

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

Condensed Interim Financial Statements  
**June 30, 2012**

(Unaudited)

(Expressed in Canadian dollars)

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

#### **NOTICE TO READER**

The accompanying unaudited condensed interim financial statements have been prepared by and are the responsibility of the management of Abacus Mining and Exploration Corporation.

Abacus Mining and 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, 2012	December 31, 2011
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents (Note 4)	\$ 1,917,939	\$ 484,016
Due from KGHM Ajax Mining Inc. (Note 10(a))	911,824	632,125
Prepaid expenses	31,637	160,022
Amounts receivable	<u>2,522</u>	<u>117,727</u>
	2,863,922	1,393,890
<b>Non-current assets:</b>		
Restricted cash (Note 7)	24,985,008	77,625
Investment in KGHM Ajax Mining Inc. (Note 5)	19,672,499	35,634,011
Equipment	<u>59,183</u>	<u>72,557</u>
	<u>\$ 47,580,612</u>	<u>\$ 37,178,083</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities:</b>		
Accounts payable and accrued liabilities (Note 10(b))	\$ 527,670	\$ 976,175
Contractual obligation (Note 6)	-	5,000,000
Due to KGHM Ajax Mining Inc. (Note 10(a))	<u>-</u>	<u>35,000</u>
	527,670	6,011,175
<b>Shareholders' equity</b> (Note 8):		
Capital stock	83,840,460	80,563,461
Share-based payments reserve	4,663,093	4,462,499
Deficit	<u>(41,450,611)</u>	<u>(53,859,052)</u>
	<u>47,052,942</u>	<u>31,166,908</u>
	<u>\$ 47,580,612</u>	<u>\$ 37,178,083</u>

The accompanying notes are an integral part of the condensed interim 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)  
**Condensed interim statements of comprehensive income (loss)**  
Unaudited - expressed in Canadian dollars

	Three months ended June 30, 2012	Three months ended June 30, 2011	Six months ended June 30, 2012	Six months ended June 30, 2011
<b>General and administrative expenses</b> (Note 10):				
Salaries and contract wages	\$ 842,408	\$ 310,267	\$ 1,167,641	\$ 580,941
Consulting and directors' fees	174,360	70,948	248,070	160,698
Share-based payments (Note 8(e))	147,400	116,817	369,527	279,410
Travel and promotion	66,768	89,079	180,925	199,067
Rent	58,432	58,793	115,788	109,723
Investor relations	35,615	56,950	89,526	115,754
Office and miscellaneous	32,911	58,279	68,432	82,235
Legal	29,364	5,101	29,364	39,585
Transfer agent and regulatory fees	18,295	13,879	30,027	29,422
Amortization	4,727	6,720	13,374	13,366
Accounting and audit	3,000	43,500	3,000	71,000
Insurance	-	4,972	10,367	23,666
Expense recoveries from KGHM Ajax Mining Inc. (Note 10(a))	(383,559)	(327,603)	(785,084)	(688,328)
<b>Loss before other items and income tax</b>	<b>(1,029,721)</b>	<b>(507,702)</b>	<b>(1,540,957)</b>	<b>(1,016,539)</b>
<b>Other items:</b>				
Gain on disposition of a portion of equity investment in KGHM Ajax Mining Inc. (Note 5)	9,236,552	-	9,236,552	-
Gain on contractual obligation (Note 6)	5,000,000	207,512	5,000,000	1,348,827
Foreign exchange gain on restricted cash (Note 7)	46,527	-	46,527	-
Interest income	44,218	1,608	45,276	4,758
Loss on equity investment in KGHM Ajax Mining Inc. (Note 5)	(96,850)	(189,518)	(378,957)	(447,762)
<b>Loss before income tax</b>	<b>13,200,726</b>	<b>(488,100)</b>	<b>12,408,441</b>	<b>(110,716)</b>
Deferred tax recovery (expense)	-	-	-	(162)
<b>Net income (loss) for the period</b>	<b>13,200,726</b>	<b>(488,100)</b>	<b>12,408,441</b>	<b>(110,878)</b>
Unrealized gain (loss) arising on available-for- sale securities, net of deferred taxes, during the period	-	(72)	-	817
<b>Comprehensive income (loss) for the period</b>	<b>\$ 13,200,726</b>	<b>\$ (488,172)</b>	<b>\$ 12,408,441</b>	<b>\$ (110,061)</b>
Income (loss) per share, basic and diluted	\$ 0.06	\$ 0.00	0.06	0.00
Weighted average number of common shares outstanding	212,145,792	195,645,849	205,964,396	186,121,297

