Abacus Mining & Exploration Corporation
(An exploration stage company)

Financial Statements
December 31, 2012 and 2011

(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 9, 2013

SmytheRatcliffe
CHARTERED ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Abacus Mining & Exploration Corporation, which comprise the statements of financial position as at December 31, 2012 and 2011, and the statements of comprehensive income (loss), changes in shareholders' equity and cash flows for the years then ended, 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, 2012 and 2011, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Smythe Ratcliffe LLP

Chartered Accountants

Vancouver, British Columbia
April 9, 2013

7th Floor 355 Burrard St
Vancouver, BC V6C 2G8

Tel: 604 687 1231
Fax: 604 688 4675
smytheratcliffe.com

ABACUS MINING & EXPLORATION CORPORATION
Statements of financial position
December 31, 2012 and 2011
Expressed in Canadian dollars

		2012		2011
ASSETS				
Current assets:				
Cash and cash equivalents (Note 4)	$	1,353,626	$	484,016
Due from KGHM Ajax Mining Inc. (Note 11)		314,032		632,125
Prepaid expenses		28,113		160,022
Amounts receivable		17,506		117,727
		1,713,277		1,393,890
Non-current assets:				
Restricted cash (Note 7)		24,877,931		77,625
Investment in KGHM Ajax Mining Inc. (Note 5)		19,418,661		35,634,011
Equipment		49,728		72,557
	$	**46,059,597**	**$**	**37,178,083**
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities:				
Accounts payable and accrued liabilities (Notes 11 and 12)	$	154,258	$	976,175
Contractual obligation (Note 6)		-		5,000,000
Due to KGHM Ajax Mining Inc. (Note 11)		-		35,000
		154,258		6,011,175
Shareholders' equity: (Note 8)				
Capital stock		84,345,175		80,563,461
Share-based payments reserve		4,377,159		4,462,499
Deficit		(42,816,995)		(53,859,052)
		45,905,339		31,166,908
	$	**46,059,597**	**$**	**37,178,083**

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

Approved on behalf of the Board by:

"James Excell"
Director

"Tom McKeever"
Director

ABACUS MINING & EXPLORATION CORPORATION
Statements of comprehensive income (loss)
For the years ended December 31, 2012 and 2011
Expressed in Canadian dollars

		2012		2011
General and administrative expenses				
Salaries and contract wages	$	2,002,778	$	1,192,530
Share-based payments (Note 8)		470,025		392,191
Consulting and directors' fees		383,785		309,708
Travel and promotion		289,280		288,406
Rent		227,618		225,081
Investor relations		130,179		218,978
Office and miscellaneous		124,185		131,187
Legal		124,120		46,035
Transfer agent and regulatory fees		53,173		33,874
Accounting and audit		53,000		149,310
Insurance		42,638		47,628
Amortization		22,829		26,807
Expense recoveries from KGHM Ajax Mining Inc. (Note 11)		(1,345,298)		(1,396,201)
		(2,578,312)		(1,665,534)
Other items:				
Gain on partial disposition of equity investment in KGHM Ajax Mining Inc. (Notes 5 and 6)		14,236,552		-
Gain on contractual obligation (Note 6)		-		1,348,827
Interest income		109,520		8,683
Foreign exchange gain on restricted cash (Note 7)		(92,908)		-
Realized gain on available-for-sale securities				3,125
Share of loss in equity investment in KGHM Ajax Mining Inc.		(632,795)		(1,007,798)
Income (loss) before income tax		11,042,057		(1,312,697)
Deferred tax expense (Note 10)		-		(162)
Net income (loss) for the year		**11,042,057**		**(1,312,859)**
Unrealized gain arising on available-for-sale securities, net of deferred taxes, during the year		-		1,651
Reclassification adjustment for gain realized during the year on available-for-sale securities included in net loss		-		(2,719)
Comprehensive income (loss) for the year	**$**	**11,042,057**	**$**	**(1,313,927)**
Earnings (loss) per share, basic and diluted	$	0.05	$	(0.01)
Weighted average number of common shares outstanding		209,710,948		191,727,397

