
Accounts payable and accruals		(36,690)	(36,690)	
Net financial assets	\$ 16,337,123	16,337,123	16,337,123	
<b>As at March 31, 2014:</b>				
Financial assets				
Cash and cash equivalents	\$ 282,073	282,073	-	-
Funds held in trust with KGHM Ajax	16,185,378	16,185,378	-	-
Total financial assets	\$ 16,467,451	16,467,451	-	-
		<u>Carrying value</u>	<u>Fair value</u>	
Total financial assets	\$ 16,467,451	16,467,451	16,467,451	
Amounts receivable		12,669	12,669	
Accounts payable and accruals		(70,164)	(70,164)	
Net financial assets	\$ 16,409,956	16,409,956	16,409,956	

**(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:

<b>Concentration of credit risk and maximum exposure</b>	March 31, 2014	December 31, 2013
Bank accounts	\$ 82,073	\$ 29,516
Temporary investments	200,000	375,000
Restricted cash (Note 7)	16,237,549	15,960,900
	\$ 16,519,622	\$ 16,365,416

**ABACUS MINING & EXPLORATION CORPORATION** (an exploration stage company)

**Notes to the condensed interim financial statements**

For the three months ended March 31, 2014

Unaudited - expressed in Canadian dollars

---

**9. FINANCIAL RISK MANAGEMENT** (Continued)

**(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 \$70,164 (December 31, 2013: \$36,690) are due in the second quarter of 2014. The company only has sufficient funding for approximately six months.

**(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's restricted cash includes US \$6,000,000. A 10% fluctuation in the Canadian dollar, US dollar exchange rate would result in a fluctuation of \$300,000 in the restricted cash held in US dollars.

(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.