

ABACUS MINING & EXPLORATION CORPORATION

FINANCIAL STATEMENTS

June 30, 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)

	June 30, 2007 (Unaudited)	December 31, 2006 (Audited)
Assets		
Current		
Cash and cash equivalents	\$ 16,650,774	\$ 4,370,464
Marketable securities (note 3)	1,001	1,001
Accounts receivable (note 4)	496,431	373,288
Accrued interest receivable	63,127	126,764
Loan receivable (note 4(b))	339,123	330,835
Advances to contractor	1,425	0
Prepaid expenses	6,947	21,340
	17,558,828	5,223,692
Mineral Interests (note 4)	35,010,418	28,334,900
Equipment (note 5)	30,186	30,266
Reclamation Deposits	23,272	23,272
	\$ 52,622,704	\$ 33,612,130
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 1,243,635	\$ 373,238
	1,243,635	373,238
Shareholders' Equity		
Capital Stock (note 6)	73,550,069	54,832,937
Option Compensation (note 6(f))	1,761,567	1,525,470
Deficit	(23,932,567)	(23,119,515)
	51,379,069	33,238,892
	\$ 52,602,704	\$ 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 Six Months Ended June 30
(Unaudited – Prepared by Management)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2007	2006	2007	2006
General and Administrative Expenses				
	\$			
Stock-based compensation	207,002	\$ 348,325	\$ 236,097	\$ 435,704
Consulting	124,793	30,875	189,357	54,375
Travel and promotion	98,359	39,652	135,922	111,221
Salaries and benefits	30,000	32,063	60,000	64,906
Legal	128,722	2,595	163,762	66,124
Regulatory fees	47,145	33,409	55,745	45,073
Accounting and audit	6,350	7,470	6,350	7,470
Rent	9,929	8,574	19,934	17,163
Insurance	213	0	13,813	0
Office and miscellaneous	9,283	10,022	15,010	14,918
Management fees	4,500	4,500	9,000	9,000
Transfer agent fees	3,718	6,167	6,886	11,666
Investor relations	3,375	0	6,750	0
Interest on financing (note 6(c))	7,193	56	7,245	3,878
Telephone	1,989	1,102	3,536	2,093
General exploration	0	1,084	0	1,084
Amortization	2,088	1,380	4,001	3,899
Less: Interest income	(78,446)	(65,303)	(120,356)	(115,980)
Expense recoveries	0	(1,492)	0	(1,492)
Loss for the Period	606,213	460,479	813,052	731,102
Deficit, Beginning of Period	23,326,354	22,454,988	23,119,515	22,184,365
Deficit, End of Period	\$ 23,932,567	\$ 22,915,487	\$ 23,932,567	\$ 22,915,467
Loss Per Common Share	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.01
Weighted Average Number of Common Shares Outstanding	85,731,046	73,855,910	85,731,046	73,855,910

ABACUS MINING & EXPLORATION CORPORATION
Statements of Cash Flows
For the Six Months Ended June 30
(Unaudited – Prepared by Management)

	For the Six Months Ended June 30,		For the Six Months Ended June 30,	
	2007	2006	2007	2006
Operating Activities				
Loss for the period	\$ (606,213)	\$ (460,479)	\$ (813,052)	\$ (731,102)
Items not involving cash				
Amortization	2,088	1,380	4,002	3,899
Stock-based compensation	207,002	348,325	236,097	435,704
Operating Cash Flow	(397,123)	(110,774)	(572,953)	(291,499)
Changes in Non-Cash Working Capital Items				
Accounts receivable	(122,539)	(22,159)	(123,143)	5,232
Accrued interest receivable	(52,282)	0	63,637	0
Prepaid expenses	23,941	(7,228)	14,392	(6,628)
Loan receivable	(4,192)	(3,988)	(8,287)	(7,885)
Advances to contractor	(1,425)	0	(1,425)	24,862
Accounts payable and accrued liabilities	335,354	(57,069)	870,399	(102,786)
Loans payable	0	0	0	(464,968)
	178,857	(90,444)	815,571	(552,173)
Cash Provided by (Used in) Operating Activities	(218,266)	(201,218)	242,618	(843,672)
Investing Activities				
Mineral interests	(5,493,967)	(1,367,755)	(6,675,519)	(4,705,028)
Equipment purchases	(3,921)	22,764	(3,921)	(4,039)
Cash Used in Investing Activities	(5,497,888)	(1,344,991)	((6,679,440))	(4,709,067)
Financing Activities				
Issuance of capital stock for cash	18,616,457	89,132	18,717,132	13,658,339
Cash Provided by Financing Activities	18,616,457	89,132	18,717,132	13,658,339
Increase (Decrease) in Cash During the Period	12,900,303	(1,457,077)	12,280,310	8,105,000
Cash and Cash Equivalents, Beginning of Period	3,750,471	10,734,243	4,370,464	1,171,566
Cash and Cash Equivalents, End of Period	\$ 16,650,774	\$ 9,277,166	\$ 16,650,774	\$ 9,277,166