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

ABACUS MINING & EXPLORATION CORPORATION
Statements of changes in shareholders' equity
For the years ended December 31, 2012 and 2011
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(f))	-	-	392,191	-	-	392,191
Unrealized gain on available-for-sale securities, net of deferred taxes	-	-	-	1,651	-	1,651
Reclassification adjustment for gain on available-for-sale securities, net of tax	-	-	-	(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
Issued for cash, private placement, net of issue costs (Note 8(c)(ii))	14,446,818	2,922,609	-	-	-	2,922,609
Issued for cash, upon exercise of agent options (Note 8(c)(iii))	768,700	153,740	-	-	-	153,740
Reclassification adjustment upon exercise of agent options (Notes 8(d) and 8(e))	-	99,931	(99,931)	-	-	-
Issued for cash, upon exercise of stock options (Note 8(c)(iv))	1,100,000	150,000	-	-	-	150,000
Reclassification adjustment upon exercise of stock options (Notes 8(d) and 8(e))	-	455,434	(455,434)	-	-	-
Share-based payments (Note 8(f))	-	-	470,025	-	-	470,025
Net income for the year	-	-	-	-	11,042,057	11,042,057
Balance, December 31, 2012	**213,557,611 $**	**84,345,175 $**	**4,377,159 $**	**- $**	**(42,816,995) $**	**45,905,339**

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

ABACUS MINING & EXPLORATION CORPORATION
Statements of cash flows
For the years ended December 31, 2012 and 2011
Expressed in Canadian dollars

		2012		2011
Operating activities				
Net Income (loss) for the year	$	11,042,057	$	(1,312,859)
Items not involving cash:				
Share of loss in equity accounted investment (Note 5)		632,795		1,007,798
Share-based payments (Notes 8 and 11)		470,025		392,191
Amortization		22,829		26,807
Unrealized gain on restricted cash (Note 7)		18,801		-
Gain on contractual obligation (Note 6)		0		(1,348,827)
Gain on partial disposition of equity investment (Notes 5 and 6)		(14,236,552)		-
Deferred tax expense (Note 10)		-		182
Realized gain on available-for-sale securities		-		(3,125)
Changes in working capital related to operating activities:				
Due from KGHM Ajax Mining Inc. (Note 11)		318,093		1,348,569
Prepaid expenses		131,909		101,297
Amounts receivable		100,221		1,129,320
Due to KGHM Ajax Mining Inc. (Note 11(a))		(35,000)		35,000
Accounts payable and accrued liabilities		(821,917)		(3,261,796)
Cash used for operating activities		**(2,356,739)**		**(1,885,443)**
Investing activities				
Proceeds from partial disposition of equity interest		30,159,107		-
Cash contribution to equity investment (Note 5)		(5,340,000)		-
Restricted cash (Note 7)		(24,819,107)		(77,625)
Mining exploration tax credit receivable		-		116,252
Proceeds from disposition of marketable securities		-		4,125
Equipment purchases		-		(8,247)
Cash provided by investing activities		**-**		**34,505**
Financing activities				
Issuance of capital stock for cash from private placement (Note 8(c)(ii))		2,922,609		-
Issuance of capital stock for cash from holder's exercise of agent options (Note 8(c)(iii))		153,740		-
Issuance of capital stock for cash, net of share issuance costs, from holder's exercise of stock options (Note 8(c)(iv))		150,000		-
Issue costs for issuance of capital stock in settlement of contractual obligations (Note 8(c)(i))		-		(37,553)
Cash provided by (used for) financing activities		**3,226,349**		**(37,553)**
Increase (decrease) in cash and cash equivalents during the year		869,610		(1,888,491)
Cash and cash equivalents, beginning of year		484,016		2,372,507
Cash and cash equivalents, end of year	**$**	**1,353,626**	**$**	**484,016**

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

On June 28, 2010, KGHM Ajax Mining Inc. ("KGHM Ajax") was incorporated. KGHM Ajax is currently focused in the exploration and development of the Ajax copper-gold project located near Kamloops, British Columbia (the "Ajax Project").

On June 29, 2010, pursuant to an investment agreement dated May 4, 2010 between Abacus and KGHM Polska Miedz S.A. ("KGHM"), Abacus transferred all of its mineral interests in the Ajax Project, with a fair value of $37,429,581 (US$35,549,020), to KGHM Ajax in exchange for 4,900 common shares of KGHM Ajax.