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

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

**Condensed interim statements of changes in shareholders' equity**

Unaudited - expressed in Canadian dollars

	Number of shares	Capital stock	Share-based payments reserve	Accumulated other comprehensive income (loss)	Deficit	Total shareholders' equity
Balance, December 31, 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 (Note 6)	20,751,176	4,320,194	-	-	-	4,320,194
Share-based payments (Note 8(e))	-	-	279,410	-	-	279,410
Unrealized gain on available-for-sale securities, net of deferred taxes	-	-	-	817	-	817
Net loss for the six month period	-	-	-	-	(110,878)	(110,878)
Balance, June 30, 2011	197,242,093	80,563,461	4,349,718	1,885	(52,657,071)	32,257,993
Share-based payments (Note 8(e))	-	-	112,781	-	-	112,781
Unrealized gain on available-for-sale securities, net of deferred taxes	-	-	-	834	-	834
Reclassification adjustment for gain on available-for-sale securities, net of tax	-	-	-	(2,719)	-	(2,719)
Net loss for the six month period	-	-	-	-	(1,201,981)	(1,201,981)
Balance, December 31, 2011	197,242,093	80,563,461	4,462,499	-	(53,859,052)	31,166,908
Issued for cash, private placement, net of issue costs (Note 8(b)(ii))	14,446,818	2,923,536	-	-	-	2,923,536
Issued for cash, upon exercise of agent options (Note 8(b)(iii))	768,700	153,740	-	-	-	153,740
Reclassification adjustment upon exercise of agent options (Notes 8(c) and 8(d))	-	99,931	(99,931)	-	-	-
Issued for cash, upon exercise of stock options (Note 8(b)(iv))	248,500	30,790	-	-	-	30,790
Reclassification adjustment upon exercise of stock options (Notes 8(c) and 8(d))	-	69,002	(69,002)	-	-	-
Share-based payments (Note 8(e))	-	-	369,527	-	-	369,527
Net loss for the six month period	-	-	-	-	12,408,441	12,408,441
<b>Balance, June 30, 2012</b>	<b>212,706,111</b>	<b>\$ 83,840,460</b>	<b>\$ 4,663,093</b>	<b>\$ -</b>	<b>\$ (41,450,611)</b>	<b>47,052,942</b>