Supplemental disclosure with respect to cash flows (note 7)

ABACUS MINING & EXPLORATION CORPORATION

Notes to Financial Statements

For the Six Months Ended June 30, 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 June 30, 2007, the Company has working capital of \$16,315,193 (2006 - \$9,697,915) and an accumulated deficit of \$23,932,567 (2006 - \$22,915,467). 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 Six Months Ended June 30, 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 Six Months Ended June 30, 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 June 30, 2007 was \$1,159,125 (2006 - \$650,000). Included in this amount is the fair value of the 1,000,000 Niblack shares in the amount of \$820,000, of which 450,000 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 Six Months Ended June 30, 2007
(Unaudited – Prepared by Management)

4. MINERAL INTERESTS

At June 30, 2007 and 2006, expenditures incurred on mineral properties are as follows:

	Afton Mine Property				Total
	Afton	Rainbow	Iron Mask	DM/Audra	
Balance, December 31, 2006	\$19,275,858	\$ 2,527,122	\$ 5,801,378	\$ 730,542	\$28,334,900
Additions during year					
Acquisition costs	3,303,826				3,303,826
Exploration costs					
Drilling	0	0	2,271,575	0	2,271,575
Contract wages	0	796	436,273	6,485	443,554
Assay	0	106	254,810	83,819	338,735
Camp and field supplies	0	0	75,856	0	75,856
Travel and accommodation	0	352	197,068	1,407	198,827
Equipment rentals	0	0	8,635	0	8,635
Recording fees	0	0	18,472	0	18,472
Reports, drafting and maps	0	0	2,955	0	2,955
Access Roads	0	0	11,001	0	11,001
Permitting	0	0	2,082	0	2,082
	0	1,254	3,278,727	91,711	3,371,692
Total additions during year	3,303,826	1,254	3,278,727	91,711	6,675,518
Balance, June 30, 2007	\$22,579,684	\$2,528,376	\$9,080,105	\$822,253	\$35,010,418

ABACUS MINING & EXPLORATION CORPORATION
Notes to Financial Statements
For the Six Months Ended June 30, 2007
(Unaudited – Prepared by Management)

4. MINERAL INTERESTS (Continued)

	Afton Mine Property				Total
	Afton	Rainbow	Iron Mask	DM/Audra	
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 Six Months Ended June 30, 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 (\$3,000,000 payment was made on June 29, 2007 in advance).

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 June 30, 2007, 550,000 shares have been released from escrow and the remaining 450,000 shares will be released from escrow as follows: 150,000 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 June 30, 2007, the loan balance and accrued interest of \$39,123 remains outstanding and will be converted into common shares of Niblack.

ABACUS MINING & EXPLORATION CORPORATION
Notes to Financial Statements
For the Six Months Ended June 30, 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 \$87,580 as at June 30, 2007 (2006 - \$78,853).

ABACUS MINING & EXPLORATION CORPORATION
Notes to Financial Statements
For the Six Months Ended June 30, 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, private placement (net of issue costs)	26,704,509	18,530,057
Issued for cash, exercise of warrants	128,500	70,675
Issued for cash, exercise of stock options	352,500	56,400
Issued for other consideration		
Shares for services	117,044	60,000
	27,302,553	18,717,132
Balance, June 30, 2007	107,651,047	\$ 73,550,069

(a) Private Placements

- (i) On June 7, 2007 the Company closed the brokered private placement with a syndicate of agents led by Pacific International Securities Inc. and Dundee Securities Corp. (the "Agents").

