

**ABACUS MINING & EXPLORATION CORPORATION**

**FINANCIAL STATEMENTS**

**March 31, 2007**

### **NOTICE OF NO AUDITOR REVIEW**

The accompanying unaudited consolidated interim financial statements have been prepared by management and approved by the Audit Committee and Board of Directors.

The Company's independent auditors have not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim statements by an entity's auditors.

**ABACUS MINING & EXPLORATION CORPORATION**  
**Balance Sheets**  
**(Prepared by Management)**

	<b>March 31, 2007 (Unaudited)</b>	<b>December 31, 2006 (Audited)</b>
<b>Assets</b>		
<b>Current</b>		
Cash and cash equivalents	\$ 3,750,471	\$ 4,370,464
Marketable securities (note 3)	1,001	1,001
Accounts receivable (note 4)	373,893	373,288
Accrued interest receivable	10,845	126,764
Loan receivable (note 4(b))	334,931	330,835
Prepaid expenses	30,888	21,340
	4,502,029	5,223,692
<b>Mineral Interests</b> (note 4)	29,516,451	28,334,900
<b>Equipment</b> (note 5)	28,352	30,266
<b>Reclamation Deposits</b>	23,272	23,272
	\$ 34,070,104	\$ 33,612,130
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 908,281	\$ 373,238
	908,281	373,238
<b>Shareholders' Equity</b>		
<b>Capital Stock</b> (note 6)	54,933,612	54,832,937
<b>Option Compensation</b> (note 6(f))	1,554,565	1,525,470
<b>Deficit</b>	(23,326,354)	(23,119,515)
	33,161,823	33,238,892
	\$ 34,070,104	\$ 33,612,130

Nature of Operations (note 1)  
Subsequent Event (note 10)

Approved by the Board:

*"Douglas A. Fulcher"*  
..... Director  
Douglas A. Fulcher

*"J. Patrick Nicol"*  
..... Director  
J. Patrick Nicol

**ABACUS MINING & EXPLORATION CORPORATION**  
**Statements of Operations and Deficit**  
**For the Three Months Ended March 31**  
**(Unaudited – Prepared by Management)**

	<b>2007</b>	<b>2006</b>
<b>General and Administrative Expenses</b>		
Stock-based compensation	\$ 29,095	\$ 87,379
Consulting	64,564	23,500
Travel and promotion	37,562	71,568
Salaries and benefits	30,000	32,844
Legal	35,040	63,529
Regulatory fees	8,600	11,663
Rent	10,006	8,589
Insurance	13,600	0
Office and miscellaneous	5,779	4,897
Management fees	4,500	4,500
Transfer agent fees	3,168	5,500
Investor relations	3,375	0
Interest on financing (note 6(c))	0	3,822
Telephone	1,546	991
Amortization	1,914	2,518
Less: Interest income	(41,910)	(50,677)
<b>Loss for the Period</b>	<b>206,839</b>	<b>270,623</b>
<b>Deficit, Beginning of Period</b>	<b>23,119,515</b>	<b>22,184,365</b>
<b>Deficit, End of Period</b>	<b>\$ 23,326,354</b>	<b>\$ 22,454,988</b>
<b>Loss Per Common Share</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>
<b>Weighted Average Number of Common Shares Outstanding</b>	<b>80,443,664</b>	<b>61,620,195</b>

**ABACUS MINING & EXPLORATION CORPORATION**  
**Statements of Cash Flows**  
**For the Three Months Ended March 31**  
**(Unaudited – Prepared by Management)**

