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

Financial Statements
**December 31, 2011 and 2010**

(Expressed in Canadian dollars)

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**Management's responsibility for financial reporting**

The accompanying financial statements of Abacus Mining & Exploration Corporation (an exploration stage company) are the responsibility of the Company's management.

The financial statements have been prepared by management in conformity with International Financial Reporting Standards. These financial statements include amounts that are based on management's best estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are present fairly, in all material respects.

The Company maintains a system of internal control which provides management with reasonable assurance that assets are safeguarded and that reliable financial reports are maintained.

The Board of Directors carries out its responsibility for the financial statements principally through its Audit Committee, consisting solely of outside directors. The Audit Committee meets periodically with management, as well as with the external auditors, to review the financial statements and to satisfy itself that each party is properly discharging its responsibilities. The Audit Committee reviews the results of the audit and the financial statements prior to their submission to the Board of Directors for approval.

The external auditors, Smythe Ratcliffe LLP, have been appointed by the shareholders to render their opinion on the financial statements. The auditors have full and free access to the Audit Committee and their report is included here in.

"*James Excell*"
James Excell, President

"*Ian MacNeily*"
Ian MacNeily, Chief Financial Officer

Vancouver, British Columbia
April 17, 2012

**SmytheRatcliffe**
CHARTERED ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT**

**TO THE SHAREHOLDERS OF ABACUS MINING & EXPLORATION CORPORATION (An Exploration Stage Copmany)**

We have audited the accompanying financial statements of Abacus Mining & Exploration Corporation (an exploration stage company), which comprise the statements of financial position as at December 31, 2011, December 31, 2010 and January 1, 2010, and the statements of comprehensive loss, changes in shareholders' equity and cash flows for the years ended December 31, 2011 and December 31, 2010, and a summary of significant accounting policies and other explanatory information.

*Management's Responsibility for the Financial Statements*
Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

*Auditors' Responsibility*
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*
In our opinion, the financial statements present fairly, in all material respects, the financial position of Abacus Mining & Exploration Corporation as at December 31, 2011, December 31, 2010 and January 1, 2010, and the results of its operations and its cash flows for the years ended December 31, 2011 and December 31, 2010 in accordance with International Financial Reporting Standards.

Smythe Ratcliffe LLP

Chartered Accountants

Vancouver, British Columbia
April 17, 2012





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**ABACUS MINING & EXPLORATION CORPORATION** (an exploration stage company)
**Statements of financial position**
Expressed in Canadian dollars

| | December 31, 2011 | December 31, 2010 (Note 17) | January 1, 2010 (Note 17) |
|---|---|---|---|
| **ASSETS** | | | |
| **Current assets:** | | | |
| Cash and cash equivalents (Note 4) | $ 484,016 | $ 2,372,507 | $ 4,847,622 |
| Due from KGHM Ajax Mining Inc. (Note 14) | 632,125 | 1,980,694 | - |
| Prepaid expenses | 160,022 | 261,319 | 66,744 |
| Amounts receivable | 117,727 | 1,247,047 | 45,568 |
| Mining exploration tax credit receivable (Notes 7 and 13) | - | 116,252 | 2,097,146 |
| Marketable securities (Note 5) | - | 2,250 | 2,083 |
| | 1,393,890 | 5,980,069 | 7,059,163 |
| **Non-current assets:** | | | |
| Investment in KGHM Ajax Mining Inc. (Note 6) | 35,634,011 | 36,641,809 | - |
| Restricted cash (Note 8) | 77,625 | - | - |
| Equipment (Note 9) | 72,557 | 91,117 | 117,100 |
| Mineral interests (Notes 6 and 7) | - | - | 46,661,572 |
| Reclamation deposit (Notes 6 and 7) | - | - | 35,000 |
| | **$ 37,178,083** | **$ 42,712,995** | **$ 53,872,835** |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | | |
| **Current liabilities:** | | | |
| Accounts payable and accrued liabilities (Note 14) | $ 976,175 | $ 4,237,971 | $ 1,637,110 |
| Due to KGHM Ajax Mining Inc. (Notes 14) | 35,000 | - | - |
| Contractual obligation (Note 7) | 5,000,000 | 5,706,574 | - |
| Loan payable (Note 10) | - | - | 2,057,725 |
| | 6,011,175 | 9,944,545 | 3,694,835 |
| **Non-current liabilities:** | | | |
| Contractual obligation (Note 7(b)) | - | 5,000,000 | - |
| Deferred taxes (Note 13) | - | - | 1,251,502 |
| | 6,011,175 | 14,944,545 | 4,946,337 |
| **Shareholders' equity:** (Note 11) | | | |
| Capital stock | 80,563,461 | 76,243,267 | 72,121,063 |
| Share-based payments reserve | 4,462,499 | 4,070,308 | 3,730,435 |
| Accumulated other comprehensive income | - | 1,068 | 922 |
| Deficit | (53,859,052) | (52,546,193) | (26,925,922) |
| | 31,166,908 | 27,768,450 | 48,926,498 |
| | **$ 37,178,083** | **$ 42,712,995** | **$ 53,872,835** |

The accompanying notes are an integral part of the financial statements.
Approved on behalf of the Board by:

*"James Excell"*
James Excell, Chief Executive Officer

*"Tom McKeever"*
Tom McKeever, Director

**ABACUS MINING & EXPLORATION CORPORATION** (an exploration stage company)
**Statements of comprehensive loss**
Expressed in Canadian dollars

| | | Year ended December 31, 2011 | | Year ended December 31, 2010 (Note 17) |
|---|---|---|---|---|
| **General and administrative expenses** (Note 14): | | | | |
| Salaries and contract wages | $ | 1,192,530 | $ | 1,200,187 |
| Share-based payments (Note 11(g)) | | 392,191 | | 360,180 |
| Consulting and directors' fees | | 309,708 | | 413,524 |
| Travel and promotion | | 288,406 | | 502,324 |
| Rent | | 225,081 | | 142,153 |
| Investor relations | | 218,978 | | 212,869 |
| Accounting and audit | | 149,310 | | 53,296 |
| Office and miscellaneous | | 131,187 | | 120,073 |
| Insurance | | 47,628 | | 26,048 |
| Legal | | 46,035 | | 169,165 |
| Transfer agent and regulatory fees | | 33,874 | | 101,189 |
| Amortization (Note 9) | | 26,807 | | 34,353 |
| Expense recoveries from KGHM Ajax Mining Inc. (Note 14) | | (1,396,201) | | (357,681) |
| **Loss before other items and income tax** | | (1,665,534) | | (2,977,680) |
| **Other items:** | | | | |
| Gain on contractual obligation (Note 7(b)) | | 1,348,827 | | - |
| Interest income | | 8,683 | | 68,616 |
| Realized gain on available-for-sale securities (Note 5) | | 3,125 | | - |
| Loss on equity investment (Note 6) | | (1,007,798) | | (787,772) |
| Debt forgiveness (Note 10) | | - | | 25,635 |
| Interest and other expenses (Note 10) | | - | | (89,736) |
| Loss on transfer (Note 6) | | - | | (10,612,629) |
| Impairment of mineral interests (Note 7) | | - | | (13,279,478) |
| **Loss before income tax** | | (1,312,697) | | (27,653,044) |
| Deferred tax recovery (expense) (Note 13) | | (162) | | 2,032,773 |
| **Net loss for the year** | | **(1,312,859)** | | **(25,620,271)** |
| Unrealized gain arising on available-for-sale securities, net of deferred taxes, during the year (Note 5) | | 1,651 | | 146 |
| Reclassification adjustment for gain realized during the year on available-for-sale securities included in net loss (Note 5) | | (2,719) | | - |
| **Comprehensive loss for the year** | **$** | **(1,313,927)** | **$** | **(25,620,125)** |
| Loss per share, basic and diluted | $ | (0.01) | $ | (0.15) |
| Weighted average number of common shares outstanding | | 191,727,397 | | 169,250,239 |