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

**ABACUS MINING & EXPLORATION CORPORATION** (an exploration stage company)**Condensed interim statements of cash flows**

Unaudited - expressed in Canadian dollars

	Six months ended June 30, 2012	Six months ended June 30, 2011
<b>Operating activities:</b>		
Net income (loss) for the period	\$ 12,408,441	\$ (110,878)
Items not involving cash:		
Loss on equity investment (Note 5)	378,957	447,762
Share-based payments (Note 8(e))	369,527	279,410
Amortization	13,374	13,366
Deferred tax expense (recovery)	-	182
Gain on partial disposal of equity investment (Note 5)	(9,236,552)	-
Gain on contractual obligation (Note 6)	(5,000,000)	(1,348,827)
Gain on restricted cash (Note 7)	(100,179)	-
Changes in working capital related to operating activities:		
Amounts receivable	115,205	1,159,321
Prepaid expenses	128,385	22,962
Accounts payable and accrued liabilities	(448,505)	(3,311,340)
Due from KGHM Ajax Mining Inc. (Note 10(a))	(279,699)	732,052
Due to KGHM Ajax Mining Inc. (Note 10(a))	<u>(35,000)</u>	<u>-</u>
<b>Cash used for operating activities</b>	<b><u>(1,686,046)</u></b>	<b><u>(2,115,990)</u></b>
<b>Investing activities:</b>		
Proceeds from partial disposal of equity investment (Note 5)	30,159,107	-
Restricted cash (Note 7)	(24,807,204)	-
Cash contributions to equity investment (Notes 5 & 7)	(5,340,000)	-
Equipment purchases	<u>-</u>	<u>(5,794)</u>
<b>Cash provided by (used for) investing activities</b>	<b><u>11,903</u></b>	<b><u>(5,794)</u></b>
<b>Financing activities:</b>		
Issuance of capital stock for cash, net of share issuance costs, from private placement (Note 8(b)(ii))	2,923,536	-
Issuance of capital stock for cash, net of share issuance costs, from holder's exercise of agent options (Note 8(b)(iii))	153,740	-
Issuance of capital stock for cash, net of share issuance costs, from holder's exercise of stock options (Note 8(b)(iv))	30,790	-
Issue costs for issuance of capital stock in settlement of contractual obligation	<u>-</u>	<u>(37,553)</u>
<b>Cash provided by (used for) financing activities</b>	<b><u>3,108,066</u></b>	<b><u>(37,553)</u></b>
Decrease in cash and cash equivalents during the period	1,433,923	(2,159,337)
Cash and cash equivalents, beginning of the period	<u>484,016</u>	<u>2,372,507</u>
<b>Cash and cash equivalents, end of the period</b>	<b>\$ 1,917,939</b>	<b>\$ 213,170</b>

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

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

**Notes to the condensed interim financial statements**

For the six months ended June 30, 2012

Unaudited - expressed in Canadian dollars

---

**1. NATURE OF OPERATIONS**

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

On June 28, 2010, KGHM Ajax Mining Inc. ("KGHM Ajax") was incorporated. KGHM Ajax is currently engaged principally in the exploration and development of the Ajax copper-gold project located near Kamloops, British Columbia (the "Ajax Project"). On June 29, 2010, pursuant to an investment agreement dated May 4, 2010 between Abacus and KGHM Polska Miedz S.A. ("KGHM"), Abacus transferred all of its mineral interests in the Ajax Project, with a fair value of \$37,429,581 (US\$35,549,020), to KGHM Ajax in exchange for 4,900 common shares of KGHM Ajax.

On October 12, 2010, Abacus, KGHM, and KGHM Ajax, entered into the Definitive Joint Venture Shareholders' Agreement ("Joint Venture Agreement"). Pursuant to the Joint Venture Agreement, KGHM subscribed for 5,100 common shares of KGHM Ajax which represents a 51% interest for \$37,392,200 (US\$37,000,000); these funds were used by KGHM Ajax to fund exploration and evaluation activities during 2010 and 2011 required to produce the bankable feasibility study ("BFS"). As per the Joint Venture Agreement, KGHM had the option to acquire an additional 29% interest in KGHM Ajax (for a total interest of 80%) for a maximum of US\$35,000,000 based on an aggregate value of \$0.025 per pound for 29% of the proven and probable copper equivalent reserves as defined in the BFS". For the six month period ended June 30, 2012, and the twelve month periods ended December 31, 2011 and 2010, Abacus was the Operator of the Ajax Project and KGHM Ajax reimbursed Abacus for the expenses incurred as the Operator of the Ajax Project. On August 17, 2012, KGHM notified Abacus that it was exercising its option to appoint KGHM International Ltd. as the Operator of the Ajax Project effective September 1, 2012 (Note 12(a)).

On January 6, 2012, Abacus filed the completed BFS with respect to the Ajax Project on SEDAR. 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 5).

**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 condensed interim financial statements.

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

These condensed interim financial statements have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting* ("IAS 34") as issued by the IASB. These condensed



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

**Notes to the condensed interim financial statements**

For the six months ended June 30, 2012

Unaudited - expressed in Canadian dollars

---

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

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, 2011. The 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 22, 2012.