On October 12, 2010, Abacus, KGHM, and KGHM Ajax, entered into the Definitive Joint Venture Shareholders' Agreement ("Joint Venture Agreement"). Pursuant to the Joint Venture Agreement, KGHM subscribed for 5,100 common shares of KGHM Ajax which represents a 51% interest for $37,392,200 (US$37,000,000); these funds were used by KGHM Ajax to fund exploration and evaluation activities during 2010 and 2011 required to produce the bankable feasibility study ("BFS"). As per the Joint Venture Agreement, KGHM had the option to acquire an additional 29% interest in KGHM Ajax (for a total interest of 80%) for a maximum of US$35,000,000 based on an aggregate value of $0.025 per pound for 29% of the proven and probable copper equivalent reserves as defined in the BFS. On January 6, 2012, Abacus filed on SEDAR the completed BFS with respect to the Ajax Project.

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

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

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES, AND ASSUMPTIONS

(a) Basis of preparation

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

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.

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, 2012. 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 9, 2013.

(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 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.

(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 statements 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 the year ended December 31, 2012.

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 statements of comprehensive income (loss). The Company's 20% (2011: 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.

(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, and 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) Earnings (loss) per share

Earnings (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 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 8. 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 share based payments reserve 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 income 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 income 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) 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.

(k) 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 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.

(l) 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 statements of financial position 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 (loss).
- *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 (loss).

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 statements of financial position 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.

(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.

(m) 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, 2012 reporting period:

- On January 1, 2013, the Company will be required to adopt IFRS 10, *Consolidated Financial Statements*, which applies to accounting for interest in investees where the Company has control. The Company has not assessed the impact of adopting 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.
- 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.
- 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.
- On January 1, 2013, Abacus will be required to adopt International Accounting Standards ("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.
- 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

Expressed in Canadian dollars

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.

4. CASH AND CASH EQUIVALENTS

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

Cash and cash equivalents		2012		2011
Bank accounts	$	153,626	$	99,016
Temporary investments		1,200,000		385,000
	$	1,353,626	$	484,016

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

Supplemental cash flows		2012		2011
Non-cash investing and financing transactions:				
Reclassification of share-based payment reserve to capital stock upon exercise of stock options	$	455,434	$	-
Reclassification of share based payment reserve to capital stock upon exercise of agents' options	$	99,931	$	-
Issuance of capital stock in settlement of contractual obligation (Notes 8(c)(i))	$	-	$	4,357,747
Supplemental disclosures:				
Interest on cash and cash equivalents	$	9,712	$	8,683
Interest on restricted cash (Note 7)	$	36,861	$	-
Interest paid	$	-	$	-
Income tax paid	$	-	$	-

5. INVESTMENT IN KGHM AJAX MINING INC.

As at December 31, 2012, the Company has a 20% (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 on SEDAR the BFS with respect to the Ajax Project.

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

On April 2, 2012, KGHM exercised its option to acquire the additional 29% of KGHM Ajax, thereby increasing its ownership in KGHM Ajax to 80%. As a result, cash consideration of $30,159,107 (US$29,907,881) was paid by KGHM which under the terms of the Joint Venture Agreement is required to fund Abacus' share of the investment activities of KGHM Ajax. This resulted in Abacus' "Investment in

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KGHM Ajax" account being reduced by $20,922,555 and resulted in the recognition of $9,236,552 gain on this partial disposition. As part of the transaction, KGHM assumed the contractual obligation to Teck Resources Limited ("Teck"), resulting in the recognition of an additional gain of $5,000,000 (Note 6). Pursuant to the terms of the Joint Venture Agreement, on August 17, 2012, KGHM notified Abacus that it was exercising its option to appoint KGHM International Ltd. as the Operator of the Ajax Project, effective September 1, 2012.

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

The Company continues to exert significant influence over KGHM Ajax and, therefore, continues to equity account for its investment in KGHM Ajax.