	<b>2007</b>	<b>2006</b>
<b>Operating Activities</b>		
Loss for the period	\$ (206,839)	\$ (270,623)
Items not involving cash		
Amortization	1,914	2,518
Stock-based compensation	29,095	87,379
Interest on financing (note 6(c))	0	3,822
<b>Operating Cash Flow</b>	<b>(175,830)</b>	<b>(176,904)</b>
<b>Changes in Non-Cash Working Capital Items</b>		
Accounts receivable	(604)	27,391
Accrued interest receivable	115,919	0
Prepaid expenses	(9,549)	600
Loan receivable	(4,095)	(3,896)
Accounts payable and accrued liabilities	535,045	(515,144)
	636,716	(466,187)
<b>Cash Provided by (Used in) Operating Activities</b>	<b>460,884</b>	<b>(643,091)</b>
<b>Investing Activities</b>		
Mineral interests	(1,181,552)	(3,337,273)
Equipment purchases	0	(26,802)
<b>Cash Used in Investing Activities</b>	<b>(1,181,552)</b>	<b>(3,364,075)</b>
<b>Financing Activities</b>		
Issuance of capital stock for cash	100,675	13,569,206
<b>Cash Provided by Financing Activities</b>	<b>100,675</b>	<b>13,569,206</b>
<b>Increase (Decrease) in Cash During the Period</b>	<b>(619,993)</b>	<b>9,562,040</b>
<b>Cash and Cash Equivalents, Beginning of Period</b>	<b>4,370,464</b>	<b>1,171,566</b>
<b>Cash and Cash Equivalents, End of Period</b>	<b>\$ 3,750,471</b>	<b>\$ 10,733,606</b>

Supplemental disclosure with respect to cash flows (note 7)

# ABACUS MINING & EXPLORATION CORPORATION

## Notes to Financial Statements

For the Three Months Ended March 31, 2007

(Unaudited – Prepared by Management)

---

### 1. NATURE OF OPERATIONS

Abacus Mining & Exploration Corporation (the “Company”), incorporated in British Columbia, is an exploration stage company engaged principally in the acquisition, exploration and development of mineral properties. The recovery of the Company's investment in mineral properties is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain financing to complete development and the future proceeds from the disposition of those reserves.

These financial statements have been prepared on a going-concern basis, which contemplates that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. As at March 31, 2007, the Company has working capital of \$3,593,748 (2006 - \$11,064,548) and an accumulated deficit of \$23,326,354 (2006 - \$22,454,988). The Company's ability to continue as a going-concern is dependent on the ability of the Company to raise equity financing and the attainment of profitable operations.

These financial statements do not give effect to adjustments that would be necessary to the carrying values and classifications of assets and liabilities should the Company be unable to continue as a going-concern.

### 2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with accounting policies generally accepted in Canada and reflect the following:

#### (a) Cash and Cash Equivalents

Cash and cash equivalents comprise cash and temporary investments maturing within ninety days from the original dates of acquisition.

#### (b) Marketable Securities

Marketable securities are carried at the lower of cost or quoted market value. When market value is below cost, any unrealized loss is charged to operations.

#### (c) Mineral Interests

The Company capitalizes all costs related to investments in mineral property interests on a property-by-property basis. Such costs include mineral property acquisition costs and exploration and development expenditures, net of any recoveries. Costs are deferred until such time as the extent of mineralization has been determined and mineral property interests are either developed or the Company's mineral rights are allowed to lapse. All deferred mineral property expenditures are reviewed, on a property-by-property basis, to consider whether there are any conditions that may indicate impairment. When the carrying value of a property exceeds its net recoverable amount that may be estimated by quantifiable evidence of an economic geological resource or reserve, joint venture expenditure commitments or the Company's assessment of its ability to sell the property for an amount exceeding the deferred costs, provision is made for the impairment in value.

The amounts shown for acquisition costs and deferred exploration expenditures represent costs incurred to date and do not necessarily reflect present or future values. These costs will be depleted over the useful lives of the properties upon commencement of commercial production or written off if the properties are abandoned or the claims allowed to lapse.

**ABACUS MINING & EXPLORATION CORPORATION**  
**Notes to Financial Statements**  
**For the Three Months Ended March 31, 2007**  
**(Unaudited – Prepared by Management)**

---

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

(c) **Mineral Interests (Continued)**

From time to time the Company may acquire or dispose of a mineral property interest 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 recorded as property costs or recoveries when the payments are made or received.

(d) **Equipment**

Equipment is recorded at cost and amortized using the declining-balance method at an annual rate of 20% for office and field equipment and 30% for computer equipment.

(e) **Use of Estimates**

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Areas requiring the use of significant estimates include the rates of amortization for equipment, the recovery of resource property interests, estimates of accrued interest receivable and accounts payable and accrued liabilities, the assumptions used in the determination of the fair value of stock-based compensation and the determination of the valuation allowance for future income tax assets. Actual results could differ from those reported.