**(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 during the period**

Effective January 1, 2012, the company adopted the following new accounting standards and interpretations:

- The Company adopted 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. There was no impact to the Company arising from the adoption of this standard.
- The Company adopted certain amendments to IAS 12, *Income Taxes*, which removed some subjectivity in determining on which basis an entity measures the deferred tax relating to an asset. The amendment introduced a presumption that an entity will assess whether the carrying value of an asset will be recovered through the sale of the asset. There was no impact to the Company arising from the adoption of this standard.

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

The following new accounting standards and interpretations have been published that are not mandatory for the June 30, 2012 reporting period:

- 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 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 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

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

**Notes to the condensed interim financial statements**

For the six months ended June 30, 2012

Unaudited - expressed in Canadian dollars

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

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 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 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 fair value through profit and loss ("FVTPL"). IFRS 9 also replaces the models for measuring equity instruments, and such instruments are either recognized at FVTPL or at fair value through other comprehensive income. The Company has not assessed the impact of the standard or determined whether it will adopt the standard early.

**4. CASH and CASH EQUIVALENTS**

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

	June 30, 2012	December 31, 2011
<b>Cash and cash equivalents</b>		
Bank accounts	\$ 67,939	\$ 99,016
Temporary investments	1,850,000	385,000
	\$ 1,917,939	\$ 484,016

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

	Six months ended June 30, 2012	Six months ended June 30, 2011
<b>Supplemental cash flows</b>		
Supplemental disclosures:		
Interest received on cash and cash equivalents	\$ 3,479	\$ 4,758
Interest received on restricted cash (Note 7)	\$ 40,739	\$ -
Interest paid	\$ -	\$ -
Income tax paid	\$ -	\$ -

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

As at June 30, 2012 the Company has a 20% (December 31, 2011: 49%) interest in KGHM Ajax. KGHM Ajax is currently engaged principally in the exploration and development of the Ajax Project.

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

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

**Notes to the condensed interim financial statements**

For the six months ended June 30, 2012

Unaudited - expressed in Canadian dollars

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

- 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
- Initial capital costs of \$795 million, including contingency of \$87 million
- Cash cost per lb of copper of \$1.28 net of gold credits
- The base case of the pre-tax economic model has an internal rate of return (IRR) of 14.5% and a net present value (NPV) of US \$416 million at an 8% discount rate, with payback of the initial capital of 7.8 years

In accordance with the provisions of the Joint Venture Agreement, the Company delivered the BFS to KGHM. KGHM had 90 days thereafter to exercise its option to acquire a further 29% of KGHM Ajax for cash consideration equal to 29% of the proven and probable copper equivalent reserve in the BFS, to a maximum of US\$35 million, payable to Abacus but for which Abacus is required to use to fund its share of KGHM Ajax's investment activities.

On April 2, 2012, KGHM exercised its option to acquire the additional 29% of KGHM Ajax, thereby increasing its ownership in KGHM Ajax to 80%. As a result, cash consideration of \$30,159,107 (US\$29,907,881) was paid by KGHM, which under the terms of the Joint Venture Agreement is required to be used by Abacus to fund Abacus' share of the investment activities of KGHM Ajax. This resulted in Abacus' Investment in KGHM Ajax account being reduced by \$20,922,555 and resulted in the recognition of \$9,236,552 gain on this partial disposition. After exercising its option, KGHM can elect thereafter to become the Operator of the Ajax Project; On August 17, 2012, KGHM notified Abacus that it was exercising its option to appoint KGHM International Ltd. as the Operator of the Ajax Project effective September 1, 2012 (Note 12(a)).