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

Investment in KGHM Ajax		
Investment in KGHM Ajax as of December 31, 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
Partial disposition of investment in KGHM-Ajax		(20,922,555)
Abacus' cash contribution to KGHM Ajax pursuant to a cash call		5,340,000
Abacus' share of the loss of KGHM Ajax for the year ended December 31, 2012		(632,795)
Investment in KGHM Ajax as of December 31, 2012	**$**	**19,418,661**

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		2012		2011
Total current assets	$	6,434,745	$	7,334,949
Total non-current assets		95,229,896		69,259,313
Total assets	$	101,664,641	$	76,594,262
Total liabilities	$	(4,571,336)	$	3,871,791
Total equity		(97,093,305)		72,722,471
Total liabilities and equity	$	(101,664,641)	$	76,594,262

		Year ended December 31, 2012		Year ended December 31, 2011
Net loss	$	(2,329,166)	$	(2,056,731)

6. MINERAL INTERESTS & CONTRACTUAL OBLIGATION

There were no expenditures deferred on mineral interests during the years ended December 31, 2012 and 2011.

Subject to the amended asset purchase agreement with 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. These contractual obligations were settled during the periods presented in the financial statements as follows:

- The common share component was settled by the Company on April 8, 2011, and consequently during the year ended December 31, 2011, the Company realized a $1,348,827 gain due to the change in the Company's share price.
- As at December 31, 2011, 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 (Note 5).

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. During the fourth quarter of 2012, the Company was able to release $25,613 of these funds.

On April 2, 2012, as a result of KGHM exercising its option to acquire an additional 29% of KGHM Ajax, the cash consideration of $30,159,107 (US$29,907,881) paid by KGHM was placed into trust with KGHM-Ajax. As per the terms of the Joint Venture Agreement these funds are required to be held in trust by KGHM Ajax. The funds are invested in cashable guaranteed investment certificates and interest savings accounts with major Canadian financial institutions which earn market rates of interest. These funds can only be used to fund Abacus' share of the investment activities of KGHM Ajax (Note 5). Accordingly, these funds of Abacus are presented as restricted cash.

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

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Restricted cash	Funds held as security for credit cards	Funds held in trust with KGHM Ajax	Total
Balance, December 31, 2011	$ 77,625	$ -	$ 77,625
Reduction of funds held as security, during the year ended December 31, 2012	(25,613)	-	(25,613)
Cash proceeds received on April 2, 2012 from the partial disposition of Abacus' investment in KGHM Ajax (Note 5)	-	30,159,107	30,159,107
Abacus' cash contribution to KGHM Ajax on May 30, 2012 (Note 5)	-	(5,340,000)	(5,340,000)
Unrealized foreign exchange loss	-	(92,908)	(92,908)
Unrealized interest income	-	99,720	99,720
Balance, December 31, 2012	**$ 52,012**	**$ 24,825,919**	**$ 24,877,931**

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 (Note 8(f)), agents options (Note 8(e)), and share purchase warrants (Note 8(d)).

(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 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, 2012. The Company is not subject to externally imposed capital requirements.

(b) Authorized capital stock

At December 31, 2012, 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, 2012 and 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

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$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 12 months. Cash issuance costs of $255,691 were incurred by the Company in respect of this private placement, resulting in net cash proceeds of $2,922,609.

(iii) During the year ended December 31, 2012, pursuant to the exercises of 768,700 agent options (Note 8(d)), the Company issued 768,700 shares for cash proceeds of $153,740.

(iv) During the year ended December 31, 2012, pursuant to the exercises of 1,100,000 stock options (Note 8(f)), the Company issued 1,100,000 shares for cash proceeds of $150,000.

(d) Share purchase warrants

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

Expiry Date	Exercise Price	Outstanding as at December 31, 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 December 31, 2011	Issued	Exercised	Expired	Outstanding as at December 31, 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	-	(20,394,508)	7,223,409

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

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

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(e) Agent options

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

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

Expiry Date	Exercise Price	Outstanding as at December 31, 2011	Issued	Exercised	Expired	Outstanding as at December 31, 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(d)) and the issuance of 14,700 share purchase warrants (Note 8(d)). 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(d)) and the issuance of 754,000 share purchase warrants (Note 8(d)).

