

**ABACUS MINING & EXPLORATION CORPORATION**

**CONSOLIDATED FINANCIAL STATEMENTS**

**September 30, 2005**

### **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**  
**CONSOLIDATED BALANCE SHEETS**  
(Prepared by Management)

	September 30, 2005 (Unaudited)	December 31, 2004 (Audited)
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 263,891	\$ 720,057
Marketable securities	1,000	1,000
Accounts receivable	598,673	683,542
Loan receivable (Note 3(d))	317,489	100,000
Advances to contractor (Note 6)	155,909	109,003
Prepaid expenses	800	4,469
	1,337,762	1,618,071
MINERAL PROPERTIES (Note 3)	4,123,482	3,801,225
EQUIPMENT	28,971	28,229
RECLAMATION DEPOSITS	23,272	23,272
	\$ 5,513,487	\$ 5,470,797
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 183,303	\$ 105,846
Loans payable (Note 7)	451,184	-
	634,487	105,846
<b>SHAREHOLDERS' EQUITY</b>		
SHARE CAPITAL (Note 5)	26,031,128	25,982,848
SHARE PURCHASE WARRANTS	40,748	40,748
OPTION COMPENSATION	869,861	435,118
DEFICIT	(22,062,737)	(21,093,763)
	4,879,000	5,364,951
	\$ 5,513,487	\$ 5,470,797

NATURE OF OPERATIONS AND GOING CONCERN (Note 1)

APPROVED BY THE BOARD

*"Douglas A. Fulcher"*

Director - Douglas A. Fulcher

*"J. Patrick Nicol"*

Director - J. Patrick Nicol

**ABACUS MINING & EXPLORATION CORPORATION**  
**CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT**  
**For the Nine Months Ended September 30**  
**(Unaudited – Prepared by Management)**

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2005	2004	2005	2004
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>				
Stock-based compensation	\$ 127,504	\$ 81,575	\$ 434,745	\$ 144,565
Consulting	90,914	32,845	241,553	124,154
Travel and promotion	31,107	35,224	123,355	93,646
Salaries and benefits	18,600	15,927	53,600	47,504
Regulatory fees	2,196	5,106	21,273	30,160
Office and miscellaneous	5,507	6,045	14,527	15,877
Investor relations	2,000	3,000	12,000	15,312
Legal	7,386	3,579	17,411	66,305
Rent	7,868	8,708	22,021	28,664
Management fees	4,500	21,300	13,500	63,325
Transfer agent fees	1,774	848	13,787	10,927
Amortization	2,386	1,717	6,215	5,089
Accounting and audit	-	1,260	1,970	4,345
Telephone	1,393	1,501	4,250	5,328
Interest expense	1,184	-	1,184	-
	304,319	218,635	981,391	655,201
Less: Interest income	(4,033)	(2,878)	(13,265)	(5,661)
<b>LOSS BEFORE THE FOLLOWING</b>	<b>300,286</b>	<b>215,757</b>	<b>968,126</b>	<b>649,540</b>
General exploration	-	20,077	848	63,175
<b>LOSS FOR THE PERIOD</b>	<b>300,286</b>	<b>235,834</b>	<b>968,974</b>	<b>712,715</b>
<b>DEFICIT, BEGINNING OF PERIOD</b>	<b>21,762,451</b>	<b>20,487,045</b>	<b>21,093,763</b>	<b>20,010,164</b>
<b>DEFICIT, END OF PERIOD</b>	<b>\$ 22,062,737</b>	<b>\$ 20,722,879</b>	<b>\$ 22,062,737</b>	<b>\$ 20,722,879</b>
<b>LOSS PER SHARE</b>	<b>\$ 0.01</b>	<b>\$ 0.01</b>	<b>\$ 0.026</b>	<b>\$ 0.02</b>

**ABACUS MINING & EXPLORATION CORPORATION**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**For the Nine Months Ended September 30**  
**(Unaudited – Prepared by Management)**

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2005	2004	2005	2004
CASH PROVIDED BY (USED FOR):				
OPERATING ACTIVITIES				
Loss for the period	\$ (300,286)	\$ (235,834)	\$ (968,975)	\$ (712,715)
Less: non-cash charges				
Amortization	2,386	1,717	6,214	5,089
Stock-based compensation	127,504	81,575	434,743	144,565
	(170,396)	(152,542)	(528,018)	(563,061)
Net changes in non-cash working capital balances				
Accounts receivable	3,008	47,076)	78,181	12,783
Prepaid expenses	-	(18,209)	3,669	(24,434)
Advances to contractors	(76,613)	116,872	(46,906)	-
Accounts payable and accrued liabilities	54,608	45,517	77,457	(11,040)
Loan receivable	(3,884)	-	(210,799)	-
	(22,881)	(52,320)	(98,398)	(585,752)
INVESTING ACTIVITIES				
Mineral properties	(100,417)	(428,475)	(322,258)	(2,246,918)
Equipment purchases	(6,295)	-	(6,956)	(17,108)
	(106,712)	(428,475)	(329,214)	(2,264,026)
FINANCING ACTIVITIES				
Share issue costs refunded	-	4,141	-	4,141
Issuance of share capital for cash	36,280	105,000	48,280	3,364,474
Loans payable	450,000	-	450,000	-
Accrued interest on loans payable	1,184	-	1,184	-
	487,464	109,141	499,464	3,368,615
INCREASE (DECREASE) IN CASH	187,475	(371,654)	(456,166)	518,837
CASH, BEGINNING OF PERIOD	76,416	2,145,696	720,057	1,255,205
CASH, END OF PERIOD	\$ 263,891	\$ 1,774,042	\$ 263,891	\$ 1,774,042

