

Abacus Mining & Exploration Corporation
(an exploration stage company)

Condensed Interim Financial Statements
June 30, 2015

(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

	June 30, 2015	December 31, 2014
ASSETS		
Current assets:		
Cash and cash equivalents (Note 4)	\$ 1,968,712	\$ 2,084,219
Amounts receivable	8,630	9,666
Prepaid expenses	5,184	23,276
Due from KGHM Ajax Mining Inc.	-	116,314
	<u>1,982,526</u>	<u>2,233,475</u>
Non-current assets:		
Equipment	22,857	26,384
Loan receivable (Note 5)	270,000	260,000
Restricted cash (Note 7)	3,392,023	6,711,115
Investment in KGHM Ajax Mining Inc. (Note 6)	42,198,870	35,255,756
	<u>45,883,750</u>	<u>42,253,255</u>
	<u>\$ 47,866,276</u>	<u>\$ 44,486,730</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 96,216	\$ 36,597
Interest payable (Note 7)	240,000	120,000
	<u>336,216</u>	<u>156,597</u>
Long-term liabilities:		
Loan payable to KGHM Ajax Mining Inc. (Note 6)	3,551,000	-
	<u>3,887,216</u>	<u>156,597</u>
Shareholders' equity: (Note 8)		
Capital stock	84,408,367	84,408,367
Share-based payments reserve	4,666,655	4,625,293
Deficit	(45,095,962)	(44,703,527)
	<u>43,979,060</u>	<u>44,330,133</u>
	<u>\$ 47,866,276</u>	<u>\$ 44,486,730</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 June 30, 2015	Three months ended June 30, 2014	Six months ended June 30, 2015	Six months ended June 30, 2014
General and administrative expenses:				
Accounting and audit	\$ 23,895	\$ 13,860	\$ 33,833	\$ 13,860
Amortization	1,763	2,442	3,527	4,885
Consulting and directors' fees	108,078	17,917	148,080	47,292
Insurance	5,636	7,338	13,209	14,676
Interest Expense	60,000	-	121,391	-
Investor relations	2,450	2,350	5,050	2,850
Legal	25,000	25,000	25,000	25,000
Office	5,512	16,855	9,410	26,334
Rent	6,086	6,086	12,567	26,431
Salaries and contract wages	34,188	41,840	69,146	113,647
Share-based payments (Note 8(c))	12,790	27,585	41,362	82,521
Transfer agent and regulatory fees	9,158	10,099	16,269	18,244
Travel and promotion	4,030	6,852	13,648	9,918
Loss before other items and income tax	(298,586)	(178,224)	(512,492)	(385,658)
Other items:				
Interest income	19,034	42,636	45,870	68,312
Profit / (Loss) on equity investment in KGHM Ajax Mining Inc. (Note 6)	(31,139)	(65,581)	(56,886)	(47,718)
Foreign exchange gain (loss) on restricted cash (Note 7)	219	(231,344)	131,073	20,701
Comprehensive income (loss) for the period	\$ (310,472)	(432,513)	\$ (392,435)	(344,363)
Income (loss) per share, basic and diluted	\$ 0.00	0.00	\$ 0.00	0.00
Weighted average number of common shares outstanding	214,157,611	214,157,611	214,157,611	214,157,611

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

ABACUS MINING & EXPLORATION CORPORATION (an exploration stage company)

Condensed interim statements of changes in shareholders' equity

Unaudited - expressed in Canadian dollars

	Number of shares	Capital stock	Share-based payments reserve	Deficit	Total shareholders' equity
Balance, December 31, 2013	213,757,611	\$ 84,382,367	\$ 4,505,692	\$ (43,721,200)	\$ 45,166,859
Share-based payments (Note 8(c))	-	-	82,521	-	82,521
Issued for settlement of debt (Note 8(b))	400,000	26,000	-	-	26,000
Net profit for the six month period	-	-	-	(344,363)	(344,363)
Balance, June 30, 2014	214,157,611	\$ 84,408,367	\$ 4,588,213	\$ (44,065,563)	\$ 44,931,017
Share-based payments (Note 8(c))	-	-	37,080	-	37,080
Net profit for the six month period	-	-	-	(637,964)	(637,964)
Balance, December 31, 2014	214,157,611	\$ 84,408,367	\$ 4,625,293	\$ (44,703,527)	\$ 44,330,133
Share-based payments (Note 8(c))	-	-	41,362	-	41,362
Net profit for the six month period	-	-	-	(392,435)	(392,435)
Balance, June 30, 2015	214,157,611	\$ 84,408,367	\$ 4,666,655	\$ (45,095,962)	\$ 43,979,060