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

**ABACUS MINING & EXPLORATION CORPORATION** (an exploration stage company)
**Statements of changes in shareholders' equity**
Expressed in Canadian dollars

| | Number of Shares | Capital stock | Share-based payments reserve | Accumulated other comprehensive income (loss) | Deficit | Total shareholders' equity (Note 17) |
|---|---|---|---|---|---|---|
| Balance, January 1, 2010 (Note 17) | 156,304,609 | $ 72,121,063 | $ 3,730,435 | $ 922 | $ (26,925,922) | $ 48,926,498 |
| Issued for cash, private placement, net of issue costs (Note 11(c)(i)) | 15,000,000 | 3,745,760 | - | - | - | 3,745,760 |
| Issued for mineral interests (Notes 7(b) and 11(c)(ii)) | 5,000,000 | 1,100,000 | - | - | - | 1,100,000 |
| Exercise of options (Note 11(f)) | 170,058 | 32,512 | - | - | - | 32,512 |
| Exercise of warrants (Note 11(e)) | 16,250 | 4,875 | - | - | - | 4,875 |
| Fair value of options exercised | - | 20,307 | (20,307) | - | - | - |
| Income tax effect on flow-through share renouncement (Note 13) | - | (781,250) | - | - | - | (781,250) |
| Share-based payments (Note 11(g)) | - | - | 360,180 | - | - | 360,180 |
| Unrealized gain on available-for-sale securities, net of deferred taxes (Note 5) | - | - | - | 146 | - | 146 |
| Net loss for the year | - | - | - | - | (25,620,271) | (25,620,271) |
| Balance, December 31, 2010 | 176,490,917 | 76,243,267 | 4,070,308 | 1,068 | (52,546,193) | 27,768,450 |
| Issued in settlement of contractual obligation, net of issue costs (Notes 7(b) and 11(c)(iii)) | 20,751,176 | 4,320,194 | - | - | - | 4,320,194 |
| Share-based payments (Note 11(g)) | - | - | 392,191 | - | - | 392,191 |
| Unrealized gain on available-for-sale securities, net of deferred taxes (Note 5) | - | - | - | 1,651 | - | 1,651 |
| Reclassification adjustment for gain on available-for-sale securities, net of tax (Note 5) | - | - | - | (2,719) | - | (2,719) |
| Net loss for the year | - | - | - | - | (1,312,859) | (1,312,859) |
| **Balance, December 31, 2011** | **197,242,093** | **$ 80,563,461** | **$ 4,462,499** | **$ -** | **$ (53,859,052)** | **$ 31,166,908** |

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

**ABACUS MINING & EXPLORATION CORPORATION** (an exploration stage company)
**Statements of cash flows**
Expressed in Canadian dollars

| | Year ended December 31, 2011 | Year ended December 31, 2010 (Note 17) |
|---|---|---|
| **Operating activities** | | |
| Net loss for the year | $ (1,312,859) | $ (25,620,271) |
| Items not involving cash: | | |
| Loss on equity investment (Note 6) | 1,007,798 | 787,772 |
| Share-based payments (Note 11(g)) | 392,191 | 360,180 |
| Amortization (Note 9) | 26,807 | 34,353 |
| Deferred tax expense (recovery) (Note 13) | 182 | (2,032,773) |
| Realized gain on available-for-sale securities (Note 5) | (3,125) | - |
| Gain on contractual obligation (Note 7(b)) | (1,348,827) | - |
| Impairment of mineral interests (Note 7) | - | 13,279,478 |
| Loss on transfer (Note 6) | - | 10,612,629 |
| Debt forgiveness, net (Note 10) | - | (25,635) |
| Changes in working capital related to operating activities: | | |
| Due from KGHM Ajax Mining Inc. (Note 14) | 1,348,569 | (1,980,694) |
| Amounts receivable | 1,129,320 | (1,210,315) |
| Prepaid expenses | 101,297 | (194,575) |
| Due to KGHM Ajax Mining Inc. (Note 14) | 35,000 | - |
| Accounts payable and accrued liabilities | (3,261,796) | 2,635,332 |
| **Cash used for operating activities** | **(1,885,443)** | **(3,354,519)** |
| **Investing activities** | | |
| Proceeds from disposition of marketable securities (Note 5) | 4,125 | - |
| Equipment purchases (Note 9) | (8,247) | (78,034) |
| Restricted cash (Note 8) | (77,625) | - |
| Other consideration, net of direct costs incurred | - | 3,428,107 |
| Expenditures on mineral interests (Note 7) | - | (6,176,985) |
| Changes in working capital related to investing activities: | | |
| Mining exploration tax credit receivable (Notes 7 and 13) | 116,252 | 1,980,894 |
| **Cash provided by (used for) investing activities** | **34,505** | **(846,018)** |
| **Financing activities** | | |
| Issue costs for issuance of capital stock in settlement of contractual obligations (Note 11(c)(iii)) | (37,553) | - |
| Issuance of capital stock for cash (Note 11(c)) | - | 3,783,147 |
| Repayment of loan (Note 10) | - | (2,057,725) |
| **Cash provided by (used for) financing activities** | **(37,553)** | **1,725,422** |
| Decrease in cash and cash equivalents during the year | (1,888,491) | (2,475,115) |
| Cash and cash equivalents, beginning of year | 2,372,507 | 4,847,622 |
| **Cash and cash equivalents, end of year** | **$ 484,016** | **$ 2,372,507** |

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

## 1. NATURE OF OPERATIONS

Abacus Mining & Exploration Corporation (the “Company”, “Abacus” or “we”), incorporated under the *Business Corporations 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 registered 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 engaged principally in the acquisition, exploration, and development of the Ajax copper-gold project located near Kamloops BC (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). As per the Joint Venture Agreement, KGHM has 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 bankable feasibility study (“BFS”). For the periods ended December 31, 2011 and 2010, Abacus was the Operator of the Ajax Project and KGHM Ajax reimburses Abacus for the expenses incurred as the Operator of the Ajax Project.

On January 6, 2012, Abacus filed the completed BFS with respect to the Ajax Project on SEDAR (Note 18(a)). The results of the BFS were announced in December 2011 and a copy thereof was formally delivered to KGHM.

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 18(d)).

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

### (a) Basis of preparation

The Company’s financial statements were previously prepared in accordance with Canadian generally accepted accounting principles (“GAAP”) as set out in the Handbook of the Canadian Institute of Chartered Accountants (“CICA Handbook”). In 2010, the CICA Handbook was revised to incorporate International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (the “IASB”), and require publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, the Company is reporting on this basis in these financial statements. In these financial statements, the term “Canadian GAAP” refers to GAAP before it was revised to incorporate IFRS. IFRS 1, *First-Time Adoption of IFRS*, has been applied.

The 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 financial statements, including comparatives, have been prepared in accordance with IFRS as issued by the IASB. Subject to certain transition elections disclosed in Note 17, we have consistently applied the same accounting policies in our opening IFRS statement of financial position as at January 1, 2010 and throughout all periods presented as if these policies had always been in

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

effect. Note 17 discloses the impact of the transition to IFRS on our reported statements of financial position, statements of comprehensive income, and statements of changes in shareholders' equity and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Company's financial statements for the year ended December 31, 2010.

The policies applied in these financial statements are presented in Note 3 and are based on IFRS issued and effective for years ended December 31, 2011. The financial statements of Abacus were reviewed by the Audit Committee and the Board of Directors approved and authorized for issue the financial statements on April 17, 2012.

**(b) Significant accounting judgments, estimates, and assumptions**

The preparation of 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 financial statements, and the reported amounts of revenues and expenses during the reporting period. In particular, significant judgments made by management in the application of IFRS during the preparation of the financial statements and estimates with a risk of material adjustment are:

(i) *Realization of assets*

The investment in KGHM Ajax and expenditures on the Ajax Project comprise a significant portion of the Company's assets. Realization of the Company's investment in KGHM Ajax is dependent upon KGHM Ajax obtaining permits, the satisfaction of governmental requirements, satisfaction of possible aboriginal claims, the attainment of successful production from the properties, or from the proceeds upon disposal of the Company's interest in KGHM Ajax. Resource exploration and development is highly speculative and involves inherent risks. While the rewards if an ore body is discovered can be substantial, few properties that are explored are ultimately developed into producing mines.

