

Abacus Mining & Exploration Corporation
(an exploration stage company)

Condensed Interim Financial Statements
June 30, 2014

(Unaudited)

(Expressed in Canadian dollars)

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NOTICE TO READER

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

Abacus Mining & Exploration Corporation's independent auditor has not performed a review of these unaudited condensed interim financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

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

Unaudited - expressed in Canadian dollars

	June 30, 2014	December 31, 2013
ASSETS		
Current assets:		
Cash and cash equivalents (Note 4)	\$ 2,922,196	\$ 404,516
Amounts receivable	15,891	27,155
Prepaid expenses	<u>12,479</u>	<u>8,897</u>
	2,950,566	440,568
Non-current assets:		
Restricted cash (Note 7)	11,673,156	15,960,900
Loan receivable (Note 5)	250,000	-
Investment in KGHM Ajax Mining Inc. (Note 6)	33,128,708	28,776,426
Equipment	<u>31,270</u>	<u>36,155</u>
	<u>\$ 48,033,700</u>	<u>\$ 45,214,049</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities (Note 9)	\$ 102,683	\$ 47,190
Loan payable (Note 7)	<u>3,000,000</u>	<u>-</u>
	3,102,683	47,190
Shareholders' equity (Note 8):		
Capital stock	84,408,367	84,382,367
Share-based payments reserve	4,588,213	4,505,692
Deficit	<u>(44,065,563)</u>	<u>(43,721,200)</u>
	<u>44,931,017</u>	<u>45,166,859</u>
	<u>\$ 48,033,700</u>	<u>\$ 45,214,049</u>

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

Subsequent events – Note 11

Approved on behalf of the Board by:

"Michael McInnis"
Chief Executive Officer"Tom McKeever"
Director

ABACUS MINING & EXPLORATION CORPORATION (an exploration stage company)**Condensed interim statements of comprehensive income (loss)**

Unaudited - expressed in Canadian dollars

	Three months ended June 30, 2014	Three months ended June 30, 2013	Six months ended June 30, 2014	Six months ended June 30, 2013
General and administrative expenses:				
Salaries and contract wages	\$ 41,840	\$ 167,266	\$ 113,647	\$ 357,386
Legal & Accounting/Audit	38,860	-	38,860	6,142
Share-based payments (Note 8(c))	27,585	14,544	82,521	33,379
Consulting and directors' fees	17,917	64,627	47,292	129,612
Office and miscellaneous	16,855	21,963	26,334	35,271
Transfer agent and regulatory fees	10,099	12,915	18,244	23,938
Insurance	7,338	7,625	14,676	15,250
Travel and promotion	6,852	10,442	9,918	34,775
Rent	6,086	18,126	26,431	71,008
Amortization	2,442	4,727	4,885	9,455
Investor relations	2,350	8,200	2,850	26,200
Expense recoveries from KGHM Ajax Mining Inc. (Note 9 (a))	-	-	-	(19,670)
Loss before other items and income tax	(178,224)	(330,435)	(385,658)	(722,746)
Other items:				
Interest income	42,636	54,015	68,312	93,555
Loss on equity investment in KGHM Ajax Mining Inc. (Note 6)	(65,581)	(79,511)	(47,718)	(151,950)
Foreign exchange gain (loss) on restricted cash (Note 7)	(231,344)	279,369	20,701	403,618
Net income (loss) before income tax	\$ (432,513)	(76,562)	(344,363)	(377,523)
Comprehensive income (loss) for the period	\$ (432,513)	(76,562)	(344,363)	(377,523)
Income (loss) per share, basic and diluted	\$ 0.00	0.00	0.00	0.00
Weighted average number of common shares outstanding	214,157,611	213,757,611	214,157,611	213,757,611

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

ABACUS MINING & EXPLORATION CORPORATION (an exploration stage company)