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

	Six months ended June 30, 2015	Six months ended June 30, 2014
Operating activities:		
Net income (loss) for the period	\$ (392,435)	\$ (344,363)
Items not involving cash:		
Share on loss in equity investment (Note 6)	56,886	47,718
Share-based payments (Note 8(c))	41,362	82,521
Amortization	3,527	4,885
Interest expense accrued	120,000	-
Loan interest receivable	(10,000)	-
Foreign gain on restricted cash (Note 7)	(131,073)	(87,047)
Changes in working capital related to operating activities:		
Prepaid expenses	18,092	14,676
Amounts receivable	1,036	(256,994)
Accounts payable and accrued liabilities	59,619	56,284
Due from KGHM Ajax Mining Inc.	116,314	-
Cash used for operating activities	(116,672)	(482,320)
Investing activities:		
Restricted cash (Note 7)	3,450,165	-
Cash contributions to equity investment (Notes 6)	(3,449,000)	-
Cash provided by (used for) investing activities	1,165	-
Financing activities:		
Advance (Note 7)	-	3,000,000
Cash provided by (used for) financing activities	-	3,000,000
Increase in cash and cash equivalents during the period	(115,507)	2,517,680
Cash and cash equivalents, beginning of the period	2,084,219	404,516
Cash and cash equivalents, end of the period	\$ 1,968,712	\$ 2,922,196

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 six months ended June 30, 2015

Unaudited - expressed in Canadian dollars

1. NATURE OF OPERATIONS

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

On June 28, 2010, KGHM Ajax Mining Inc. (“KGHM Ajax”) was incorporated. KGHM Ajax is currently focused 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”). Under the terms of 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 6).

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., a wholly-owned subsidiary of KGHM, 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

These condensed interim financial statements have been prepared on a historical cost basis except for derivative financial instruments and financial instruments at fair value, if any held, that have been measured at fair value. The financial statements are presented in Canadian dollars, except where otherwise noted.

These condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting.

Interim financial statements do not include all the information required for full annual financial statements. The condensed interim financial statements should be read in conjunction with the Company’s annual financial statements for the year ended December 31, 2014. 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 August 25, 2015.

(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 adopted

The adoption of the following new IFRS pronouncements, effective January 1, 2015, did not have an effect on the Company's financial statements:

- IFRS 7 "Financial Instruments: Disclosures" (amendments) is effective for annual periods beginning on or after January 1, 2015.
- IAS 36 "*Impairment of Assets*" is effective for annual periods beginning on or after July 1, 2014.

(b) New accounting standards not yet adopted

- IFRS 9 "*Financial Instruments: Classification and Measurement*" is effective for the annual period beginning on January 1, 2018.
- IFRS 11 "*Joint Arrangements*" is effective for the annual period beginning on January 1, 2017.
- IAS 27 "*Separate Financial Statements*" is effective for the annual period beginning on January 1, 2017.

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

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

For the six months ended June 30, 2015

Unaudited - expressed in Canadian dollars

4. CASH and CASH EQUIVALENTS

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

	June 30, 2015	December 31, 2014
Cash and cash equivalents		
Bank accounts	\$ 83,712	\$ 59,219
Temporary investments	1,885,000	2,025,000
	<u>\$ 1,968,712</u>	<u>\$ 2,084,219</u>

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

	Six months ended June 30, 2015	Six months ended June 30, 2014
Supplemental cash flows		
Supplemental disclosures:		
Interest on cash and cash equivalents	\$ 21,160	\$ 1,966
Interest on restricted cash (Note 7)	\$ 24,710	\$ 66,346