(ii) *Environmental*

Environmental legislation is becoming increasingly stringent and the costs of regulatory compliance are increasing. The impact of new and future environmental legislation on the Company's operations may cause additional expenses and restrictions. If the restrictions adversely affect the scope of exploration and development of the Ajax Project, the potential for production on the property may be diminished or negated.

The Company is subject to laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous material and other matters. The Company may also be held liable should environmental problems be discovered that were caused by former owners and operators of its properties and properties in which it has previously had an interest. The Company conducts its mineral exploration activities in compliance with applicable environmental protection legislation.

Future obligations to retire an asset, including dismantling, remediation and ongoing treatment and monitoring of the site related to normal operations, are initially recognized and recorded as a liability based on estimated future cash flows discounted at a credit adjusted risk free rate.

The Company is not aware of any existing environmental problems related to any of its current or former properties that may result in material liability to the Company.

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

(iii) *Impairment assessment*
Annually, the Company assesses whether its assets' carrying values are greater than their recoverable values. The recoverable value is the higher of an assets' fair value, less costs to sell, and its value in use. Given the nature of the Company's assets, generally their recoverable values are their value in use. The Company generally estimates value in use using a discounted cash flow model. Management has assessed its cash generating units as being an individual mine site, which is the lowest level for which cash inflows are largely independent of those of other assets. The Company recently completed the BFS and has reviewed its most recent economic models and forecasts in assessing whether a potential impairment has occurred. The assumptions that the calculation of value in use is most sensitive to are production volume, metal prices, discount rates, operating costs, and development and construction costs.

(iv) *Contingencies*
By their nature, contingencies will only be resolved when one or more uncertain future events occur or fail to occur. The assessment of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events.

(v) *Fair value hierarchy*
Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including discounted cash flow models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

While management believes that these judgments and estimates 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. There were no significant changes in estimates during the fourth quarter of 2011.

**3. SIGNIFICANT ACCOUNTING POLICIES**
The following is a summary of the Company's significant accounting policies:

**(a) Investments in associates**
Investments in which the Company exerts significant influence are accounted for using the equity method whereby the original cost of the investment is adjusted for the Company's share of earnings, losses and dividends during the current period. The Company's share of earnings and losses of such investments are included in the statement of comprehensive income. The Company's 49% investment in KGHM Ajax is accounted for under the equity method.

**(b) Cash equivalents**
Cash equivalents are comprised of bank deposits or highly-liquid temporary investments, which are readily convertible into known amounts of cash and which mature within 90 days from the original dates of acquisition.

**3. SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**(c) Mineral interests**

The Company classifies its exploration and evaluation assets as either acquisition costs or exploration and evaluation expenditures ("mineral interests"). The Company capitalizes all costs related to investments in mineral interests on a property-by-property basis. Such costs include mineral property acquisition costs and exploration and evaluation expenditures, net of any recoveries. The capitalized amounts shown for acquisition costs, exploration and evaluation expenditures, represent costs incurred to date and do not necessarily reflect present or future values.

Upon a development decision being made the capitalized costs in mineral interests will be reclassified to mining property and development assets and will eventually be amortized over the life of the mine or their identifiable useful life based on a unit-of-production or straight line basis.

From time to time, the Company may acquire or dispose of mineral interests pursuant to the terms of an option agreement. As the options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded as property costs or recoveries when the payments are made or received. Where recoveries exceed costs, such amounts are recognized in net income.

Recoverability of the carrying value of mineral interests is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

**(d) Impairment of non-financial assets**

At the end of each reporting period, the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets are impaired. If such an indication exists, the recoverable amounts of the assets are estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell, and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows, based on budgets and forecast calculations, are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss recognized in the profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash generating unit) in prior years. A reversal of impairment loss is recognized immediately in profit or loss.

**(e) Equipment**

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

**(f) Loss per share**

Loss per share is calculated using the weighted average number of common shares outstanding during the period. The computation of diluted earnings per share is performed by presuming the exercise of

**3. SIGNIFICANT ACCOUNTING POLICIES** (Continued)

outstanding options, warrants, and similar instruments. It assumes that the proceeds of such exercise would be used to re-purchase common shares at the average market price during the period. However, the calculation of diluted loss per share excludes the effects of conversions or exercise of options and warrants if they would be anti-dilutive.

**(g) Share-based payments**

The Company has a stock option plan that is described in Note 11(f). Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The offset to the recorded cost is to share-based payments reserve. Consideration received on the exercise of stock options is recorded as capital stock and the related amount originally recorded in contributed surplus is transferred to capital stock.

**(h) Income taxes**

The Company uses the balance sheet method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to be in effect when the temporary differences are likely to reverse. The amount of deferred tax assets recognized is limited to the amount of the benefit that is probable to be realized.

**(i) Mining and exploration tax credit recoveries**

The Company recognizes mining and exploration tax credit recoveries (“METC”) in the period in which the related qualifying resource expenditures are incurred. The amount recoverable is subject to review and approval by the taxation authorities and is adjusted for in the period when such approval is confirmed.

**(j) Flow-through common shares**

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

A portion of the deferred tax assets that were not previously recognized are recognized as a recovery of deferred taxes in net income (loss) up to the amount of the deferred tax liability on renouncement.

**(k) Unit offerings**

Proceeds received on the issuance of units, consisting of common shares and warrants, are allocated between common shares and share purchase warrants on a residual value basis wherein the fair value of the common shares is the market value on the date of the announcement of the placement and the balance, if any, is allocated to the attached warrants.

**(l) Foreign currency translation**

The functional and reporting currency of the Company is the Canadian dollar. Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the dates of transaction. Monetary assets and liabilities that are denominated in foreign currency are translated at the rates prevailing at each reporting date. Non-monetary assets and liabilities that are measured in foreign

**3. SIGNIFICANT ACCOUNTING POLICIES** (Continued)

currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date the fair value was determined.

Non-monetary items that are measured in terms of historical cost in foreign currency are not translated. Foreign currency translation differences are recognized in profit or loss, except for differences on the translation of available-for-sale instruments, which are recognized in other comprehensive income.

**(m) Financial instruments**

(i) *Financial assets*

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

- *Fair value through profit or loss* ("FVTPL") - This category comprises derivatives, or assets acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the balance sheet at fair value with changes in fair value recognized in net income.
- *Loans and receivables* - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortized cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.
- *Held-to-maturity investments* - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in net income.
- *Available-for-sale* - Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized in other comprehensive income as a component of equity. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized in net income.

All financial assets, except for those classified as FVTPL, are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described above.

(ii) *Financial liabilities*

The Company classifies its financial liabilities into one of two categories. The Company's accounting policy for each category is as follows:

- *FVTPL* - This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing them in the near term. They are carried in the balance sheet at fair value with changes in fair value recognized in net income (loss).
- *Other financial liabilities* - This category includes promissory notes, amounts due to related parties, and accounts payables and accrued liabilities, all of which are recognized at amortized cost.

**3. SIGNIFICANT ACCOUNTING POLICIES** (Continued)

(iii) *Fair value hierarchy*

The Company provides information about its financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate the fair value:

- Level 1 - unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 - inputs, other than quoted prices, that are observable for the asset or liability either directly or indirectly; and
- Level 3 - inputs that are not based on observable market data.

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

Certain new accounting standards and interpretations have been published that are not mandatory for the December 31, 2011 reporting period:

- On January 1, 2012, Abacus will be required to adopt IFRS 7, *Financial Instruments: Disclosures*, which involves increases in disclosure with regard to the transfer of financial assets, especially in cases where there is a disproportionate amount of transfer transactions that take place around the end of a reporting period. The Company has not yet assessed the impact of adopting the standard.
- On January 1, 2012, Abacus will be required to adopt amendments to IAS 12 *Income Taxes, which* removes some subjectivity in determining on which basis an entity measures the deferred tax relating to an asset. The amendment introduces a presumption that an entity will assess whether the carrying value of an asset will be recovered through the sale of the asset. The Company is currently evaluating the impact of adopting this amendment to the standard.
- On January 1, 2013, Abacus will be required to adopt IFRS 11, *Joint Arrangements*, which applies to accounting for interests in joint arrangements where there is joint control. The Company has not yet assessed the impact of the standard or determined whether it will adopt the standard early.
- On January 1, 2013, Abacus will be 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. The Company has not yet assessed the impact of the standard or determined whether it will adopt the standard early.
- On January 1, 2013, Abacus will be 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. The Company has not yet assessed the impact of the standard or determined whether it will adopt the standard early.
- On January 1, 2013, Abacus will be 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. The Company has not yet assessed the impact of the standard or determined whether it will adopt the standard early.
- 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 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 yet assessed the impact of the standard or determined whether it will adopt the standard early.