Condensed interim statements of changes in shareholders' equity

Unaudited - expressed in Canadian dollars

	Number of shares	Capital stock	Share-based payments reserve	Deficit	Total shareholders' equity
Balance, December 31, 2012	213,557,611	\$ 84,345,175	\$ 4,377,159	\$ (42,816,995)	\$ 45,905,339
Issued for cash, private placement, net of issue costs (Note 8(b)(ii))	-	-	-	-	-
Issued for cash, upon exercise of agent options (Note 8(b)(iii))	-	-	-	-	-
Reclassification adjustment upon exercise of agent options (Notes 8(c) and 8(d))	-	-	-	-	-
Issued for cash, upon exercise of stock options (Note 8(b))	200,000	20,000	-	-	20,000
Reclassification adjustment upon exercise of stock options (Notes 8(c) and 8(d))	-	-	-	-	-
Share-based payments (Note 8(e))	-	-	-	-	-
Reclassification adjustment upon exercise of stock options (Notes 8(c))	-	17,192	16,187	-	33,379
Net loss for the six month period	-	-	-	(377,523)	(377,523)
Balance, June 30, 2013	213,757,611	\$ 84,382,367	\$ 4,393,346	\$ (43,194,518)	\$ 45,581,195
Share-based payments (Note 8(c))	-	-	145,725	-	145,725
Reclassification adjustment upon exercise of stock options (Notes 8(c))	-	-	(33,379)	-	(33,379)
Net loss for the six month period	-	-	-	(526,683)	(526,683)
Balance, December 31, 2013	213,757,611	\$ 84,382,367	\$ 4,505,692	\$ (43,721,201)	\$ 45,166,858
Share-based payments (Note 8(c))	-	-	82,521	-	82,521
Issued for settlement of debt, private placement	400,000	26,000	-	-	26,000
Reclassification adjustment upon exercise of stock options (Notes 8(c))	-	-	-	-	-
Net profit for the six month period	-	-	-	(344,363)	(344,363)
Balance, June 30, 2014	214,157,611	\$ 84,408,367	\$ 4,588,213	\$ (44,065,563)	\$ 44,931,017

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, 2014	Six months ended June 30, 2013
Operating activities:		
Net income (loss) for the period	\$ (344,363)	\$ (377,523)
Items not involving cash:		
Share-based payments (Note 8(c))	82,521	33,379
Loss (Profit) on equity investment (Note 6)	47,718	151,950
Amortization	4,885	9,455
Unrealized gain on restricted cash (net) (Note 7)	(87,047)	(478,975)
Changes in working capital related to operating activities:		
Accounts payable and accrued liabilities	56,284	(119,243)
Prepaid expenses	14,676	15,250
Amounts receivable	(256,994)	12,657
Due from KGHM Ajax Mining Inc. (Note 9(a))	-	320,900
Cash used for operating activities	<u>(482,320)</u>	<u>(432,150)</u>
Financing activities:		
Issuance of capital stock for settlement of debt, from private placement (Note 8(b))	-	-
Issuance of capital stock for cash, net of share issuance costs, from holder's exercise of stock options (Note 8(b))	-	20,000
Loan payable to KGHM (Note 7)	3,000,000	-
Cash provided by (used for) financing activities	<u>3,000,000</u>	<u>20,000</u>
Decrease in cash and cash equivalents during the period	2,517,680	(412,150)
Cash and cash equivalents, beginning of the period	<u>404,516</u>	<u>1,353,626</u>
Cash and cash equivalents, end of the period	\$ <u>2,922,196</u>	\$ <u>941,476</u>

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, 2014

Unaudited - expressed in Canadian dollars

1. NATURE OF OPERATIONS

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

On June 28, 2010, KGHM Ajax Mining Inc. (“KGHM Ajax”), a private company, 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 6).

Until September 1, 2012, Abacus was the operator of the Ajax Project and KGHM Ajax reimbursed Abacus for the expenses incurred as the operator of the Ajax Project. On August 17, 2012, KGHM notified Abacus that it was exercising its option to appoint KGHM International Ltd. (“KGHMI”) as the operator of the Ajax Project effective September 1, 2012.

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

(a) Basis of preparation

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

These condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. Interim financial statements do not include all the information required for full annual financial statements. The condensed interim financial statements should be read in conjunction with the Company’s annual financial statements for the year ended December 31, 2013. These condensed interim financial statements of Abacus were reviewed by the Audit Committee, and the Board of Directors approved and authorized them for issuance on August 28, 2014.