(f) **Capital Stock**

Capital stock issued for non-monetary consideration is recorded at fair market value on the dates of issuance pursuant to the agreement to issue shares as determined by the Board of Directors of the Company based on the trading price of the shares on the TSX Venture Exchange (the "Exchange"). Costs incurred for the issue of shares are deducted from capital stock.

(g) **Loss Per Share**

Loss per share amounts are calculated and presented in accordance with the treasury stock method. Diluted loss per share amounts are not presented when the effect of outstanding options and warrants is anti-dilutive.

(h) **Foreign Currency Translation**

The accounts of the Company's foreign operations have been translated into Canadian dollars. Monetary items are translated at the exchange rate in effect at the balance sheet date; non-monetary items are translated at historical exchange rates; expenses and exploration and development items, at the average rate of exchange for the period. Gains and losses arising from this translation of foreign currency are included in net loss.

**ABACUS MINING & EXPLORATION CORPORATION**  
**Notes to Financial Statements**  
**For the Three Months Ended March 31, 2007**  
**(Unaudited – Prepared by Management)**

---

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

**(i) Financial Instruments**

The carrying values of cash and cash equivalents, cash held for flow-through expenditures, accounts and accrued interest receivable, advances to contractor, and accounts payable and accrued liabilities approximate their fair values due to the relatively short periods to maturity of these instruments.

The estimated fair value of marketable securities and loan receivable (note 4(b)) at March 31, 2007 was \$1,336,500 (2006 - \$650,000). Included in this amount is the fair value of the 1,000,000 Niblack shares in the amount of \$960,000, of which 600,000 remain in escrow (note 4(b)).

The Company is exposed to credit risk with respect to its cash and other amounts receivable. Cash and cash equivalents and flow-through exploration funds have been placed with a major Canadian financial institution. Other amounts receivable are primarily amounts owing from government agencies and related parties.

**(j) Stock-Based Compensation**

The Company accounts for stock-based compensation expense using the fair value based method with respect to all stock-based payments to directors, employees and non-employees, including awards that are direct awards of stock and call for settlement in cash or other assets, or stock appreciation rights that call for settlement by the issuance of equity instruments. Under this standard, stock-based payments are recorded as an expense over the vesting period or when the awards or rights are granted, with a corresponding increase to option compensation under shareholders' equity. When stock options are exercised, the corresponding fair value is transferred from option compensation to capital stock.

**(k) Income Taxes**

The Company follows the asset and liability method of accounting for income taxes. Under this method of tax allocation, future income tax assets and liabilities are determined based on differences between the financial statement carrying values and their respective income tax basis (temporary differences). Future income tax assets and liabilities are measured using the tax rates expected to be in effect when the temporary differences are likely to reverse. The effect on future income tax assets and liabilities of a change in tax rates is included in operations in the period in which the change is enacted or substantially assured. The amount of future income tax assets recognized is limited to the amount of the benefit that is more likely than not to be realized.

**(l) Flow-Through Common Shares**

The proceeds from shares issued under flow-through share financing agreements are credited to capital stock and the tax benefits of the exploration expenditures incurred under these agreements are renounced to the purchaser of the shares. The tax impact to the Company of the renouncement is recorded on the date that the renunciation is filed with taxation authorities, through a decrease in capital stock and the recognition of a future tax liability.

**3. MARKETABLE SECURITIES**

The Company has investments in marketable securities of companies that have directors in common. The marketable securities have been stated at cost.

**ABACUS MINING & EXPLORATION CORPORATION**  
**Notes to Financial Statements**  
**For the Three Months Ended March 31, 2007**  
**(Unaudited – Prepared by Management)**

**4. MINERAL INTERESTS**

At March 31, 2007 and 2006, expenditures incurred on mineral properties are as follows:

	<b>Afton Mine Property</b>				<b>Total</b>
	<b>Afton</b>	<b>Rainbow</b>	<b>Iron Mask</b>	<b>DM/Audra</b>	
Balance, December 31, 2006	\$19,275,858	\$ 2,527,122	\$ 5,801,378	\$ 730,542	\$28,334,900
Additions during year					
Acquisition costs	157,744				157,744
Exploration costs					
Drilling	0	0	638,144	0	638,144
Contract wages	0	637	131,760	2,379	134,776
Assay	0	87	71,422	41,521	113,030
Camp and field supplies	0	0	32,943	0	32,943
Travel and accommodation	0	0	80,217	0	80,217
Recording fees	0	0	17,623	0	17,623
Reports, drafting and maps	0	0	113	0	113
Access Roads	0	0	4,879	0	4,879
Permitting	0	0	2,082	0	2,082
	0	724	979,183	43,900	1,023,807
Total additions during year	157,744	724	979,183	43,900	1,181,551
Balance, March 31, 2007	\$19,433,602	\$2,527,846	\$6,780,561	\$774,442	\$29,516,451

**ABACUS MINING & EXPLORATION CORPORATION**  
**Notes to Financial Statements**  
**For the Three Months Ended March 31, 2007**  
**(Unaudited – Prepared by Management)**

**4. MINERAL INTERESTS (Continued)**

	<b>Afton Mine Property</b>				<b>Total</b>
	<b>Afton</b>	<b>Rainbow</b>	<b>Iron Mask</b>	<b>DM/Audra</b>	
Balance, December 31, 2005	\$ 9,102,946	\$ 2,525,148	\$ 1,839,401	\$ 0	\$13,467,495
Additions during year					
Acquisition costs	10,172,912	0	58,800	0	10,231,712
Exploration costs					
Drilling	0	0	2,611,438	565,067	3,176,505
Contract wages	0	825	518,026	72,780	591,631
Assay	0	1,237	351,222	26,683	379,142
Camp and field supplies	0	0	111,027	20,500	131,527
Travel and accommodation	0	0	169,046	43,425	212,471
Equipment rental	0	0	161,212	21,696	182,908
Geological consulting	0	0	54,217	7,356	61,573
Recording fees	0	0	16,913	0	16,913
Reports, drafting and maps	0	0	83,612	5,656	89,268
	0	2,062	4,076,713	763,163	4,841,938
Less: Recoveries	0	(88)	(173,536)	(32,621)	*(206,245)
Total additions during year	10,172,912	1,974	3,961,977	730,542	14,867,405
Balance, December 31, 2006	\$19,275,858	\$ 2,527,122	\$ 5,801,378	\$ 730,542	\$28,334,900

\* British Columbia Mineral Exploration Tax Credit that is included in accounts receivable in these financial statements.

The Company has acquired or has an option to acquire mineral interests as follows:

**(a) Iron Mask, Rainbow, DM/Audra and Afton Mine Property, Kamloops Mining Division, BC**

During the year ended December 31, 2004, the Company exercised its options and acquired a 100% interest in the Iron Mask and Rainbow properties (a total of 52 mineral claims) through issuing 500,000 common shares of the Company and incurring \$2,000,000 in mineral exploration expenditures on the property.

The properties are subject to 1.5% net smelter royalties of which the Company may purchase one-third of each for \$1,000,000.

Certain of the mineral claims are subject to various net profit interests or net smelter royalties held by underlying vendors of those claims.

The DM/Audra claims are part of the Iron Mask project and are presented separately due to the underlying net profit interests. The acquisition costs for DM/Audra have been included as part of the Iron Mask and Rainbow acquisition costs in prior years.

**ABACUS MINING & EXPLORATION CORPORATION**  
**Notes to Financial Statements**  
**For the Three Months Ended March 31, 2007**  
**(Unaudited – Prepared by Management)**

---

**4. MINERAL INTERESTS (Continued)**

**(a) Iron Mask, Rainbow, DM/Audra and Afton Mine Property, Kamloops Mining Division, BC (Continued)**

On November 25, 2005, the Company signed an Asset Purchase Agreement with the optionor to purchase land, buildings, equipment, tailings pond and the back-in rights pursuant to the Rainbow and Iron Mask property agreements (“Afton”). Total aggregate consideration for the transfer of the assets is \$28,500,000 to be paid as follows:

- (i) 8,500,000 shares at a deemed value of \$1 per share on the execution date (issued);
- (ii) 5,000,000 shares at a deemed value of \$1 per share and \$5,000,000 cash on or before November 26, 2006 (issued and paid); and
- (iii) 5,000,000 shares at a deemed value of \$1 per share and \$5,000,000 cash on or before November 26, 2007.