Expressed in Canadian dollars

## 4. CASH and CASH EQUIVALENTS

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

| Cash and cash equivalents | | December 31, 2011 | | December 31, 2010 | | January 1, 2010 |
|---|---|---|---|---|---|---|
| Bank accounts | $ | 99,016 | $ | 1,872,507 | $ | 4,847,622 |
| Temporary investments | | 385,000 | | 500,000 | | - |
| | $ | 484,016 | $ | 2,372,507 | $ | 4,847,622 |

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

| Supplemental cash flows | | Year ended December 31, 2011 | | Year ended December 31, 2010 |
|---|---|---|---|---|
| Non-cash investing and financing transactions: | | | | |
| Issuance of capital stock in settlement of contractual obligation (Notes 7(b) and 11(c)(iii)) | $ | 4,357,747 | $ | - |
| Issuance of capital stock for mineral interests (Note 11(b)(ii)) | $ | - | $ | 1,100,000 |
| Reduction of capital stock due to the income tax effect of flow-through share renouncement (Note 11(d) and 13) | $ | - | $ | 781,250 |
| Equipment transferred to KGHM Ajax for no consideration | $ | - | $ | 69,664 |
| Reclassification of contributed surplus to capital stock upon exercise of stock options (Note 11(f)) | $ | - | $ | 20,307 |
| Supplemental disclosures: | | | | |
| Interest received | $ | 8,683 | $ | 68,616 |
| Interest paid | $ | - | $ | 89,736 |
| Income tax paid | $ | - | $ | - |

## 5. MARKETABLE SECURITIES

The Company had an investment in securities of a company in which a former director and officer of the Company is a director. The marketable securities were disposed of during the third quarter of 2011 for gross proceeds of $4,125 and a realized gain of $3,125. These marketable securities had been classified as available-for-sale.

| | December 31, 2011 | | | | December 31, 2010 | | | | January 1, 2010 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Marketable securities | | Cost | | Fair Value | | Cost | | Fair Value | | Cost | | Fair Value |
| 8,333 common shares of Redstar Gold Corp. | $ | - | $ | - | $ | 1,000 | $ | 2,250 | $ | 1,000 | $ | 2,083 |

## 6. INVESTMENT IN KGHM AJAX MINING INC.

On June 28, 2010, the Company incorporated the wholly-owned subsidiary KGHM Ajax, pursuant to the Investment Agreement dated May 4, 2010 between the Company and KGHM. On June 29, 2010, the Company transferred its mineral interests in the Ajax Project to KGHM Ajax. On October 12, 2010, the Company entered into the Definitive Agreement with KGHM, which resulted in the Company reducing its interest in KGHM Ajax to 49% in conjunction with a cash contribution by KGHM for a 51% interest in KGHM Ajax. The terms of the Investment Agreement were incorporated into the Definitive Agreement. Accordingly, the Company's investment in KGHM Ajax after October 12, 2010 was accounted for using the equity-method. For the period from KGHM Ajax' incorporation to October 12, 2010, KGHM Ajax was a

Expressed in Canadian dollars

## 6. INVESTMENT IN KGHM AJAX MINING INC. (Continued)

wholly owned subsidiary of the Company and was consolidated.

On closing of the Definitive Agreement on October 12, 2010, the Company was required to fulfill certain obligations pursuant to its Asset Purchase Agreement with Teck (Note 7(b)), which together with other additional costs resulted in the recognition of a loss on transfer of $10,612,629. The series of transactions between KGHM, KGHM Ajax, and the Company in the period from June 29, 2010 through October 12, 2010 is as follows:

| | | |
|---|---|---|
| Mineral interests transferred by Abacus to KGHM Ajax (Note 7(b)) | $ | 40,659,079 |
| Other assets transferred by Abacus to KGHM Ajax | | 35,000 |
| Consideration to Teck (Note 7(b)) | | 10,706,574 |
| Direct costs | | 1,551,853 |
| | | 52,952,506 |
| Fair value of mineral interest transferred by Abacus to KGHM Ajax | | 37,429,581 |
| Other consideration received | | 4,910,296 |
| | | 42,339,877 |
| Abacus' loss on transfer | $ | 10,612,629 |

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

| **Investment in KGHM Ajax** | | |
|---|---|---|
| Investment in KHGM Ajax as of January 1, 2010 | $ | - |
| Fair value of mineral interests transferred to KGHM Ajax during 2010 | | 37,429,581 |
| The Company’s share of the loss in KGHM Ajax during 2010 | | (20,864) |
| Dilution loss during 2010 | | (766,908) |
| Investment in KGHM Ajax as of December 31, 2010 | | 36,641,809 |
| The Company’s share of the loss in KGHM Ajax during 2011 | | (1,007,798) |
| **Investment in KGHM Ajax as of December 31, 2011** | **$** | **35,634,011** |

Expressed in Canadian dollars

## 6. INVESTMENT IN KGHM AJAX MINING INC. (Continued)

A summary of 100% of the assets and liabilities of KGHM Ajax and the results of operations is as follows:

| Selected financial information of KGHM Ajax | | December 31, 2011 | | December 31, 2010 | | January 1, 2010 |
|---|---|---|---|---|---|---|
| Total current assets | $ | 7,334,949 | $ | 26,443,954 | $ | - |
| Total non-current assets | | 69,259,313 | | 50,349,089 | | - |
| Total assets | $ | 76,594,262 | $ | 76,793,043 | $ | - |
| Total liabilities | $ | 3,871,791 | $ | 2,013,841 | $ | - |
| Total equity | | 72,722,471 | | 74,779,202 | | - |
| Total liabilities and equity | $ | 76,594,262 | $ | 76,793,043 | $ | - |

| | | Year ended December 31, 2011 | | Period from June 28, 2010 to December 31, 2010 |
|---|---|---|---|---|
| Net loss | $ | 2,056,731 | $ | 42,579 |

Expressed in Canadian dollars

## 7. MINERAL INTERESTS

There were no expenditures deferred on mineral interests during the year ended December 31, 2011. During the year ended December 31, 2010, expenditures deferred on mineral interests are summarized as follows:

| **Mineral interests** | Ajax | Afton | Rainbow | Audra | New Gold | **Total** |
|---|---|---|---|---|---|---|
| Balance, January 1, 2010 | $ 20,917,918 | $ 16,450,502 | $ 2,771,891 | $ 1,399,985 | $ 5,121,276 | $ 46,661,572 |
| Acquisition expenditures during the period | - | 1,576,171 | - | - | - | 1,576,171 |
| Exploration expenditures during the period: | | | | | | |
| Drilling | 810,331 | - | - | - | - | 810,331 |
| Contract wages | 590,556 | - | 400 | - | - | 590,956 |
| Assays | 145,951 | - | - | - | - | 145,951 |
| Camp support and field supplies | 132,145 | - | - | - | - | 132,145 |
| Travel and accommodation | 83,644 | - | - | - | - | 83,644 |
| Equipment rental | 45,611 | - | - | - | - | 45,611 |
| Geological consulting | 186,166 | - | - | - | - | 186,166 |
| Recording fees | 17,112 | - | - | - | - | 17,112 |
| Environmental impact assessment | 492,525 | - | - | - | - | 492,525 |
| Pre-feasibility | 1,008,034 | - | - | - | - | 1,008,034 |
| Feasibility | 2,188,339 | - | - | - | - | 2,188,339 |
| Total exploration expenditures during the period | 5,700,414 | - | 400 | - | - | 5,700,814 |
| Total acquisition and exploration expenditures during the period | 5,700,414 | 1,576,171 | 400 | - | - | 7,276,985 |
| Total expenditures to October 12, 2010 | $ 26,618,332 | $ 18,026,673 | $ 2,772,291 | $ 1,399,985 | $ 5,121,276 | 53,938,557 |
| Impairment of mineral interests during the period | | | | | | (13,279,478) |
| | | | | | | 40,659,079 |
| Mineral interests transferred to KGHM Ajax during the period | | | | | | (40,659,079) |
| Balance, December 31, 2010 and December 31, 2011 | | | | | | $ - |

Certain of the Company's mineral interest were subject to net profit interests or net smelter royalties held by the underlying vendors of those claims. Certain of the Company's exploration expenditures qualified for METC during the year ended December 31, 2010.