Notes to the condensed interim financial statements

For the six months ended June 30, 2014

Unaudited - expressed in Canadian dollars

(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) The Company has adopted the following new IFRS pronouncements:

- IAS 32 “Financial Instruments: Presentation” is effective for annual periods beginning on or after January 1, 2014.
- IAS 36, “Impairment of Assets” is effective for annual periods beginning on or after January 1, 2014.
- IFRIC 21, “Levies” is effective for annual periods beginning on or after January 1, 2014.

The Company has evaluated the impact of this standard on its financial statements, and believes it has no impact on the statements of financial position or results of operations.

(b) New accounting standards not yet adopted

- IFRS 9, “Financial Instruments: Classification and Measurement” is effective for annual periods beginning on or after January 1, 2018.

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

4. CASH and CASH EQUIVALENTS

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

	June 30, 2014	December 31, 2013
Cash and cash equivalents		
Bank accounts	\$ 2,772,196	\$ 29,516
Temporary investments	<u>150,000</u>	<u>375,000</u>
	<u>\$ 2,922,196</u>	<u>\$ 404,516</u>

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

For the six months ended June 30, 2014

Unaudited - expressed in Canadian dollars

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

	Six months ended June 30, 2014	Six months ended June 30, 2013
Supplemental cash flows		
Supplemental disclosures:		
Interest on cash and cash equivalents	\$ 1,966	\$ 18,266
Interest on restricted cash (Note 7)	\$ 66,346	\$ 75,289

5. LOAN RECEIVABLE

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

6. INVESTMENT IN KGHM AJAX MINING INC.

As at June 30, 2014, the Company owns 20% of the common and voting shares of KGHM Ajax. (December 31, 2013: 20%) and has representation on the board of directors, such that the Company is considered to have significant influence over KGHM Ajax. Accordingly, the Company accounts for its investment in KGHM Ajax using the equity method as prescribed under International Financial Reporting Standards. Under the equity method the Company's investment in KGHM Ajax is initially recognized at cost, then subsequently adjusted for the Company's share of the profits and/or losses of KGHM Ajax as well as distributions received from KGHM Ajax. To date no dividends or distributions to shareholders of KGHM Ajax have occurred.

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

Investment in KGHM Ajax

Investment in KGHM Ajax as of December 31, 2012	\$ 19,418,661
Abacus' cash contribution to KGHM Ajax pursuant to cash calls	9,600,000
Abacus' share of the loss of KGHM Ajax during the nine month period ended December 31, 2013	(235,367)
Other	(6,868)
Investment in KGHM Ajax as of December 31, 2013	\$ 28,776,426
Abacus' cash contribution to KGHM Ajax pursuant to cash calls	1,400,000
Abacus' pre call contribution	3,000,000
Abacus' share of the profit of KGHM Ajax during the six month period ended June 30, 2014	(47,718)
Investment in KGHM Ajax as of June 30, 2014	\$ 33,128,708

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

For the six months ended June 30, 2014

Unaudited - expressed in Canadian dollars

A summary of 100% of the assets and liabilities of KGHM Ajax and selected results of operations for the period ended June 30, 2014 follows:

Selected financial information of KGHM Ajax	June 30, 2014	December 31, 2013
Cash and cash equivalents	\$ 11,106,370	\$ 23,500,018
Current assets (excluding cash & cash equivalents)	1,328,308	1,936,607
Total non-current assets	<u>146,418,819</u>	<u>123,211,938</u>
Total assets	<u>\$ 158,853,497</u>	<u>\$ 148,648,563</u>
Current liabilities	\$ 5,982,493	\$ 2,545,234
Non-current liabilities	2,193,130	2,186,861
Total shareholders' equity	<u>150,677,874</u>	<u>143,916,468</u>
Total liabilities and equity	<u>\$ 158,853,497</u>	<u>\$ 148,648,563</u>
	Six months ended June 30, 2014	Six months ended June 30, 2013
Net and comprehensive profit (loss)	\$ (238,594)	\$ (759,702)
Revenue	\$ nil	\$ nil
Interest income	98,750	13,787
Amortization	19,571	115,592
Interest expense	6,269	5,964
Income tax expense	nil	nil

The Company, in January, 2012, delivered the BFS to KGHM. In accordance with the provisions of the Joint Venture Agreement, KGHM had 90 days thereafter to exercise its option (the "Development 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. Use of the funds is restricted to Abacus' participation in KGHM Ajax's investment activities.