5. LOAN RECEIVABLE

On June 27, 2014, Abacus and Burnstone Ventures Inc. ("Burnstone") entered into a loan and security agreement (the "Loan") pursuant to which Abacus advanced \$250,000 to Burnstone, to be used in relation to Burnstone's Tomichi project located in Colorado. The amount is included in loan receivable, bears interest of 8% per annum (\$20,000 accrued to June 30, 2015 (December 31, 2014: \$10,000)), matures on December 31, 2015, and is secured by a first priority security interest over Burnstone's option to acquire a 100% interest in the Tomichi Project.

6. INVESTMENT IN KGHM AJAX MINING INC.

As at June 30, 2015, the Company owns 20% of the common and voting shares of KGHM Ajax. (December 31, 2014: 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.

During the period ended June 30, 2015, Abacus contributed \$7,000,000 (2014: \$1,400,000) to KGHM Ajax representing Abacus' 20% share of cash calls of KGHM Ajax made pursuant to the Joint Venture Agreement, in order to continue operations of KGHM Ajax. Abacus' share of the cash call was paid using funds that were previously held in restricted cash, \$3,449,000 (Note 7). Pursuant to the terms of the Joint Venture Agreement, once the restricted funds were exhausted, Abacus could elect to contribute its proportionate share of the operational expenditures or, without any dilution to its 20% ownership of

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

For the six months ended June 30, 2015

Unaudited - expressed in Canadian dollars

KGHM Ajax, request that KGHM provide the funding as a loan, to be recovered from Abacus' share of revenue upon commencement of production at Ajax. The restricted funds having been exhausted, the Company elected during the second quarter of fiscal 2015 that KGHM provide the funding as a loan. As such, at June 30, 2015, \$3,551,000 has been provided by KGHM as a loan, to be recovered from Abacus' share of revenue upon commencement of production at Ajax.

During the year ended December 31, 2014, Abacus contributed \$6,600,000 to KGHM Ajax representing Abacus' 20% share of cash calls of KGHM Ajax made pursuant to the Joint Venture Agreement, to finance the continuing operations of KGHM Ajax during 2014. Abacus' share of the cash call was paid using funds that were previously held in restricted cash (Note 7).

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

Investment in KGHM Ajax	
Investment in KGHM Ajax as of December 31, 2013	\$ 28,776,426
Abacus' cash contributions to KGHM Ajax pursuant to cash calls	1,400,000
Abacus' share of the profit/loss of KGHM Ajax during the six month period ended June 30, 2014	(47,718)
Investment in KGHM Ajax as of June 30, 2014	\$ 30,128,708
Abacus' cash contributions to KGHM Ajax pursuant to cash calls	5,200,000
Abacus' share of the profit/loss of KGHM Ajax during the six month period ended December 31, 2014	(72,952)
Investment in KGHM Ajax as of December 31, 2014	\$ 35,255,756
Abacus' cash contributions to KGHM Ajax pursuant to cash calls	7,000,000
Abacus' share of the profit/loss of KGHM Ajax during the six month period ended June 30, 2015	(56,886)
Investment in KGHM Ajax as of June 30, 2015	\$ 42,198,870

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

For the six months ended June 30, 2015

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 June 30, 2015 is as follows:

Selected financial information of KGHM Ajax	June 30, 2015	December 31, 2014
Cash and cash equivalents	\$ 13,720,724	\$ 3,746,215
Current assets (excluding cash & cash equivalents)	3,990,979	4,184,124
Total non-current assets	<u>205,462,214</u>	<u>181,210,212</u>
Total assets	\$ 223,173,917	\$ 189,140,551
Current liabilities	\$ 7,776,470	\$ 8,486,400
Non-current liabilities	4,368,757	4,341,032
Total shareholders' equity	<u>211,028,690</u>	<u>176,313,119</u>
Total liabilities and equity	\$ 223,173,917	\$ 189,140,551
	Six months ended June 30, 2015	Six months ended June 30, 2014
Net and comprehensive profit (loss)	\$ (284,429)	\$ (238,594)
Revenue	\$ nil	\$ nil
Interest Income	46,678	98,750
Amortization	31,084	19,571
Interest expense	32,655	6,269
Income tax expense	nil	nil