Upon completion of all share issuances and cash payments, the optionor will transfer title (the “Transfer Date”) of the assets to the Company, subject to any additional consideration. On the Transfer Date, if the ten-day weighted average closing price of the shares issued to the optionor is less than \$18,500,000, the Company will pay the optionor additional consideration equal to 81.1% of the difference between \$18,500,000 and the weighted average closing price of the Company’s shares. Any reclamation liabilities that may be attributable to the assets acquired will be assessed and recorded on the transfer date.

On July 24, 2006, two purchase and sale agreements to acquire additional property adjoining the western edge of the Company’s Rainbow property were completed. The first agreement dated March 24, 2006 to acquire three mineral properties required a cash payment of \$20,000 (paid) and the issuance of 50,000 common shares (issued) of the Company. The second agreement dated March 20, 2006 to acquire two mineral claims required a cash payment of \$2,500 (paid) and the issuance of 10,000 common shares (issued) of the Company. Both vendors retain a 1% net smelter royalty of which the Company may reduce to 0.5% upon payment of \$500,000 to each vendor.

**(b) Niblack Project, Alaska, USA**

The Company held a 100% interest in 47 mineral claims and 16 patented mineral claims subject to the issue of 500,000 common shares upon making a decision to place the property into production. The optionor of a 70.49% interest in the property had retained a variable 1% to 3% net smelter returns royalty based on the profitability of the property. Certain net profit interests were held by other parties with respect to a 29.51% interest in the property. An additional 100% interest in two patented mineral claims had been acquired subject to a final US \$10,000 payment. During 2002, the property was written-down to a nominal value of \$1.

On March 15, 2005, the Company received shareholder approval to transfer Abacus Alaska Inc., the holder of the Niblack property, into Niblack Mining Corp. (“Niblack”), a newly incorporated company. On April 15, 2005, shareholders of the Company received one new share of Niblack and four new shares of the Company for every four Company shares held. Initial capital for Niblack was provided by a \$300,000 plus interest loan entered into on December 16, 2004 by the Company, which is convertible into Niblack shares at a price of \$0.50 per share. The Company was also issued 1,000,000 (escrowed) Niblack shares as bonus for the foregoing loan. As at March 31, 2007, 400,000 shares have been released from escrow and the remaining 600,000 shares will be released from escrow as follows: 300,000 in the 2007 fiscal year and 300,000 in the 2008 fiscal year. The loan bears interest at a rate of 5% per annum, compounded monthly and was to be repaid on or before December 16, 2006. As at March 31, 2007, the loan balance and accrued interest of \$34,931 remains outstanding and will be converted into common shares of Niblack.

**ABACUS MINING & EXPLORATION CORPORATION**  
**Notes to Financial Statements**  
**For the Three Months Ended March 31, 2007**  
**(Unaudited – Prepared by Management)**

---

**4. MINERAL INTERESTS (Continued)**

**(c) Title to Mineral Property Interests**

Although the Company has taken steps to verify the title to mineral properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

**(d) Realization of Assets**

The investment in and expenditures on resource properties comprise a significant portion of the Company's assets. Realization of the Company's investment in these assets is dependent upon the establishment of legal ownership, the obtaining of permits, the satisfaction of governmental requirements and possible aboriginal claims, the attainment of successful production from the properties or from the proceeds of their disposal.

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. There can be no assurance that current exploration programs will result in the discovery of economically viable quantities of ore.

**(e) Environmental**

Environmental legislation is becoming increasingly stringent and costs and expenses 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 on the mineral properties, the potential for production on the property may be diminished or negated.

The Company is subject to the 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. 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.

**5. EQUIPMENT**

Equipment is comprised of office, field and computer equipment recorded at cost, net of accumulated amortization of \$85,492 as at March 31, 2007 (2006 - \$77,202).