On April 2, 2012, KGHM exercised the Development Option, thereby increasing its ownership in KGHM Ajax to 80%, and paid cash consideration of \$30,159,107 (US\$29,907,881) to Abacus. The funds were placed in escrow with KGHM Ajax (the "Escrowed Funds"). Additionally, KGHM elected to appoint KGHMI as the operator of the Ajax Project, effective September 1, 2012.

During the six months ended June 30, 2014, Abacus contributed \$1,400,000 (2013: \$9,600,000) from the Escrowed Funds to KGHM Ajax, representing Abacus' 20% share of cash calls by KGHM Ajax (Note 7).

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

For the six months ended June 30, 2014

Unaudited - expressed in Canadian dollars

7. RESTRICTED CASH

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

	Funds held as security for credit cards	Funds held in trust with KGHM Ajax	Collateral in respect of the Loan Agreement	Total
Balance, December 31, 2012	52,012	24,825,919	-	24,877,931
Abacus' cash contribution to KGHM Ajax in 2013 (Note 6)	-	(9,600,000)	-	(9,600,000)
Unrealized foreign exchange gain (loss)	-	505,079	-	505,079
Unrealized interest income	12	177,878	-	177,890
Balance, December 31, 2013	\$ 52,024	\$ 15,908,876	-	15,960,900
Abacus' cash contribution to KGHM Ajax (1) (Note 6)	-	(4,375,000)	-	(4,375,000)
Loan Collateral	-	3,360,000	(3,360,000)	-
Unrealized foreign exchange gain (loss)	-	20,701	-	20,701
Unrealized interest income	295	66,260	-	66,555
Balance, June 30, 2014	\$ 52,319	\$ 14,980,837	(3,360,000)	11,673,156

(1) Comprised of \$1,400,000 in cash calls (note 6), \$3,000,000 in respect of the Loan Agreement further described below, net of \$25,000 expenses

On June 26, 2014 Abacus signed a loan and security agreement ("Loan Agreement") for a term loan facility of \$3,000,000 to be drawn from the remaining Escrowed Funds. Under the terms of the Loan Agreement, the loan bears interest of 8% per annum, is collateralized by \$3,360,000 of the Escrowed Funds and matures on December 31, 2015. As a condition of the Loan Agreement, Abacus will continue to contribute its 20% share of the 2014 and 2015 programs and budget towards development of the Ajax Project from the Escrowed Funds.

In connection with the restricted cash, the company has an unrealized gain in the amount of \$87,047 (net) as of June 30, 2014.

8. SHAREHOLDERS' EQUITY

Share-based payments reserve is included in shareholders' equity and consists of the costs related to the issuance of stock options (Notes 8(c)).

(a) Authorized capital stock

At June 30, 2014, the authorized capital stock of the Company is comprised of an unlimited number of common shares without par value.

(b) Share issuances

Details of issuances of common shares during the six months ended June 30, 2014 and the year ended December 31, 2013 are as follows:

- (i) On May 28, 2014, the company issued 400,000 common shares to the former chief financial officer of the Company, as consideration for certain services rendered. The shares were valued at \$0.065 per share, for total value of \$26,000.
- (ii) In January 2013, pursuant to the exercise of stock options the company issued 200,000 common shares for total proceeds of \$20,000.

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

For the six months ended June 30, 2014

Unaudited - expressed in Canadian dollars

(c) Stock options

The Company has a fixed number stock option plan, which reserves a specified number of shares up to a maximum of 20% of the Company's issued shares as at the date of shareholder approval. The exercise price of any option granted shall be equal to the greater of the amount designated at the time of the grant, or the market price on the trading day immediately preceding the day on which the TSX Venture Exchange receives notice of the grant, subject in either case to a minimum of \$0.10 per common share. The expiry date for each option, set by the board of directors at the time of issue, shall not be more than five years after the grant date. Generally, options granted vest 25% on date of grant, 25% six months after grant, 25% twelve months after grant and 25% eighteen months after grant.