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

For the six months ended June 30, 2015

Unaudited - expressed in Canadian dollars

7. RESTRICTED CASH

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

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

	Funds held as security for credit cards	Funds held in trust with KGHM Ajax	Collateral in respect of the Advance	Total
Balance, December 31, 2013	52,024	15,908,876	-	15,960,900
Abacus' cash contribution to KGHM Ajax (Note 6)	-	(4,375,000)	-	(4,375,000)
Collateral in respect of advance	-	(3,360,000)	3,360,000	-
Advance	-	(3,000,000)	-	(3,000,000)
Unrealized foreign exchange gain	-	20,701	-	20,701
Unrealized interest income	295	66,260	-	66,555
Balance June 30, 2014	52,319	5,260,837	3,360,000	8,673,156
Abacus' cash contribution to KGHM Ajax (Note 6)	-	(2,225,000)	-	(2,225,000)
Unrealized foreign exchange gain	-	212,814	-	212,814
Unrealized interest income	(317)	30,518	19,944	50,145
Balance, December 31, 2014	\$ 52,002	\$ 3,279,169	\$ 3,379,944	6,711,115
Credit card security returned	(25,875)	-	-	(25,875)
Abacus' cash contribution to KGHM Ajax (Note 6)	-	(3,449,000)	-	(3,449,000)
Foreign exchange gain	-	131,073	-	131,073
Unrealized interest income	(8)	38,917	(14,199)	24,710
Balance June 30, 2015	26,119	159	3,365,745	3,392,023

On June 26, 2014, Abacus signed an agreement for an advance of \$3,000,000 to be drawn from the funds held in trust with KGHM Ajax. Under the terms of the agreement, the advance bears interest of 8% per annum, and is due December 31, 2015. It is collateralized by \$3,360,000 of the funds held in trust. Abacus has accrued \$240,000 in interest payable to KGHM Ajax to June 30, 2015 (December 31, 2014: \$120,000). As a condition of the agreement, Abacus will continue to contribute its 20% share of the 2015 program and budget towards development of the Ajax Project from the funds held in trust. Should the Company be unable to repay the advance by December 31, 2015, the advance will be satisfied by the collateralized funds held in trust.

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

For the six months ended June 30, 2015

Unaudited - expressed in Canadian dollars

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(c)).

(a) Authorized capital stock

At June 30, 2015, 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 six months ended June 30, 2015 and the year ended December 31, 2014 are as follows:

- (i) On May 28, 2014, the Company issued 400,000 common shares to the then CFO of the Company, in satisfaction of an indebtedness for services rendered. The shares were valued at \$0.065 per share, for total value of \$26,000.

(c) Stock options

The Company has a "20% fixed" stock option plan (the "Plan") pursuant to which stock options may be granted to its directors, officers, employees and consultants, to a maximum of 20% of the Company's issued shares as at the date of shareholder approval of the Plan, such that at December 31, 2014 stock options may be granted allowing for the purchase of up to, in the aggregate, a maximum of 24,509,135 shares. Under the terms of the Plan, 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 discounted market price on the trading day immediately preceding the day on which the TSX-Venture Exchange (the "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 as to 25% on date of grant, and 25% each on six, twelve and eighteen months after grant. The Plan further provides that at any such time the Exchange rules differ from specific terms of the Plan, then the rules of the Exchange shall apply, pursuant to which the Company granted stock options on February 20, 2015 at \$0.05 per share.