**ABACUS MINING & EXPLORATION CORPORATION**  
**Notes to Financial Statements**  
**For the Three Months Ended March 31, 2007**  
**(Unaudited – Prepared by Management)**

**6. CAPITAL STOCK**

Authorized  
 Unlimited number of common shares without par value

	Number of Shares	Amount
Issued		
Balance, December 31, 2005	49,684,480	35,837,507
Issued for cash, private placement (net of issue costs)	23,571,430	13,531,018
Issued for cash, exercise of warrants	816,000	448,800
Issued for cash, exercise of stock options	990,000	141,000
Issued for other consideration		
Shares for services	226,584	74,000
Issued for mineral property	5,060,000	5,036,000
Fair value of options exercised	0	85,192
Income tax effect on flow-through share renouncement	0	(320,580)
	30,664,014	18,995,430
Balance, December 31, 2006	80,348,494	\$ 54,832,937
Issued for cash, exercise of warrants	128,500	70,675
Issued for other consideration		
Shares for services	61,840	30,000
	190,340	100,675
Balance, March 31, 2007	80,538,834	54,933,612

**(a) Private Placements**

- (i) On February 17, 2006, the Company closed a private placement financing for gross proceeds of \$14,500,000 comprised of 20,000,000 units at a price of \$0.60 per unit and 3,571,430 flow-through units at a price of \$0.70 per unit. Each unit consists of one common share and one-half of one common share purchase warrant. Each flow-through unit consists of one flow-through common share and one-half of one common share purchase warrant. Each whole warrant will entitle the holder to purchase one additional common share on or before February 16, 2008 at a price of \$0.85 per share. The agents received a cash commission of \$942,500 and 2,357,143 share purchase warrants (note 6(d)). Each warrant will entitle the agent to purchase one common share on or before February 16, 2008 at a price of \$0.75 per share. Share issuance costs on the private placement totaled \$968,982, resulting in net proceeds received of \$13,531,018.
- (ii) On December 29, 2005, the Company completed a non-brokered private placement of 2,000,000 units at a price of \$0.45 per unit for proceeds of \$900,000. Each unit consists of one common flow-through share and one-half of one common share purchase warrant. Each whole warrant is exercisable into one common share at a price of \$0.55 on or before January 13, 2007.

**ABACUS MINING & EXPLORATION CORPORATION**  
**Notes to Financial Statements**  
**For the Three Months Ended March 31, 2007**  
**(Unaudited – Prepared by Management)**

**6. CAPITAL STOCK (Continued)**

**(b) Renounced Exploration Expenditures**

In March 2006, the Company renounced \$900,000 (2005 - \$84,000) of exploration expenditures under its flow-through share program, resulting in a future income tax liability of \$320,580 (2005 - \$28,660), which was deducted from capital stock. The Company subsequently reduced the future income tax liability by recognizing previously unrecorded future income tax assets equal to the amount of the future tax liability. This decrease in the valuation allowance has resulted in a future income tax recovery of \$320,580 (2005 - \$28,660).

**(c) Loan Consideration**

During the year ended December 31, 2005, the Company arranged three private loans for a total of \$450,000. The Company agreed to issue 450,000 common shares at an agreed value of \$90,000 as consideration for the loan. The loans have a term of one year bearing interest at a rate of 12% per annum, compounded monthly, resulting in an interest expense of \$104,968 including the deemed value of \$90,000 for the common shares issued. On January 26, 2006, the Company repaid these private loans in full plus accrued interest.

**(d) Share Purchase Warrants**

The Company has, as at March 31, 2007, share purchase warrants outstanding entitling the holders to acquire common shares as follows:

Outstanding as at December 31, 2006	Exercise Price	Expiry Date	Issued	Exercised	Expired	Outstanding as at March 31, 2007
184,000	\$0.55	January 13, 2007	0	(128,500)	(55,500)	0
11,785,715	\$0.85	February 16, 2008	0	0	0	11,785,715
2,357,143	\$0.75	February 16, 2008	0	0	0	2,357,143
14,326,858			0	(128,500)	(55,500)	14,142,858

**ABACUS MINING & EXPLORATION CORPORATION**  
**Notes to Financial Statements**  
**For the Three Months Ended March 31, 2007**  
**(Unaudited – Prepared by Management)**

**6. CAPITAL STOCK (Continued)**

**(e) Stock Options**

Options to purchase common shares have been granted to directors, employees and consultants at exercise prices determined by reference to the market value on the date of the grant. As at March 31, 2007, the Company had stock options outstanding to directors and employees for the purchase of up to 8,172,500 common shares exercisable as follows:

<b>Options Outstanding</b>		
<b>Number of Shares</b>	<b>Exercise Price</b>	<b>Expiry Date</b>
352,500	\$0.16	April 16, 2007
720,000	\$0.08	April 4, 2008
475,000	\$0.15	September 4, 2008
300,000	\$0.29	October 9, 2008
1,175,000	\$0.16	September 17, 2009
1,450,000	\$0.32	October 23, 2009
800,000	\$0.28	March 4, 2010
500,000	\$0.34	May 20, 2010
2,000,000	\$0.90	April 7, 2011
400,000	\$0.65	March 15, 2012
<b>8,172,500</b>		

A summary of the status of the Company's stock options as at March 31, 2007 and changes during the period then ended are as follows:

<b>2007</b>		
	<b>Shares</b>	<b>Weighted Average Exercise Price</b>
Outstanding at beginning of year	7,772,500	\$0.40
Granted	400,000	\$0.65
Outstanding at end of period	8,172,500	\$0.41

**ABACUS MINING & EXPLORATION CORPORATION**  
**Notes to Financial Statements**  
**For the Three Months Ended March 31, 2007**  
**(Unaudited – Prepared by Management)**

**6. CAPITAL STOCK (Continued)**

**(f) Stock-Based Compensation**

During the period ended March 31, 2007, the Company granted stock options to acquire up to an aggregate of 400,000 common shares at an exercise price of \$0.65.

The following summarizes information about the fair value of option compensation:

	<b>2007</b>	<b>2006</b>
Balance, beginning of year	\$1,525,470	\$ 904,352
Stock-based compensation	29,095	706,310
Fair value of stock options exercised	0	(85,192)
Balance, end of year	\$1,554,565	\$1,525,470

The fair value of stock options used to calculate compensation expense is estimated using the Black-Scholes option pricing model with the following assumptions:

	<b>2006</b>	<b>2005</b>
Risk-free interest rate	3.12% - 4.07%	3.12% - 3.29%
Expected dividend yield	0	0
Expected stock price volatility	81% - 108%	97% - 108%
Expected option life in years	5	5

**7. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS**

- (a) During the period ended March 31, 2007, the Company issued 61,840 (2006 - nil) shares valued at \$30,000 (2006 - \$nil) for settlement of certain accounts payable.
- (b) Interest paid during the period amounted to \$nil (2006 - \$3,822).
- (c) Interest received during the period amounted to \$41,910 (2006 - \$50,677).

**8. RELATED PARTY TRANSACTIONS**

- (a) The Company conducts the majority of its exploration activities through an exploration services contractor in which a director is a principal. The Company paid that contractor \$1,021,450 (2006 - \$312,348) for exploration costs and \$44,272 (2006 - \$118,464) to reimburse office and administrative costs. As at March 31, 2007, there was \$664,797 (2006 - \$19,057) payable to that company.
- (b) A management fee of \$4,500 (2006 - \$4,500) and rent of \$9,041(2006 - \$7,700) was paid or was owed to a company in which a director is a principal. As at March 31, 2007, there was \$4,514 (2006 - \$nil) due to that company.
- (c) The Company shares office and administrative costs with a company with two directors in common. As at March 31, 2007 and 2006, \$2,146 was due from this company.

# ABACUS MINING & EXPLORATION CORPORATION

## Notes to Financial Statements

For the Three Months Ended March 31, 2007

(Unaudited – Prepared by Management)

### 8. RELATED PARTY TRANSACTIONS (Continued)

- (e) A director of the Company was paid \$15,000 for consulting services in 2007 and 2006. As at March 31, 2007, \$11,689 (2006 - \$17,305) was payable to this director.

### 9. INCOME TAXES

The Company has capital losses of approximately \$11,172,000 available to be carried forward to offset future taxable capital gains.

The Company has accumulated non-capital losses for Canadian tax purposes of approximately \$2,998,000 that expire in various years to 2026 as follows:

2007	\$	214,000
2008		206,000
2009		219,000
2010		331,000
2014		685,000
2015		627,000
2026		716,000
	\$	2,998,000

Future income tax assets and liabilities are recognized for temporary differences between the carrying amounts of the balance sheet items and their corresponding tax values as well as for the benefit of losses available to be carried forward to future years for tax purposes that are likely to be realized.