(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, 2012, the Company had stock options outstanding to directors, officers and consultants for the purchase 11,260,000 (2011: 11,260,000) common shares exercisable as follows:

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		Awards Outstanding		Awards Exercisable	
Exercise Price	Expiry Date	Quantity	Remaining Contractual Life	Quantity	Remaining Contractual Life
$0.450	January 11, 2013	335,000	0.03	335,000	0.03
$0.450	February 1, 2013	800,000	0.09	800,000	0.09
$0.260	August 29, 2013	1,650,000	0.66	1,650,000	0.66
$0.150	February 20, 2014	560,000	1.14	560,000	1.14
$0.100	March 3, 2014	200,000	1.17	200,000	1.17
$0.200	June 29, 2014	1,530,000	1.49	1,530,000	1.49
$0.250	September 17, 2014	100,000	1.71	100,000	1.71
$0.180	July 21, 2015	1,000,000	2.55	1,000,000	2.55
$0.190	August 27, 2015	1,560,000	2.65	1,560,000	2.65
$0.190	September 7, 2015	150,000	2.68	150,000	2.68
$0.240	December 17, 2015	200,000	2.96	200,000	2.96
$0.270	January 12, 2016	850,000	3.03	850,000	3.03
$0.220	April 4, 2016	125,000	3.26	125,000	3.26
$0.235	January 26, 2017	2,200,000	4.07	1,200,000	4.07
		11,260,000	**2.14**	**10,260,000**	**1.95**

The weighted average remaining contractual life of the stock options outstanding as at December 31, 2012 is 2.14 years (2011: 2.52 years).

A summary of the status of the Company's stock options as at December 31, 2012 and 2011, and changes during the years 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	(1,100,000)	$0.14
Forfeited	(1,170,000)	$0.23
Outstanding, December 31, 2012	**11,260,000**	**$0.24**

The fair value of the stock options that are expected to vest is recognized as a share-based payments expense over the vesting period of the options. During the year ended December 31, 2012, share-based payments expense for stock option grants vesting during the period was $470,025 (2011: $392,191).

During the years ended December 31, 2012, the Company granted 2,670,000 stock options, having a weighted average grant date fair value of $0.18 per share. The grant date fair value was estimated using the Black-Scholes option pricing model with the following weighted average assumptions: risk-free interest rate of 1.326%, expected life of five years, expected volatility of 104% and dividend yield of 0%. The total amount of share-based payments expense, which is expected to be recognized over the vesting period of these stock options, is calculated at $472,787 of which $432,929 was recognized during the year ended December 31, 2012.

Expressed in Canadian dollars

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 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 four 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 $197,053 of which $37,096 was recognized during the year ended December 31, 2012 (2011: $160,407).

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:

Minimum annual rental payments		
2013	$	86,859
2014	$	4,186

10. INCOME TAXES

The Company is subject to Canadian federal and British Columbia provincial income taxes. Income tax expense (recovery) differs from the amount that would be computed by applying the combined federal and provincial statutory income tax rate of 25% (2011: 26.5%) to loss before income taxed, due to the following:

Income taxes		Year ended December 31, 2012		Year ended December 31, 2011
Accounting profit (loss) before income tax	$	11,042,057	$	(1,312,697)
Statutory rate for the year		25.0%		26.5%
Statutory rate for the year		2,760,514		(347,865)
Unused tax losses and tax offsets not recognized		(1,403,966)		642,889
Non-deductible items		122,174		(248,672)
Change in timing differences		(1,478,306)		18,786
Amounts under those provided for in prior year		(416)		(64,976)
Tax expense reported	**$**	**-**	**$**	**162**

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, 2012 and 2011 are presented below:

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Recognized deferred income tax assets and liabillities		December 31, 2012		December 31, 2011
Recognized/deferred income tax assets:				
Non-capital loss carry-forwards	$	-	$	-
		-		-
Recognized deferred income tax liabilities				
Marketable securities		-		-
		-		-
Net deferred income tax asset (liability)	**$**	**-**	**$**	**-**

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:

Unrecognized deferred income tax assets		December 31, 2012		December 31, 2011
Capital loss carry-forwards	$	427,966	$	1,428,829
Non-capital loss carry-forwards		773,828		1,377,978
Non-refundable mining income tax credit		685,584		685,584
Share issue costs		181,162		230,080
Excess of tax values over accounting values of:				
Investments		149,840		224,446
Mineral interests		104,851		129,446
Equipment		2,443		14,701
Net unrealized deferred income tax assets	**$**	**2,325,674**	**$**	**4,091,064**

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

Loss carry-forwards		December 31, 2012		December 31, 2011
Capital losses, which carry forward indefinitely to offset future capital gains	$	3,423,728	$	11,430,634
Non-capital losses, that expire as follows:				
2010 - 2027	$	-	$	-
2028	$	-	$	1,086,000
2029	$	1,199,261	$	2,740,000
2031	$	1,896,050	$	1,802,138

The Company qualifies for Mineral Exploration Tax Credit ("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.

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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. There were no qualifying expenditures incurred by the Company during the years ended December 31, 2012 and 2011.

11. 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 year ended December 31, 2012, the Company acted as the Operator for the Ajax Project on behalf of KGHM Ajax between January 1 and August 31, and was reimbursed for direct costs it incurred as the Operator. The Company offsets amounts recovered against the respective expense item. The Company was reimbursed the following amounts from KGHM Ajax:

Amounts reimbursed to Abacus		December 31, 2012		December 31, 2011
Exploration and evaluation, and acquisition expenditures for mineral interests	$	2,646,090	$	8,569,403
Contract wages		429,372		1,091,522
Office and administrative expenditures		1,805,594		398,716
Equipment		-		73,819
	$	4,881,056	$	10,133,460

As at December 31, 2012, $314,032 (2011: $632,125) is due from KGHM Ajax all of which was collected by February 15, 2013. As at December 31 2012, $nil (2011: $35,000) was due to KGHM Ajax.

(b) Former directors

For the year ended December 31, 2012, $48,000 (2011: $118,000) of consulting fees were charged by a former director of the Company. As at December 31, 2012, included in accounts payable and accrued liabilities is $nil (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:

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Management's compensation		2012	2011
Management's compensation as included in exploration and evaluation expenditures which are wholly recovered from KGHM Ajax	$	1,475,164 $	1,136,517
Management's compensation as included in the statement of comprehensive income (loss)		624,750	1,052,597
Share-based payments (Note 8(f))		470,025	392,191
Directors' fees		235,570	234,900
	$	2,805,509 $	2,816,205

During the year the Company paid $1,071,998 in severance payments (2011: $nil) of which $626,818 were recovered from KGHM Ajax and included in the above summary of recoveries. Key management personnel were not paid post-retirement benefits or other long-term benefits during the years ended December 31, 2012 and 2011.

12. FINANCIAL RISK MANAGEMENT

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

(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:					
Liabilities					
Contractual obligation (Note 6)	$	5,000,000 $	5,000,000 $	- $	-
As at December 31, 2012:					
Assets					
Funds held in trust with KGHM Ajax (Note 7)	$	24,825,918 $	24,825,918 $	- $	-

(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 (Note 4) and restricted cash (Note 7), 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, 2012		December 31, 2011
Bank accounts	$	153,626	$	99,016
Temporary investments		1,200,000		385,000
Due from KGHM Ajax (Notes 11(a))		314,032		632,125
Restricted cash (Note 7)		24,877,931		77,625
	$	26,545,589	$	1,193,766

(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 $154,258 (2011: $976,175) are due in the first quarter of 2013. As at December 31, 2012, the Company has sufficient cash in order to meets these current liabilities and obligations.

(d) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign currency risk and other price risk.

(i) *Interest rate risk*

(a) To the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk.

(b) To the extent that changes in prevailing market rates differ from the interest rate in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

The Company is not exposed to significant interest rate risk.

(ii) *Foreign currency risk*

The Company's restricted cash includes US $6,000,000. A 5% fluctuation in the Canadian dollar, US dollar exchange rate would result in a fluctuation of $300,000 in the restricted cash held in US dollars.

(iii) *Other price risk*

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

13. SEGMENT DISCLOSURE

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

14. SUBSEQUENT EVENT

Extension of term of warrants

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