On May 30, 2012, Abacus contributed \$5,340,000 to KGHM Ajax, representing Abacus' 20% share of a cash call of KGHM Ajax made pursuant to the Joint Venture Agreement. The purpose of the cash call is to finance the continuing operations of KGHM Ajax. Abacus' \$5,340,000 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:

<b>Investment in KGHM Ajax</b>	
Investment in KGHM Ajax as of December 31, 2010	\$ 36,641,809
Abacus's share of the losses of KGHM Ajax for the year ended December 31, 2011	(1,007,798)
Investment in KGHM Ajax as of December 31, 2011	35,634,011
Abacus' share of the loss of KGHM Ajax during the three month period ended March 31, 2012	(282,107)
Investment in KGHM Ajax as of March 31, 2012	35,351,904
The impact of KGHM exercising its development option, that resulted in Abacus incurring a partial disposition of its investment in KGHM Ajax	(20,922,555)
Abacus' cash contribution to KGHM Ajax pursuant to a cash call	5,340,000
Abacus' share of the loss of KGHM Ajax during the three month period ended June 30, 2012	(96,850)
Investment in KGHM Ajax as of June 30, 2012	\$ 19,672,499

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

For the six months ended June 30, 2012

Unaudited - expressed in Canadian dollars

**5. 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:

	June 30, 2012	December 31, 2011
<b>Selected financial information of KGHM Ajax</b>		
Total current assets	\$ 28,657,384	\$ 7,334,949
Total non-current assets	<u>77,994,678</u>	<u>69,259,313</u>
Total assets	\$ 106,652,062	\$ 76,594,262
Total liabilities	\$ 8,289,569	\$ 3,871,791
Total equity	<u>98,362,493</u>	<u>72,722,471</u>
Total liabilities and equity	\$ 106,652,062	\$ 76,594,262

  

	Three months ended June 30, 2012	Three months ended June 30, 2011	Six months ended June 30, 2012	Six months ended June 30, 2011
Net loss	\$ 484,249	\$ 386,848	\$ 1,059,978	\$ 913,799

**6. MINERAL INTERESTS**

There were no expenditures deferred on mineral interests during the six months ended June 30, 2012 or the year ended December 31, 2011.

Subject to the amended asset purchase agreement with Teck Resources Limited ("Teck"), as at December 31, 2010, the Company had then recorded the fair value of the common shares component of an amount owed to Teck as a \$5,706,574 current liability and the \$5,000,000 cash component due in the fourth quarter of 2012 as a long term liability. Please refer to Note 7(b) of the December 31, 2011 annual financial statements for more details. These contractual obligations have been partially settled during the periods presented in the condensed interim financial statements as follows:

- The common share component was settled by the Company on April 8, 2011, and consequently for the period from December 31, 2010 to March 31, 2011 the Company realized a \$1,141,315 gain due to the change in the Company's share price.
- As at December 31, 2011 and March 31, 2012, the Company had provided for the remaining \$5,000,000 cash component of the contractual obligation as a current liability, as it was potentially due and payable by the Company in the fourth quarter of 2012. However, pursuant to the amended agreement to the Joint Venture Agreement dated April 1, 2011, KGHM Ajax agreed to assume the obligation to make the final \$5,000,000 cash payment. KGHM Ajax's obligation to make the cash payment was conditional on KGHM increasing its interest in KGHM Ajax to 80% as outlined in the Joint Venture Agreement. On April 2, 2012, KGHM exercised this option, and accordingly on this date the \$5,000,000 cash obligation ceased to be an obligation of Abacus; this gave rise to a corresponding \$5,000,000 gain.

**7. RESTRICTED CASH**

During the year ended December 31, 2011, the Company posted \$77,625 as security for credit cards with the Company's bank.