As at June 30, 2014, the Company had stock options outstanding to directors, officers and consultants for the purchase of 7,860,000 (December 31, 2013: 9,160,000) common shares exercisable as follows:

Exercise Price	Expiry Date	Awards Outstanding		Awards Exercisable	
		Quantity	Remaining Contractual Life	Quantity	Remaining Contractual Life
\$0.25	September 17, 2014	100,000	0.22	100,000	0.22
\$0.18	July 21, 2015	1,000,000	1.06	1,000,000	1.06
\$0.19	August 27, 2015	1,360,000	1.16	1,360,000	1.16
\$0.27	January 12, 2016	850,000	1.54	850,000	1.54
\$0.235	January 26, 2017	1,850,000	2.58	1,850,000	2.58
\$0.12	October 8, 2018	2,700,000	4.27	1,350,000	4.27
		7,860,000	2.58	6,510,000	2.23

The weighted average remaining contractual life of the stock options outstanding as at June 30, 2014 is 2.58 years (December 31, 2013: 2.70 years).

A summary of the status of the Company's stock options as at June 30, 2014 and December 31, 2013, 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, 2012	11,260,000	\$0.24
Granted	2,700,000	\$0.12
Expired	(2,785,000)	\$0.34
Exercised	(200,000)	\$0.10
Forfeited	(1,815,000)	\$0.20
Outstanding, December 31, 2013	9,160,000	\$0.19
Expired	(1,300,000)	\$0.20
Outstanding, June 30, 2014	7,860,000	\$0.18

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, 2014 share-based payments expense for stock option grants vesting during the period was \$82,521 (June 30, 2013: \$33,379).

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

For the six months ended June 30, 2014

Unaudited - expressed in Canadian dollars

On October 8, 2013 the company granted 2,700,000 stock options to employees, directors and officers of Abacus. In considering the stock option grants, the board of directors took into account the 50% reductions in individual director fees (effective July 1, 2013) and officers' salaries (effective October 1, 2013) made voluntarily by the directors and the executive officers to help preserve the cash resources of Abacus. The grant date fair value was estimated using the Black-Scholes option pricing model with the following weighted average assumptions: risk-free interest rate of 1.871%, expected life of five years, expected volatility of 100.2% and dividend yield of 0%. The total amount of share-based payments expense, which is expected to be recognized over the vesting period of these stock options, is calculated at \$241,653 of which \$82,521 was recognized during the period ended June 30, 2014 (year ended December 31, 2013: \$112,384).

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

9. RELATED PARTY TRANSACTIONS

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

(a) KGHM Ajax

Until August 31, 2012, the Company acted as the operator for the Ajax Project on behalf of KGHM Ajax and was reimbursed for direct costs it incurred as the operator. The Company offsets amounts recovered against the respective expense item. The Company was reimbursed the following amounts from KGHM Ajax.

	Six months ended June 30, 2014	Six months ended June 30, 2013
Amounts reimbursed to Abacus as the Operator of the Ajax Project		
Exploration and evaluation, and acquisition expenditures for mineral interests	\$ -	\$ 3,696
Contract wages	-	4,276
Office and administrative expenditures	-	15,394
Equipment	-	-
	\$ -	\$ 23,366

As at June 30, 2014, \$nil (December 31, 2013: \$nil) is due 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, 2014

Unaudited - expressed in Canadian dollars

(b) 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, 2014	Six months ended June 30, 2013
Management's compensation		
Management's compensation as included in the statement of comprehensive loss	65,800	134,000
Share-based payments (Note 8(e))	82,521	18,835
Directors' fees	47,292	58,750
	<u>\$ 195,613</u>	<u>\$ 211,585</u>

Key management personnel were not paid post-retirement benefits or other long-term benefits during the six month period ended June 30, 2014 and the year ended December 31, 2013.

As of July 1, 2013 the directors of the Company voluntarily decreased in their directors' fees by 50%. As of October 1, 2013, the executive directors of the company took a voluntary 50% decrease in their salaries. As of April 1, 2014 there were no longer any executive directors receiving a salary.