The Company issued 13,645,000 non flow-through units (the "Units") at a price of \$0.70 per Unit and up to 11,250,000 flow-through units (the "Flow-Through Units") at a price of \$0.80 per Flow-Through Unit for gross proceeds of \$18,551,500. 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 until December 6, 2008 at a price of \$1.25.

The Agents received a cash commission of \$781,305 and were issued 739,000 Units and 2,489,500 Agents' Options. Each Agent's Option will entitle the Agents to purchase one common share until December 6, 2008 at a price of \$0.85.

The Company concurrently issued, on a non-brokered basis, 443,700 Units at a price of \$0.70 and 595,750 Flow-Through Units at a price of \$0.80 per Flow-Through Unit to raise gross proceeds of \$787,190. Each Unit consists of one common share and one-half of one common share purchase

ABACUS MINING & EXPLORATION CORPORATION
Notes to Financial Statements
For the Six Months Ended June 30, 2007
(Unaudited – Prepared by Management)

6. CAPITAL STOCK (Continued)

(a) Private Placements

warrant. Each Flow-Through Unit consists of one common share issued on a flow-through basis and one-half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share until January 3, 2009 at a price of \$1.25 per share.

Finders were paid a cash commission of \$7,000 and were issued 31,059 Units and 56,870 Agents' Options. Each Agent's Option will entitle the holder to purchase one additional common share until January 3, 2009 at a price of \$0.85 per share.

Proceeds from the private placement financing will be used to finance further exploration on the Afton Project and for general working capital.

- (ii) 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.
- (iii) 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.

(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.

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6.. CAPITAL STOCK (Continued)

(d) Share Purchase Warrants

The Company has, as at June 30, 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 June 30, 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
0	\$1.25	December 6, 2008	12,817,000	0	0	12,817,000
0	\$1.25	January 3, 2009	535,255	0	0	535,255
14,326,858			13,352,255	(128,500)	(55,500)	27,495,113

(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 June 30, 2007, the Company had stock options outstanding to directors and employees for the purchase of up to 7,820,000 common shares exercisable as follows:

Options Outstanding		
Number of Shares	Exercise Price	Expiry Date
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
7,820,000		

In addition, the Company granted Agents Options to acquire 2,489,500 Units exercisable at \$0.85 per unit with an expiry date of December 6, 2008.

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6.. CAPITAL STOCK (Continued)

(e) Stock Options (Continued)

A summary of the status of the Company's stock options as at June 30, 2007 and changes during the period then ended are as follows:

	2007	
	Shares	Weighted Average Exercise Price
Outstanding at beginning of year	7,772,500	\$0.40
Granted	400,000	\$0.65
Exercised	352,500	\$0.16
Outstanding at end of period	7,820,000	\$0.42

(f) Stock-Based Compensation

During the period ended June 30, 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:

	2007	2006
Balance, beginning of year	\$1,525,470	\$ 904,352
Stock-based compensation	236,097	706,310
Fair value of stock options exercised	0	(85,192)
Balance, end of year	\$1,761,567	\$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:

	2006	2005
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 June 30, 2007, the Company issued 117,044 (2006 - nil) shares valued at \$60,000 (2006 - \$nil) for settlement of certain accounts payable.

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7. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS (Continued)

- (b) Interest paid during the period amounted to \$7,245 (2006 - \$3,878).
- (c) Interest received during the period amounted to \$120,356 (2006 - \$115,980).

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 \$3,400,233 (2006 - \$1,611,935) for exploration costs and \$111,179 (2006 - \$167,625) to reimburse office and administrative costs. As at June 30, 2007, there was \$893,141 (2006 - \$48,671) payable to that company.
- (b) A management fee of \$9,000 (2006 - \$9,000) and rent of \$18,082 (2006 - \$15,400) was paid or was owed to a company in which a director is a principal. As at June 30, 2007, there was \$4,514 (2006 - \$4,067) due to that company.
- (c) The Company shares office and administrative costs with a company with two directors in common. As at June 30, 2007 and 2006, \$2,146 was due from this company.
- (d) A director of the Company was paid \$30,000 for consulting services in 2007 and 2006. As at June 30, 2007, \$6,184 (2006 - \$6,719) 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.

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9. INCOME TAXES (Continued)

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

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 EVENTS

None to report.