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

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

For the six months ended June 30, 2012

Unaudited - expressed in Canadian dollars

**7. RESTRICTED CASH** (Continued)

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

<b>Selected financial information of KGHM Ajax</b>	Funds held as security for credit cards	Funds held in trust with KGHM Ajax	Total
Balance, December 31, 2010, and March 31, 2011	\$ -	\$ -	\$ -
Funding of restricted cash during the year ended December 31, 2011	77,625	-	77,625
Balance, December 31, 2011	77,625	-	77,625
Changes to restricted cash during the 3 months ended March 31, 2012	-	-	-
Balance, March 31, 2012	77,625	-	77,625
Cash proceeds received on April 2, 2012 from the partial distribution of Abacus' investment in KGHM Ajax (Note 5)	-	30,159,107	30,159,107
Abacus' cash contribution to KGHM Ajax, during the period from April 2, 2012 to June 30, 2012, paid pursuant to a cash call of KGHM Ajax (Note 5)	-	(5,340,000)	(5,340,000)
Foreign exchange gains, during the period from April 2, 2012 to June 30, 2012, on the funds held in trust with KGHM Ajax	-	46,527	46,527
Interest income earned, during the period from April 2, 2012 to June 30, 2012, on the funds held in trust with KGHM Ajax	-	41,749	41,749
<b>Balance, June 30, 2012</b>	<b>\$ 77,625</b>	<b>\$ 24,907,383</b>	<b>\$ 24,985,008</b>

**8. SHAREHOLDERS' EQUITY**

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

**(a) Authorized capital stock**

At June 30, 2012, 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, 2012 and the year ended December 31, 2011 are as follows:

- (i) On April 8, 2011, the Company issued 20,751,176 common shares to Teck at a fair value of \$4,357,747, being the share component of the consideration required under the asset purchase agreement (Note 6). 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.
- (ii) On March 15, 2012, the Company completed a non-brokered private placement for gross proceeds of \$3,178,300 which involved the issuance of 14,446,818 Units at price of

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

For the six months ended June 30, 2012

Unaudited - expressed in Canadian dollars

**8. SHAREHOLDERS' EQUITY** (Continued)

\$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. Cash issuance costs of \$245,349 were incurred by the Company in respect of this private placement, resulting in estimated net cash proceeds of \$2,932,951.

(iii) During the six months ended June 30, 2012, pursuant to the exercises of 768,700 agent options (Note 8(d)), the Company issued 768,700 shares for cash proceeds of \$153,740.

(iv) During the six months ended June 30, 2012, pursuant to the exercises of 248,500 stock options (Note 8(e)), the Company issued 248,500 shares for cash proceeds of \$30,790.

**(c) Share purchase warrants**

At June 30, 2012 and December 31, 2011, the Company has outstanding share purchase warrants entitling the holders to acquire common shares as follows:

Expiry Date	Exercise Price	Outstanding	Issued	Exercised	Expired	Outstanding
		as at December 31, 2010				as at December 31, 2011
December 29, 2012	\$0.30	19,625,808	-	-	-	19,625,808
<hr/>						
Expiry Date	Exercise Price	Outstanding	Issued	Exercised	Expired	Outstanding
		as at December 31, 2011				as at June 30, 2012
December 29, 2012	\$0.30	19,625,808	768,700	-	-	20,394,508
March 14, 2013	\$0.32	-	7,223,409	-	-	7,223,409
		19,625,808	7,992,109	-	-	27,617,917

As a part of the March 15, 2012 private placement 7,223,409 whole warrants were issued (Note 8(b)(ii)).

On March 26, 2012, pursuant to the exercise of 14,700 agent options (Note 8(d)), the company issued 14,700 warrants. On May 16, 2012, pursuant to the exercise of 754,000 agent options (Note 8(d)), the company issued 754,000 warrants. The fair value of these warrants 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.

**(d) Agent options**

As at June 30, 2012 and December 31, 2011, agent options to acquire one common share and one share purchase warrant were outstanding as follows:

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

For the six months ended June 30, 2012

Unaudited - expressed in Canadian dollars

**8. SHAREHOLDERS' EQUITY (Continued)**

Expiry Date	Exercise Price	Outstanding	Issued	Exercised	Expired	Outstanding
		as at December 31, 2010				as at December 31, 2011
December 29, 2012	\$0.20	1,780,062	-	-	-	1,780,062

  

Expiry Date	Exercise Price	Outstanding	Issued	Exercised	Expired	Outstanding
		as at December 31, 2011				as at June 30, 2012
December 29, 2012	\$0.20	1,780,062	-	(768,700)	-	1,011,362

On March 26, 2012, 14,700 agent options were exercised for cash proceeds of \$2,940, which resulted in the issuance of 14,700 common shares (Note 8(b)(iii)) and the issuance of 14,700 share purchase warrants (Note 8(c)). On May 29, 2012, 754,000 agent options were exercised for cash proceeds of \$150,800, which resulted in the issuance of 754,000 common shares (Note 8(b)(iii)) and the issuance of 754,000 share purchase warrants (Note 8(c)).