The following are the significant mineral interest transactions:

### (a) The joint venture agreement with KGHM and KGHM Ajax

On June 29, 2010, pursuant to the Investment Agreement dated May 4, 2010 between Abacus and 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, the Company entered into the Joint Venture Agreement. Pursuant to this agreement, KGHM subscribed for 5,100 common shares of KGHM Ajax, representing a 51% interest, for $37,392,200 (US$37,000,000).

**7. MINERAL INTERESTS** (Continued)

**(b) The asset purchase agreement with Teck**

On November 25, 2005, Abacus signed an Asset Purchase Agreement with Teck Resources Limited ("Teck") to purchase land, buildings, equipment, tailings pond, and the back-in rights pursuant to the Rainbow and Iron Mask property agreements which are elements of the Ajax Project's mineral resource. Effective November 25, 2009, the parties amended the Asset Purchase Agreement to extend the date for the final payment to November 30, 2010. Total aggregate consideration for the transfer of the assets was $28,500,000, payable in shares of Abacus and cash on certain dates between November 2005 and July 2010. On June 4, 2009, and subsequently on May 18, 2010 and July 31, 2010, the parties amended the Asset Purchase Agreement to include a further cash payment of $750,000 on or before July 31, 2010 for the purchase of certain additional lands, increasing the consideration from $28,500,000 to $29,250,000 ("Amended Asset Purchase Agreement"). Upon completion of all share issuances and cash payments, Teck would transfer title (the "Second Closing") of the assets to the Company. The final consideration is subject to a price adjustment clause ("Additional Consideration"): if the ten-day weighted average closing price of the Company's common shares issued to Teck is less than $18,500,000, the Company would pay Teck additional consideration equal to 81.1% of the difference between $18,500,000 and the weighted average closing price of the Company's common shares (the "deficit") in the form of additional common shares of the Company sufficient to increase its ownership interest in the Company to not more than 19.9%, plus an additional cash payment of up to $5,000,000 for the balance of the Deficit. The additional cash payment, if any, is due 18 months after the Second Closing.

As a part of the Joint Venture Agreement with KGHM, Abacus assigned its rights under the Amended Asset Purchase Agreement to KGHM Ajax. On October 12, 2010, the cash payment to Teck of $2,750,000 was made by KGHM Ajax. Accordingly, all of the mineral interests and related assets acquired from Teck were included in the mineral interests acquired by KGHM Ajax from Abacus in 2010 (Notes 6 and 7(a)).

The Company estimated the fair value of the Additional Consideration to be $10,706,574 as at December 31, 2010, based on the then market price of the Company's shares. As at December 31, 2010, the Company recorded the fair value of the common shares component of the Additional Consideration as a $5,706,574 current liability and the $5,000,000 cash component as a long-term liability. Accordingly the Company currently has provided for the remaining $5,000,000 contractual obligation as an element of current liabilities, which is the cash payment due in the fourth quarter of 2012.

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 is conditional on KGHM increasing its interest in the Company to 80% as outlined in the Joint Venture Agreement; otherwise the payment remains an obligation of Abacus (Note 18(d)).

The Second Closing of the Amended Asset Purchase Agreement occurred on April 8, 2011, at which time the Company issued 20,751,176 common shares to Teck at a fair value of $4,357,747 ($0.21 per common share), being the share component of the Additional Consideration required under the Asset Purchase Agreement. Consequently, the Company recognized a $1,348,827 gain on April 8, 2011 due to the change in the Company's share price from December 31, 2010 through the date of settlement.

**8. RESTRICTED CASH**

During 2011, the Company posted $77,625 as security for credit cards with the Company's bank. These funds earn interest at 2.05% and are not available for use by the Company.

Expressed in Canadian dollars

## 9. EQUIPMENT

The equipment is as follows:

| | Computer equipment | Office equipment | Other equipment | Leasehold improvements | Total |
|---|---|---|---|---|---|
| Balance, January 1, 2010: | | | | | |
| Cost | $ 184,808 | $ 44,470 | $ 19,092 | $ 9,814 | $ 258,184 |
| Accumulated amortization | 94,535 | 26,587 | 16,036 | 3,926 | 141,084 |
| **Carrying value at January 1, 2010** | **$ 90,273** | **$ 17,883** | **$ 3,056** | **$ 5,888** | **$ 117,100** |
| Cost | | | | | |
| Balance, January 1, 2010 | $ 184,808 | $ 44,470 | $ 19,092 | $ 9,814 | $ 258,184 |
| Purchases during the year | 5,671 | 2,699 | - | - | 8,370 |
| Balance, December 31, 2010 | 190,479 | 47,169 | 19,092 | 9,814 | 266,554 |
| Accumulated amortization | | | | | |
| Balance, January 1, 2010 | 94,535 | 26,587 | 16,036 | 3,926 | 141,084 |
| Amortization during the year | 27,933 | 3,846 | 611 | 1,963 | 34,353 |
| Balance, December 31, 2010 | 122,468 | 30,433 | 16,647 | 5,889 | 175,437 |
| **Carrying value at December 31, 2010** | $ **68,011** | $ **16,736** | $ **2,445** | $ **3,925** | $ **91,117** |
| Cost | | | | | |
| Balance, December 31, 2010 | $ 190,479 | $ 47,169 | $ 19,092 | $ 9,814 | $ 266,554 |
| Purchases during the year | 4,445 | 3,802 | - | - | 8,247 |
| Balance, December 31, 2011 | 194,924 | 50,971 | 19,092 | 9,814 | 274,801 |
| Accumulated amortization | | | | | |
| Balance, December 31, 2010 | 122,468 | 30,433 | 16,647 | 5,889 | 175,437 |
| Amortization during the year | 20,628 | 3,727 | 489 | 1,963 | 26,807 |
| Balance, December 31, 2011 | 143,096 | 34,160 | 17,136 | 7,852 | 202,244 |
| **Carrying value at December 31, 2011** | $ **51,828** | $ **16,811** | $ **1,956** | $ **1,962** | $ **72,557** |

## 10. LOAN PAYABLE

On April 1, 2009, the Company entered into a loan agreement whereby the Company was advanced a loan of $2,500,000 with a maturity date of April 1, 2010. In February 2010, the Company repaid the loan including principal and interest payments totaling $2,147,460, and consequentially realized a gain of $25,635. During the year ended December 31, 2010, the Company paid interest expenses of $89,736.

## 11. CAPITAL STOCK

Share-based payments reserve is included in shareholder's equity, and consists of the costs related to the issuance of stock options (Notes 11(f) and 11(g)), agents options (Note 11(h)), and warrants (Note 11(e)).

### (a) Capital management

The Company's primary source of funds comes from the issuance of capital stock. The Company defines its capital as all components of shareholders' equity. Capital requirements are driven by the Company's exploration activities on mineral interests and general and administrative expenditures. To effectively manage the Company's capital requirements, the Company has a planning and budgeting process in place to ensure that adequate funds are available to meet its strategic goals. The Company monitors actual expenses to budget on all exploration projects and overhead to manage cost commitments and

**11. CAPITAL STOCK** (Continued)

exploration activities. Although the Company has been successful at raising funds in the past through the issuance of capital stock, there can be no assurance that it will continue to be able to do so in the future.

There were no changes in the Company's approach to capital management during the year ended December 31, 2011. The Company is not subject to externally imposed capital requirements.

**(b) Authorized capital stock**

At December 31, 2011, the authorized capital stock of the Company is comprised of an unlimited number of common shares without par value.