As at June 30, 2015, the Company had stock options outstanding to directors, officers and consultants for the purchase of up to, in the aggregate, 7,845,000 (December 31, 2014: 7,555,000) common shares exercisable as follows:

Exercise Price	Expiry Date	Awards Outstanding		Awards Exercisable	
		Quantity	Remaining Contractual Life	Quantity	Remaining Contractual Life
\$0.18	July 21, 2015	1,000,000	0.06	1,000,000	0.06
\$0.19	August 27, 2015	1,340,000	0.16	1,340,000	0.16
\$0.235	January 26, 2017	1,515,000	1.58	1,515,000	1.58
\$0.12	October 8, 2018	2,450,000	3.27	2,450,000	3.27
\$0.05	February 20, 2020	1,540,000	4.64	385,000	4.64
		7,845,000	2.27	6,690,000	1.86

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

For the six months ended June 30, 2015

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The weighted average remaining contractual life of the stock options outstanding as at June 30, 2015 is 2.27 years (December 31, 2014: 2.12 years).

A summary of the status of the Company's stock options as at June 30, 2015 and December 31, 2014, and changes during the six month and twelve month periods then ended is as follows:

Outstanding, December 31, 2013	9,160,000	\$0.19
Expired	(1,300,000)	\$0.20
Outstanding, June 30, 2014	7,860,000	\$0.18
Expired	(305,000)	\$0.21
Outstanding, December 31, 2014	7,555,000	\$0.18
Granted	1,540,000	\$0.05
Expired	(1,250,000)	\$0.24
Outstanding, June 30, 2015	7,845,000	\$0.15

On February 20, 2015 the company granted stock options allowing for the purchase of up to, in the aggregate, 1,540,000 shares, to employees, directors and officers of Abacus. The grant date fair value was estimated using the Black-Scholes option pricing model with the following weighted average assumptions: risk-free interest rate of 0.8%, expected life of five years, expected volatility of 88.6% and dividend yield of 0%. The total amount of share-based payments expense, which is expected to be recognized over the vesting period of these stock options, is calculated at \$52,464 of which \$41,362 was recognized during the period ended June 30, 2015.

9. RELATED PARTY TRANSACTIONS

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

(a) Management's compensation

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

	Six months ended June 30, 2015	Six months ended June 30, 2014
Management's compensation		
Accounting	33,833	23,300
Consulting and contract wages	22,250	42,500
Share-based payments (Note 8(c))	41,362	82,521
Directors' fees	45,000	47,292
	<u>\$ 142,445</u>	<u>\$ 195,613</u>

Key management personnel were not paid post-retirement benefits or other long-term benefits during the six month period ended June 30, 2015 and the year ended December 31, 2014.

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

For the six months ended June 30, 2015

Unaudited - expressed in Canadian dollars

10. FINANCIAL RISK MANAGEMENT

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

(a) 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				
As at December 31, 2014:	Total	Level 1	Level 2	Level 3
Financial assets				
Cash and cash equivalents	\$ 2,084,219	2,084,219	-	-
Funds held in trust with KGHM Ajax	6,711,115	6,711,115	-	-
Total financial assets	\$ 8,795,334	8,795,334	-	-
As at June 30, 2015:				
Financial assets				
Cash and cash equivalents	\$ 1,968,712	1,968,712	-	-
Funds held in trust with KGHM Ajax	3,392,023	3,392,023	-	-
Total financial assets	\$ 5,360,735	5,360,735	-	-

(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:

Concentration of credit risk and maximum exposure	June 30, 2015	December 31, 2014
Bank accounts	\$ 83,712	\$ 59,219
Temporary investments	1,885,000	2,025,000
Restricted cash (Note 7)	3,392,023	6,711,115
	\$ 5,360,735	\$ 8,795,334

(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 \$96,216 (December 31, 2014: \$36,597) are due in the third quarter of 2015. At June 30, 2015, the Company had cash and cash equivalents, and accounts receivable of \$1,968,712 and \$8,630, respectively, which is sufficient to satisfy the expected requirements for the third quarter of 2015. The advance of \$3,000,000 from funds in trust and interest thereon (\$240,000 to June 30, 2015) payable to KGHM is due on

ABACUS MINING & EXPLORATION CORPORATION (an exploration stage company)

Notes to the condensed interim financial statements

For the six months ended June 30, 2015

Unaudited - expressed in Canadian dollars

December 31, 2015. Should the Company be unable to repay the advance by December 31, 2015, the advance and interest thereon will be satisfied by the collateralized funds held in trust.

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

(iii) *Other price risk*

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