The reconciliation of income tax provision computed at statutory rates to the reported income tax provision is as follows:

	2006	2005
	34.12%	34.12%
Income tax benefit computed at Canadian statutory rates	\$ 428,455	\$ 381,892
Temporary differences not recognized in year	(2,943)	(2,935)
Stock-based compensation	(240,993)	(160,103)
Permanent differences not recognized	59,627	(4,881)
Unrecognized tax gains (losses)	76,434	(185,313)
	\$ 320,580	\$ 28,660

**ABACUS MINING & EXPLORATION CORPORATION**  
**Notes to Financial Statements**  
**For the Three Months Ended March 31, 2007**  
**(Unaudited – Prepared by Management)**

**9. INCOME TAXES (Continued)**

Significant components of the Company's future tax assets and liabilities, after applying enacted corporate income tax rates, are as follows:

	2006	2005
Future income tax assets		
Temporary differences in assets	\$ 683,234	\$ 1,763,652
Permanent differences in assets	264,493	0
Non-capital losses carried forward	1,023,533	917,118
Capital losses carried forward	1,906,075	1,906,075
	3,877,335	4,586,845
Valuation allowance for future income tax assets	(3,877,335)	(4,586,845)
Future income tax assets, net	\$ 0	\$ 0

**10. SUBSEQUENT EVENT**

On May 7, 2007 the Company entered into an agreement with a syndicate of agents led by Pacific International Securities Inc. and Dundee Securities Corp. (the "Agents"), to raise up to \$15,050,000 in gross proceeds by way of a commercially reasonable efforts private placement (the "Offering"). Closing of the Offering is anticipated on or before June 6, 2007.

The Company will issue up to 11,500,000 non flow-through units (the "Units") at a price of \$0.70 per Unit and up to 8,750,000 flow-through units (the "Flow-Through Units") at a price of \$0.80 per Flow-Through Unit. Each Unit will consist of one common share and one-half of one transferable common share purchase warrant (each whole such warrant a "Warrant"). Each Flow-Through Unit will consist of one flow-through common share and one-half of one Warrant. Each Warrant will entitle the holder to purchase one additional non-flow through common share for eighteen months from the closing date at a price of \$1.25. At the election of the Agents, the non flow-through portion of the Offering may be increased by up to an additional 2,875,000 Units. This over-allotment option may be exercised at the Agents' discretion at any time up to two days prior to the closing of the Offering.

The Agents will receive a commission equal to 7.0% of the gross proceeds of the Offering, payable in cash or Units or a combination thereof at the election of the Agents. The Agents will also be granted compensation options (the "Compensation Options") equal in number to 10% of the number of Units sold under the Offering. Each Compensation Option will entitle the Agents to purchase one common share for a period of eighteen months from the Closing Date at an exercise price of \$0.85.

The Company will concurrently offer, on a non-brokered basis, up to 1,000,000 flow-through units with such units having the same terms as the Flow-Through Units of the brokered private placement, for gross proceeds of up to an additional \$800,000. Finders' fees on the same terms as the Agents' compensation may be payable on part of the non-brokered portion of the private placement.

The offering is subject to receipt of all necessary approvals, including the approval of the TSX Venture Exchange.

## **ABACUS MINING & EXPLORATION CORPORATION**

### **Notes to Financial Statements**

**For the Three Months Ended March 31, 2007**

**(Unaudited – Prepared by Management)**

---

#### **10. SUBSEQUENT EVENTS (Continued)**

Proceeds from the offering will be used to finance further exploration and development of the Company's Afton property and for general working capital. The 2007 program will focus on the Ajax deposits and will also include

an extensive drill campaign on the DM-Audra and Rainbow deposits as well as the Company's first drilling on the under explored Monte Carlo zone. Environmental baseline studies and metallurgical testing have been initiated and a Preliminary Economic Assessment will begin upon completion of the drilling with the goal to complete a Feasibility Study in 2008.

On May 15, 2007 the Company agreed to increase the flow-through portion of its brokered private placement announced on May 7, 2007. The Company will now issue up to 11.25 million flow-through units (the "Flow-Through Units") at a price of \$0.80 per Flow-Through Unit. All other terms of the offering remain the same. The total gross proceeds of the offering will be up to \$17,050,000. The offering is being led by a syndicate of agents including Pacific International Securities Inc. and Dundee Securities Corp.