**(c) Share issuances**

Details of issuances during the years ended December 31, 2011 and 2010 are as follows:

(i) On May 7, 2010, the Company closed a private placement with KGHM for gross proceeds of $4,500,000 and issued 15,000,000 common shares of the Company at $0.30 per share. As at December 31, 2011, KGHM holds approximately 7.6% of the issued and outstanding shares of the Company. Cash share issuance costs of $754,240 were incurred by the Company in respect of this private placement, resulting in net cash proceeds received of $3,745,760.

(ii) On May 18, 2010, the Company issued 5,000,000 common shares at a price of $0.22 per share for aggregate value of $1,100,000, pursuant to the Asset Purchase Agreement with Teck (Note 7(b)).

(iii) On April 8, 2011, the Company issued 20,751,176 common shares to Teck at a fair value of $4,357,747 ($0.21 per common share), being the share component of the Additional Consideration required under the Asset Purchase Agreement (Note 7(b)). Cash share issuance costs of $37,553 were incurred by the Company in respect to this issuance, resulting in a net increase of $4,320,194 to capital stock.

**(d) Renunciation of exploration expenditures**

On December 29, 2009, the Company closed a brokered placement of 19,502,000 units and 12,500,000 flow-through common shares at a price of $0.20 per unit and $0.25 per flow-through share, for aggregate gross proceeds of $7,025,400. In February 2010, the Company renounced $3,125,000 of exploration expenditures under its flow-through share program, resulting in an increase to the deferred tax liabilities by $781,250 and an equal charge to capital stock.

For the year ended December 31, 2011 there were no renouncements.

**(e) Share purchase warrants**

At December 31, 2011 and 2010, the Company has outstanding share purchase warrants entitling the holders to acquire common shares as follows:

Expressed in Canadian dollars

**11. CAPITAL STOCK** (Continued)

| Expiry Date | Exercise Price | Outstanding as at December 31, 2010 | Issued | Exercised | Expired | Outstanding as at December 31, 2011 |
|---|---|---|---|---|---|---|
| December 29, 2012 | $0.30 | 19,625,808 | - | - | - | 19,625,808 |

| Expiry Date | Exercise Price | Outstanding as at January 1, 2010 | Issued | Exercised | Expired | Outstanding as at December 31, 2010 |
|---|---|---|---|---|---|---|
| March 10, 2010 | $0.50 | 5,756,332 | - | - | (5,756,332) | - |
| March 10, 2010 | $0.30 | 760,246 | - | - | (760,246) | - |
| December 29, 2012 | $0.30 | 19,502,000 | 140,058 | (16,250) | - | 19,625,808 |
| | | 26,018,578 | 140,058 | (16,250) | (6,516,578) | 19,625,808 |

The fair value of the 140,058 warrants issued during 2010 pursuant to the exercise of 140,058 agent options (Note 11(h)) was estimated using the Black-Scholes option pricing model with the following weighted average assumptions: risk-free interest rate - 1.62%, expected dividend yield – 0%, expected stock price volatility - 138.33% and expected life in years - 2.19.

**(f) 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 discounted 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 December 31, 2011, the Company had stock options outstanding to directors, officers and consultants for the purchase of 11,260,000 (December 31, 2010: 12,150,000) common shares exercisable as follows:

Expressed in Canadian dollars

## 11. CAPITAL STOCK (Continued)

| | | **Awards Outstanding** | | **Awards Exercisable** | |
|---|---|---|---|---|---|
| Exercise Price | Expiry Date | Quantity | Remaining Contractual Life | Quantity | Remaining Contractual Life |
| $0.65 | March 15, 2012 | 400,000 | 0.21 | 400,000 | 0.21 |
| $0.45 | January 11, 2013 | 335,000 | 1.03 | 335,000 | 1.03 |
| $0.45 | February 1, 2013 | 800,000 | 1.09 | 800,000 | 1.09 |
| $0.14 | May 5, 2013 | 1,000,000 | 1.34 | 1,000,000 | 1.34 |
| $0.26 | August 29, 2013 | 1,650,000 | 1.66 | 1,650,000 | 1.66 |
| $0.15 | February 20, 2014 | 560,000 | 2.14 | 560,000 | 2.14 |
| $0.10 | March 3, 2014 | 300,000 | 2.17 | 300,000 | 2.17 |
| $0.20 | June 29, 2014 | 1,730,000 | 2.49 | 1,730,000 | 2.49 |
| $0.25 | September 17, 2014 | 100,000 | 2.71 | 100,000 | 2.71 |
| $0.18 | July 21, 2015 | 1,000,000 | 3.55 | 750,000 | 3.55 |
| $0.19 | August 27, 2015 | 1,660,000 | 3.66 | 1,245,000 | 3.66 |
| $0.19 | September 7, 2015 | 150,000 | 3.69 | 150,000 | 3.69 |
| $0.24 | December 17, 2015 | 600,000 | 3.96 | 450,000 | 3.96 |
| $0.27 | January 12, 2016 | 850,000 | 4.03 | 425,000 | 4.03 |
| $0.22 | April 4, 2016 | 125,000 | 4.26 | 62,500 | 4.26 |
| | | **11,260,000** | **2.52** | **9,957,500** | **2.35** |

The weighted average remaining contractual life of the stock options outstanding as at December 31, 2011 is 2.52 years (December 31, 2010: 3.03 years) and the weighted average exercise price is $0.24 (December 31, 2010: $0.31).

A summary of the status of the Company's stock options as at December 31, 2011 and 2010, and changes during the years then ended is as follows:

| **Status of stock options** | Number of Options | Weighted Average Exercise Price |
|---|---|---|
| Outstanding, January 1, 2010 | 10,060,000 | 0.35 |
| Granted | 3,470,000 | 0.19 |
| Expired | (1,250,000) | 0.30 |
| Exercised | (30,000) | 0.15 |
| Forfeited | (100,000) | 0.55 |
| Outstanding, December 31, 2010 | 12,150,000 | 0.31 |
| Granted | 975,000 | 0.26 |
| Expired | (1,125,000) | 0.90 |
| Forfeited | (740,000) | 0.30 |
| **Outstanding, December 31, 2011** | **11,260,000** | **0.24** |

Expressed in Canadian dollars

## 11. CAPITAL STOCK (Continued)

### (g) Share-based payments

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. The amount of share-based payments expense for those options granted during the year ended December 31, 2011 was calculated at $196,803 of which $175,896 was recognized during the period ended December 31, 2011. The amount of share-based payments expense for those options granted during the year ended December 31, 2010 was calculated at $493,626 of which $192,502 was recognized in 2010.

During the year ended December 31, 2011, share-based payments expense for stock options granted during the year and for prior year option grants that vested during the period was $392,191 (year ended December 31, 2010: $360,180).

During the year ended December 31, 2011, the Company granted 975,000 stock options, having a weighted average grant date fair value of $0.20 per share. 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 2.27%, expected life of 4 years, expected volatility of 112% and dividend yield of 0%.

During the year ended December 31, 2010, the Company granted 3,470,000 stock options, having a weighted average grant date fair value of $0.14 per share. 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 2.22%, expected life of 5 years, expected volatility of 98% and dividend yield of 0%.