10. FINANCIAL RISK MANAGEMENT

The Company has classified its cash and cash equivalents, restricted cash and contractual obligations as FVTPL; amounts receivable, as loans and receivables; and accounts payable and accrued liabilities, as other financial liabilities. The carrying values of cash and cash equivalents, amounts receivable (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:

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

For the six months ended June 30, 2014

Unaudited - expressed in Canadian dollars

Fair value hierarchy				
As at December 31, 2013:	Total	Level 1	Level 2	Level 3
Financial assets				
Cash and cash equivalents	\$ 404,516	404,516	-	-
Funds held in trust with KGHM Ajax	15,960,900	15,960,900	-	-
Total financial assets	\$ 16,365,416	16,365,416	-	-
		<u>Carrying value</u>	<u>Fair value</u>	
Total financial assets	\$ 16,365,416	16,365,416	16,365,416	
Amounts receivable		8,397	8,397	
Accounts payable and accruals		(36,690)	(36,690)	
Net financial assets	\$ 16,337,123	16,337,123	16,337,123	
As at June 30, 2014:				
Financial assets				
Cash and cash equivalents	\$ 2,922,196	2,922,196	-	-
Funds held in trust with KGHM Ajax	11,673,156	11,673,156	-	-
Total financial assets	\$ 14,595,352	14,595,352	-	-
		<u>Carrying value</u>	<u>Fair value</u>	
Total financial assets	\$ 14,595,352	14,595,352	14,595,352	
Amounts receivable		265,891	265,891	
Accounts payable and accruals		(3,102,683)	(3,102,683)	
Net financial assets	\$ 11,758,560	11,758,560	11,758,560	

(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, 2014	December 31, 2013
Bank accounts	\$ 2,772,196	\$ 29,516
Temporary investments	150,000	375,000
Restricted cash (Note 7)	11,673,156	15,960,900
	\$ 14,595,352	\$ 16,365,416

(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 \$102,683 are due in the third quarter of 2014. The Company is exposed to liquidity risk.

(d) Market risk

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

(i) *Interest rate risk*

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

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

The Company is not exposed to significant interest rate risk.

(ii) *Foreign currency risk*

The Company's restricted cash includes US\$6,000,000. A 10% fluctuation in the Canadian dollar, US dollar exchange rate would result in a fluctuation of US\$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.

11. SUBSEQUENT EVENTS

- (a) Abacus has entered into a binding letter agreement ("Letter Agreement") with Burnstone, pursuant to which Abacus will acquire, in consideration of Abacus common shares ("Abacus Shares"), all of the outstanding securities of Burnstone, by way of a statutory court-approved plan of arrangement (the "Arrangement"). Upon closing of the Arrangement, Burnstone will become a wholly-owned subsidiary of Abacus.

Under the terms of the Arrangement:

- Burnstone shareholders will receive 0.43 of an Abacus Share for each one Burnstone common share (a "Burnstone Share").
- All outstanding Burnstone share purchase warrants will be assumed by Abacus and adjusted based on the 0.43 exchange ratio.
- Burnstone has agreed to complete a debt settlement with certain of its creditors for Burnstone Shares (the "Debt Settlement"), which will be exchanged for Abacus Shares under the Arrangement.
- A total of approximately 23 million Abacus Shares are expected to be issued in connection with the Arrangement, representing approximately 10% of the outstanding Abacus Shares on completion of the Arrangement.

The Arrangement is subject to a number of closing conditions including, but not limited to, a confirmatory due diligence review of Burnstone and its assets by Abacus, approval by the shareholders of each of Abacus and Burnstone, receipt of all court and regulatory approvals, including that of the Ontario Superior Court and the TSX Venture Exchange, completion of the Debt Settlement, and all outstanding Burnstone stock options being cancelled.

ABACUS MINING & EXPLORATION CORPORATION (an exploration stage company)

Notes to the condensed interim financial statements

For the six months ended June 30, 2014

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Abacus and Burnstone have agreed to enter into a definitive arrangement agreement incorporating the terms of the Letter Agreement and other terms and conditions customary for transactions of this nature.

- (b) On July 31, 2014, Abacus contributed \$2,600,000 from the Escrowed Funds to KGHM Ajax, representing Abacus' 20% share of a cash call of KGHM (Notes 6 and 7).