**(e) 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 June 30, 2012, the Company had stock options outstanding to directors, officers and consultants for the purchase of 13,281,500 (December 31, 2011: 11,260,000) common shares exercisable as follows:

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

**Notes to the condensed interim financial statements**

For the six months ended June 30, 2012

Unaudited - expressed in Canadian dollars

**8. CAPITAL STOCK (Continued)**

Exercise Price	Expiry Date	Awards Outstanding		Awards Exercisable	
		Quantity	Remaining Contractual Life	Quantity	Remaining Contractual Life
\$0.450	January 11, 2013	335,000	0.53	335,000	0.53
\$0.450	February 1, 2013	800,000	0.59	800,000	0.59
\$0.140	May 5, 2013	851,500	0.85	851,500	0.85
\$0.260	August 29, 2013	1,650,000	1.16	1,650,000	1.16
\$0.150	February 20, 2014	560,000	1.64	560,000	1.64
\$0.100	March 3, 2014	200,000	1.67	200,000	1.67
\$0.200	June 29, 2014	1,730,000	2.00	1,730,000	2.00
\$0.250	September 17, 2014	100,000	2.21	100,000	2.21
\$0.180	July 21, 2015	1,000,000	3.06	1,000,000	3.06
\$0.190	August 27, 2015	1,660,000	3.16	1,660,000	3.16
\$0.190	September 7, 2015	150,000	3.19	150,000	3.19
\$0.240	December 17, 2015	600,000	3.46	600,000	3.46
\$0.270	January 12, 2016	850,000	3.53	637,500	3.53
\$0.220	April 4, 2016	125,000	3.76	93,750	3.76
\$0.235	January 26, 2017	2,670,000	4.57	967,500	4.57
		<b>13,281,500</b>	<b>2.62</b>	<b>11,335,250</b>	<b>2.30</b>

The weighted average remaining contractual life of the stock options outstanding as at June 30, 2012 is 2.62 years (December 31, 2011: 2.52 years) and the weighted average exercise price is \$0.23 (December 31, 2010: \$0.24).

A summary of the status of the Company's stock options as at June 30, 2012 and December 31, 2011, and changes during the six month and twelve month periods then ended is as follows:

Status of stock options	Number of Options	Weighted
		Average Exercise Price
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
Granted	2,670,000	\$0.24
Expired	(400,000)	\$0.65
Exercised	(248,500)	\$0.12
Forfeited	-	\$0.30
<b>Outstanding, June 30, 2012</b>	<b>13,281,500</b>	<b>\$0.23</b>

The fair value of the stock options that are expected to vest is recognized as share-based payments expense over the vesting period of the options. During the six month period ended June 30, 2012, share-based payments expense for stock option grants vesting during the period was \$369,527 (June 30, 2011: \$279,410).



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

**Notes to the condensed interim financial statements**

For the six months ended June 30, 2012

Unaudited - expressed in Canadian dollars

---

**8. CAPITAL STOCK** (Continued)

During the six month period ended June 30, 2012, the Company granted 2,670,000 stock options, having a weighted average grant date fair value of \$0.18 per share. The grant date fair value was estimated using the Black-Scholes option pricing model with the following weighted average assumptions: risk-free interest rate of 1.326%, expected life of 5 years, expected volatility of 104% and dividend yield of 0%. The total amount of share-based payments expense which is expected to be recognized over the vesting period of these stock options is calculated at \$478,180 (June 30, 2011: \$168,448) of which \$334,254 was recognized during the six month period ended June 30, 2012.

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 values were 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%. The total amount of share-based payments expense which is expected to be recognized over the vesting period of these stock options was calculated as \$196,803 of which \$8,360 was recognized during the six month period ended June 30, 2012.