### (h) Agent options

As at December 31, 2011 and 2010, agent options to acquire one common share and one share purchase warrant were outstanding as follows:

| Expiry date | Outstanding as at January 1, 2010 | Exercise price | Exercised | Outstanding as at December 31, 2011 and 2010 |
|---|---|---|---|---|
| December 29, 2012 | 1,920,120 | $0.20 | (140,058) | 1,780,062 |

## 12. COMMITMENTS

The Company currently has a lease agreement for the rental of office premises in Vancouver for a six-year period, expiring March 31, 2013. The cost of the entire premises is shared between the Company and three other companies. 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 are as follows:

| **Minimum annual rental payments** | | |
|---|---|---|
| 2012 | $ | 196,739 |
| 2013 | $ | 86,859 |
| 2014 | $ | 4,186 |

Expressed in Canadian dollars

## 13. INCOME TAXES

Income tax expense differs from the amount that would be computed by applying the Canadian statutory income tax rate of 26.5% (2010 – 28.5%) to net loss before taxes. The reasons for the differences are as follows:

| **Income taxes** | | Year ended December 31, 2011 | | Year ended December 31, 2010 |
|---|---|---|---|---|
| Accounting profit (loss) before income tax | $ | (1,312,697) | $ | (27,653,044) |
| Statutory rate for the period | | 26.5% | | 28.5% |
| *At the statutory tax rate* | | (347,865) | | (7,881,118) |
| Change in benefit of tax losses not recognized | | 642,889 | | 2,245,085 |
| Change in timing differences | | 18,786 | | 3,663,803 |
| Change in tax rates | | - | | (163,194) |
| Amounts over (under) those provided for in prior year | | (64,976) | | - |
| Non-deductible items | | (248,672) | | 102,651 |
| **Tax expense (recovery) reported** | **$** | **162** | **$** | **(2,032,773)** |

Effective January 1, 2011, the Canadian federal corporate tax rate decreased from 18% to 16.5% and the British Columbia provincial tax decreased from 10.5% to 10%. The overall reduction in tax rates has resulted in a decrease in the Company's statutory tax rate from 28.50% to 26.50%.

The tax effected items that give rise to significant portions of the recognized deferred income tax asset and deferred income tax liabilities at December 31, 2011 and 2010 are presented below:

| **Recognized deferred income tax assets and liabillities** | | December 31, 2011 | | December 31, 2010 | | January 1, 2010 |
|---|---|---|---|---|---|---|
| Deferred tax assets: | | | | | | |
| Non-capital loss carry-forwards | $ | - | $ | 157 | $ | 2,122,177 |
| Non-refundable mining income tax credit | | - | | - | | 247,679 |
| Share issue costs | | - | | - | | 371,782 |
| Excess of tax values over accounting values of: | | | | | | |
| Equipment | | - | | - | | 35,396 |
| Total deferred tax assets | | - | | 157 | | 2,777,034 |
| Deferred tax liabilities: | | | | | | |
| Marketable securities (Note 5) | | - | | (157) | | (135) |
| Mineral interests | | - | | - | | (4,028,401) |
| Total deferred tax liabiliities | | - | | (157) | | (4,028,536) |
| **Net deferred tax liability** | **$** | **-** | **$** | **-** | **$** | **(1,251,502)** |

The Company recognizes tax benefits on losses or other deductible amounts generated in countries where the probable criteria for the recognition of deferred tax assets has been met. Tax assets resulting from the Company's unrecognized deductible temporary differences and unused tax losses consist of the following amounts:

Expressed in Canadian dollars

## 13. INCOME TAXES (Continued)

| **Unrecognized deferred income tax assets and liabilities** | | December 31, 2011 | | December 31, 2010 | | January 1, 2010 |
|---|---|---|---|---|---|---|
| Capital loss carry-forwards | $ | 1,428,829 | $ | 1,461,062 | $ | 1,461,062 |
| Non-capital loss carry-forwards | | 1,377,978 | | 956,352 | | - |
| Non-refundable mining income tax credit | | 685,584 | | 685,584 | | - |
| Share issue costs | | 230,080 | | 367,232 | | - |
| Excess of tax values over accounting values of: | | | | | | |
| Investments | | 224,446 | | 98,472 | | - |
| Mineral interests | | 129,446 | | 129,446 | | - |
| Equipment | | 14,701 | | 8,000 | | - |
| **Net unrealized deferred income taxes** | **$** | **4,091,064** | **$** | **3,706,148** | **$** | **1,461,062** |

The Company has accumulated capital and non-capital losses for Canadian tax purposes as follows:

| **Loss carry-forwards** | | December 31, 2011 | | December 31, 2010 | | January 1, 2010 |
|---|---|---|---|---|---|---|
| Capital losses, which carry forward indefinitely to offset future capital gains | $ | 11,430,634 | $ | 11,431,000 | $ | 11,431,000 |
| Non-capital losses, that expire as follows: | | | | | | |
| 2010-2027 | | - | | - | | 3,186,000 |
| 2028 | | 1,086,000 | | 1,086,000 | | 2,563,000 |
| 2029 | | 2,740,000 | | 2,740,000 | | 2,740,000 |
| 2031 | | 1,802,138 | | - | | - |

The Company qualifies for METC, as it has incurred qualified mineral exploration expenditures for determining the existence, location, and extent or quality of a mineral resource. The refundable tax credit is calculated at 30% of qualified mineral exploration expenditures incurred in a year. The Company received a refund of $116,252 during the year ended December 31, 2011 for qualifying expenditures incurred during the year ended December 31, 2010. The Company received a refund of $2,056,915 during the year ended December 31, 2010 for qualifying expenditures incurred in fiscal periods prior to 2010. There were no qualifying expenditures incurred by the Company during the year ended December 31, 2011.

## 14. 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

The Company acts as the operator for the Ajax Project on behalf of KGHM Ajax and is reimbursed for direct costs it incurs as the operator. The Company offsets amounts recovered against the respective expense item. The Company was reimbursed the following amounts from KGHM Ajax:

Expressed in Canadian dollars

## 14. RELATED PARTY TRANSACTIONS (Continued)

| **Amounts reimbursed to Abacus as the operator of the Ajax Project** | | Year ended December 31, 2011 | | Period from June 28, 2010 to December 31, 2010 |
|---|---|---|---|---|
| Exploration and evaluation, and acquisition expenditures for mineral interests | $ | 8,569,403 | $ | 4,450,651 |
| Contract wages | | 1,091,522 | | 276,270 |
| Office and administrative expenditures | | 398,716 | | 74,261 |
| Equipment | | 73,819 | | 8,100 |
| | $ | 10,133,460 | $ | 4,809,282 |

As at December 31, 2011, $632,125 (December 31, 2010: $1,980,694) is due from KGHM Ajax. As at December 31, 2011, $35,000 (December 31, 2010: $nil) is due to KGHM Ajax.

### (b) Pamicon

The Company conducts some of its exploration activities through an exploration services contractor, Pamicon Developments Ltd., in which a former director and officer of the Company is a shareholder. The Company paid the contractor the following:

| **Amounts charged to Abacus** | | Year ended December 31, 2011 | | Year ended December 31, 2010 |
|---|---|---|---|---|
| Exploration and evaluation expenditures on mineral interests | $ | 1,206,512 | $ | 4,450,651 |
| Contract wages | | 471,427 | | 276,270 |
| Office and administrative expenditures | | 359,154 | | 74,261 |
| Equipment | | 36,371 | | 8,100 |
| | $ | 2,073,464 | $ | 4,809,282 |

Included in accounts payable and accrued liabilities as at December 31, 2011 is $135,371 (December 31, 2010: $3,022,046) payable to the contractor. As at December 31, 2010, included in the amount owed to the contractor was a charge to the Company for GST in the amount of $1,354,713 for the period from February 1, 2007 to April 30, 2010. This amount was recovered in full by the Company from the Canada Revenue Agency during the year ended December 31, 2011, and the Company settled the GST obligation with the contractor.

### (c) Former directors

For the year ended December 31, 2011, consulting fees of $118,000 (December 31, 2010: $60,000) were charged by former directors of the Company, $58,000 of which was recovered from KGHM Ajax. As at December 31, 2011, included in accounts payable and accrued liabilities is $5,780 (December 31, 2010: $17,240) payable to the former directors.

### (d) Management's compensation

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

Expressed in Canadian dollars

## 14. RELATED PARTY TRANSACTIONS (Continued)

| Management's compensation | | Year ended December 31, 2011 | Year ended December 31, 2010 |
|---|---|---|---|
| Management's compensation as included in mineral interests | $ | 1,136,517 $ | 590,956 |
| Management's compensation as included in the statement of comprehensive loss | | 1,052,597 | 1,019,693 |
| Share-based payments (Note 11(g)) | | 392,191 | 360,180 |
| Directors' fees | | 234,900 | 297,121 |
| | $ | 2,816,205 $ | 2,267,950 |

Key management personnel were not paid post-retirement benefits, termination benefits or other long-term benefits during the years ended December 31, 2011 and 2010.