**9. COMMITMENTS**

The Company currently has a lease agreement for the rental of office premises in Vancouver 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 is as follows:

<b>Minimum annual rental payments</b>		
Remainder of 2012	\$	98,370
2013	\$	86,859
2014	\$	4,186

**10. RELATED PARTY TRANSACTIONS**

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

**(a) KGHM Ajax**

For the six month periods ended June 30, 2012 and 2011, acted 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:

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

For the six months ended June 30, 2012

Unaudited - expressed in Canadian dollars

**10. RELATED PARTY TRANSACTIONS** (Continued)

	Six months ended June 30, 2012	Six months ended June 30, 2011
<b>Amounts reimbursed to Abacus as the Operator of the Ajax Project</b>		
Exploration and evaluation, and acquisition expenditures for mineral interests	\$ 2,307,843	\$ 4,752,263
Contract wages	212,775	518,687
Office and administrative expenditures	785,084	1,179,294
Equipment	-	139,715
	<u>\$ 3,305,702</u>	<u>\$ 6,589,959</u>

As at June 30, 2012, \$911,824 (December 31, 2011: \$632,125) is due from KGHM Ajax all of which is expected to be collected by August 31, 2012. As at June 30, 2012, \$nil (December 31, 2011: \$35,000) was due to KGHM Ajax.

**(b) Former directors**

For the six month period ended June 30, 2012, \$30,000 (June 30, 2011: \$90,000) of consulting fees were charged by a former director of the Company. As at June 30, 2012, included in accounts payable and accrued liabilities is \$nil (December 31, 2011: \$5,780) payable to the former director.

**(c) 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, 2012	Six months ended June 30, 2011
<b>Management's compensation</b>		
Management's compensation as included in exploration and evaluation expenditures which are wholly recovered from KGHM	\$ 447,541	\$ 479,875
Management's compensation as included in the statement of comprehensive loss	510,020	554,941
Share-based payments (Note 8(e))	369,527	279,410
Directors' fees	118,070	160,698
	<u>\$ 1,445,158</u>	<u>\$ 1,474,924</u>

Key management personnel were not paid post-retirement benefits, termination benefits or other long-term benefits during the six month period ended June 30, 2012 and the year ended December 31, 2011.

**11. FINANCIAL RISK MANAGEMENT**

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

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

For the six months ended June 30, 2012

Unaudited - expressed in Canadian dollars

**11. FINANCIAL RISK MANAGEMENT** (Continued)**(a) Fair value**

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

Fair value hierarchy	Total	Level 1	Level 2	Level 3
<b>As at December 31, 2011:</b>				
Liabilities				
Contractual obligation (Note 6)	\$ 5,000,000	\$ 5,000,000	\$ -	\$ -
<b>As at June 30, 2012:</b>				
Liabilities				
Contractual obligation (Note 6)	\$ -	\$ -	\$ -	\$ -

**(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, 2012	December 31, 2011
Bank accounts	\$ 67,939	\$ 99,016
Temporary investments	1,850,000	385,000
Due from KGHM Ajax (Notes 10(a))	911,824	632,125
Restricted cash (Note 7)	24,985,008	77,625
	\$ 27,814,771	\$ 1,116,141

**(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 \$527,670 (December 31, 2011: \$976,175) are due in the third quarter of 2012.

**(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.

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

**Notes to the condensed interim financial statements**

For the six months ended June 30, 2012

Unaudited - expressed in Canadian dollars

---

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

(ii) *Foreign currency risk*

The Company is not exposed to significant foreign currency risk.

(iii) *Other price risk*

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

**12. SUBSEQUENT EVENTS**

**(a) Change in Ajax Project's Operator**

In accordance with the provisions of the Joint Venture Agreement, after exercising its option on April 2, 2012 to increase its ownership in KGHM Ajax to 80%, KGHM has the option there-after to become the Operator of the Ajax Project. On August 17, 2012, KGHM notified Abacus that it was exercising its option to appoint KGHM International Ltd. as the Operator of the Ajax Project effective September 1, 2012.