## 15. SEGMENT DISCLOSURE

The Company operates in one industry and geographical segment, the mineral resource industry, with all current activities being conducted in Canada.

## 16. FINANCIAL RISK MANAGEMENT

The Company has classified its cash and cash equivalents, restricted cash and contractual obligations as 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 |
|---|---|---|---|---|---|
| **As at December 31, 2011:** | | | | | |
| Assets | | | | | |
| Marketable securities (Note 5) | $ | - $ | - $ | - $ | - |
| Liabilities | | | | | |
| Contractual obligation (Note 7(b)) | $ | 5,000,000 $ | 5,000,000 $ | - $ | - |
| **As at December 31, 2010:** | | | | | |
| Assets | | | | | |
| Marketable securities (Note 5) | $ | 2,250 $ | 2,250 $ | - $ | - |
| Liabilities | | | | | |
| Contractual obligation (Note 7(b)) | $ | 10,706,574 $ | - $ | 10,706,574 $ | - |
| **As at January 1, 2010** | | | | | |
| Assets | | | | | |
| Marketable securities (Note 5) | $ | 2,083 $ | 2,083 $ | - $ | - |
| Liabilities | | | | | |
| Loan payable (Note 10) | $ | 2,057,725 $ | - $ | - $ | 2,057,725 |

Expressed in Canadian dollars

## 16. FINANCIAL RISK MANAGEMENT (Continued)

### (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** | | December 31, 2011 | | December 31, 2010 | | January 1, 2010 |
|---|---|---|---|---|---|---|
| Bank accounts | $ | 99,016 | $ | 1,872,507 | $ | 4,847,622 |
| Temporary investments | | 385,000 | | 500,000 | | - |
| Due from KGHM Ajax (Notes 6 and 14(a)) | | 632,125 | | 1,980,694 | | - |
| | $ | 1,116,141 | $ | 4,353,201 | $ | 4,847,622 |

### (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 $976,175 (December 31, 2010: $4,237,971) are due in the first quarter of 2012, and the contractual obligation of $5,000,000 (December 31, 2010 - $10,706,574) is potentially due the fourth quarter of 2012 (Note 7(a)). As at December 31, 2011, the Company has insufficient cash and amounts receivable in order to meets these current liabilities and obligations; however, on March 15, 2012 the Company closed a private placement for gross proceeds of $3,178,300 (Note 18(c)).

### (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. At December 31, 2010, the Company was exposed to other price risk for its contractual obligation of $10,706,574 as a portion of this obligation was subject to market prices; however, the portion of the obligation subject to market price risk was settled on April 8, 2011 (note 7(b)).

Expressed in Canadian dollars

## 17. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

As stated in Note 2, these are the Company's first financial statements being prepared in accordance with IFRS. The accounting policies described in Note 3 have been applied in preparing financial statements for the year ended December 31, 2011 and the comparative information, and in the preparation of an opening IFRS statement of financial position as at January 1, 2010, the Company's date of transition (the "IFRS Transition Date"). An explanation of IFRS 1, *First-time adoption of IFRS* ("IFRS 1") exemptions, and the required reconciliations between IFRS and Canadian GAAP are described below.

### (a) IFRS 1

IFRS 1, which governs the first-time adoption of IFRS, generally requires accounting policies to be applied retrospectively to determine the opening balance sheet on the IFRS Transition Date, and allows certain exemptions on the transition to IFRS. The elections the Company has chosen to apply include:

- not apply IFRS 3, *Business Combinations* to business combinations that occurred prior to the IFRS Transition Date;
- continue to measure equipment at its historical amortized cost; and
- not apply IFRS 2, *Share-based Payment*, to equity instruments that were fully vested or settled prior to the IFRS Transition Date.

In preparing these financial statements, the Company reflected the result of transition in the tables below.

### (b) Reconciliation of assets, liabilities and shareholders' equity

The table below provides a summary of the adjustments to the Company's statement of financial position at December 31, 2010 and January 1, 2010:

| **IFRS transition, reconciliation of statement of financial position** | | December 31, 2010 | | January 1, 2010 |
|---|---|---|---|---|
| Total assets under Canadian GAAP | $ | 42,712,995 | $ | 53,872,835 |
| Adjustment required on adoption of IFRS | | - | | - |
| **Total assets under IFRS** | **$** | **42,712,995** | **$** | **53,872,835** |
| Total liabilities under Canadian GAAP | $ | 14,944,545 | $ | 4,946,337 |
| Adjustment required on adoption of IFRS | | - | | - |
| **Total liabilities under IFRS** | **$** | **14,944,545** | **$** | **4,946,337** |
| Total shareholders' equity under Canadian GAAP | $ | 27,768,450 | $ | 48,926,498 |
| Adjustment required on adoption of IFRS | | - | | - |
| **Total shareholders' equity under IFRS** | **$** | **27,768,450** | **$** | **48,926,498** |
| **Total liabilities and shareholders' equity under IFRS** | **$** | **42,712,995** | **$** | **53,872,835** |

### (c) Reconciliation of net loss and comprehensive loss

The table below provides a summary of the adjustments to net loss and comprehensive loss for the year ended December 31, 2010:

Expressed in Canadian dollars

## 17. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

| IFRS transition, reconciliation of statement of comprehensive loss | | Year ended December 31, 2010 |
|---|---|---|
| Net loss under Canadian GAAP | $ | (25,620,271) |
| Adjustment required on adoption of IFRS | | - |
| **Net loss under IFRS** | **$** | **(25,620,271)** |
| Comprehensive loss under Canadian GAAP | $ | (25,620,125) |
| Adjustment required on adoption of IFRS | | - |
| **Comprehensive loss under IFRS** | **$** | **(25,620,125)** |

### (d) Reconciliation of cash flows

The table below provides a summary of the adjustments to cash flows for the year ended December 31, 2010:

| IFRS transition, reconciliation of statement of cash flows | | Year ended December 31, 2010 |
|---|---|---|
| Operating activities under Canadian GAAP | $ | (3,354,519) |
| Adjustment required on adoption of IFRS | | - |
| **Operating activities under IFRS** | **$** | **(3,354,519)** |
| Investing activities under Canadian GAAP | $ | (846,018) |
| Adjustment required on adoption of IFRS | | - |
| **Investing activities under IFRS** | **$** | **(846,018)** |
| Financing activities under Canadian GAAP | $ | (1,725,422) |
| Adjustment required on adoption of IFRS | | - |
| **Financing activities under IFRS** | **$** | **(1,725,422)** |

## 18. SUBSEQUENT EVENTS

### (a) Completion of the Bankable Feasibility Study

On January 6, 2012, the Company filed the Ajax Project's BFS 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 (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.

**18. SUBSEQUENT EVENTS** (Continued)

In accordance with the provisions of the Joint Venture Agreement, the Company delivered the BFS to KGHM. KGHM has 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. In the event that KGHM chooses not to increase its interest in KGHM Ajax, Abacus then has 90 days to elect to purchase KGHM's 51% interest for US$37 million, and 90 days thereafter to close on this purchase. Should Abacus choose not to purchase KGHM's interest in its entirety, Abacus' interest in KGHM Ajax can be increased to 51% by paying approximately US$1.5 million to KGHM (note 18(d)).

**(b) Stock option grant**

On January 26, 2012, the Company granted 2,670,000 stock options to employees, directors, and officers of the Company. The options have an exercise price of $0.235 and vest over an 18-month period, exercisable for five years from the date of the grant hereof.

**(c) Private placement**

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 from March 2, 2012. Estimated cash issuance costs of $215,080 were incurred by the Company in respect of this private placement, resulting in estimated net cash proceeds of $2,963,220.

**(d) KGHM exercises its option**

On April 2, 2012, KGHM exercised its option to increase its ownership in KGHM Ajax to 80%. As a result, cash consideration of US$29,907,881 was paid by KGHM to Abacus, which under the terms of the Joint Venture Agreement is required to be used by Abacus to fund Abacus' share of the investment activities of KGHM Ajax. In addition, after exercising its option, KGHM can elect at any time thereafter to become the operator of the Ajax Project; however, as of April 17, 2012 KGHM has not yet elected to become the operator.