# ABACUS MINING & EXPLORATION CORPORATION

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2005

(Unaudited – Prepared by Management)

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### 1. NATURE OF OPERATIONS AND GOING CONCERN

The Company 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 consolidated 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 September 30, 2005, the Company has a working capital of \$703,275 and an accumulated deficit of \$22,062,737. 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 consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classification 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 policies.

#### (a) Principles of Consolidation

The consolidated financial statements as at December 31, 2004 and 2003 included the accounts of the Company and its wholly owned subsidiary, Abacus Alaska, Inc.

#### (b) Basis of Presentation

The accompanying unaudited interim consolidated financial statements are prepared in accordance with generally accepted accounting principles ("GAAP") in Canada with respect to the preparation of interim financial statements. Accordingly, they do not include all of the information and disclosures required by Canadian GAAP in the preparation of annual financial statements. The accounting policies used in the preparation of the accompanying unaudited interim financial statements are the same as those described in the annual consolidated financial statements and the notes thereto for the year ended December 31, 2004, with the exception of the change in accounting policy for stock based compensation, as disclosed in Note 2(b). In the opinion of management, all adjustments considered necessary for fair presentation have been included in these financial statements. The interim consolidated financial statements should be read in conjunction with the Company's consolidated financial statements including the notes thereto for the year ended December 31, 2004.

#### (c) 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 the 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. Actual results could differ from those reported.

# ABACUS MINING & EXPLORATION CORPORATION

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2005

(Unaudited – Prepared by Management)

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### 3. MINERAL PROPERTIES

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

(a) **Rainbow Property, Kamloops Mining Division, B.C.**

The Company entered into an option agreement to acquire 100% of the optionor's 70% interest in 13 mineral claims on the issue of 150,000 common shares (issued) and a commitment to incur \$1,000,000 in exploration expenditures (incurred) on the property in stages prior to January 17, 2006. The optionor has reserved the right to back-in and acquire up to a 65% interest in any specific mineral deposit located or retain a 1.5% net smelter royalty on which the Company may purchase one-third of for \$1,000,000.

In 2004 the Company paid \$200,000 and issued 500,000 common shares at a deemed value of \$195,000 to the holder of the other 30% vested interest to acquire their right of refusal under their agreement with the optionor.

(b) **Iron Mask Property, Kamloops Mining Division, B.C.**

The Company entered into an option agreement to acquire 100% of the optionor's interest in 39 mineral claims and 20 Crown granted mineral claims on the issue of 100,000 common shares (issued) and the commitment to incur \$1,000,000 in exploration expenditures (incurred), in stages, on the property before January 17, 2006. The optionor has reserved the right to back-in and acquire up to a 65% interest in any specific mineral deposit located or retain a 1.5% net smelter royalty of which the Company may purchase one-third for \$1,000,000.

(c) **Combined Property**

On March 3, 2004, the Rainbow and Iron Mask properties were combined pursuant to an agreement which required an aggregate expenditures of \$1,300,000 with a minimum of \$250,000 to be incurred on the Iron Mask property.

The Company has incurred the required expenditures and its interest has been vested.

Once the Company has notified the optionor that it has incurred \$5,000,000 in expenditures on an ore deposit on the property or prepared a preliminary feasibility study on such specific deposit, the optionor will have 120 days in which to exercise its back-in right.

(d) **Niblack Project, Alaska, U.S.A.**

The Company has acquired a 100% interest in 123, reduced to 47 claims during the year ended December 31, 2003 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 has retained a variable 1% to 3% net smelter returns royalty based on the profitability of the property. Certain net profit interests are held by other parties with respect to a 29.51% interest in the property. An additional 100% interest in 2 patented mineral claims have been acquired subject to a final US \$10,000 payment. During 2002 the property was written-down to a nominal value of \$1.

The Company received approval on March 15, 2005 to reorganize the Company and its wholly owned Niblack property. The property has been transferred into a new company, incorporated under the name Niblack Mining Corp. ("Niblack Mining"). Shareholders at record on April 18<sup>th</sup> received one new Abacus share for every old Abacus share held and also received one Niblack share for every four shares of Abacus held.

**ABACUS MINING & EXPLORATION CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

September 30, 2005

(Unaudited – Prepared by Management)

**3. MINERAL PROPERTIES (continued)**

Initial capital has been provided by a \$300,000 loan from Abacus which will be convertible by Abacus into Niblack Mining shares and warrants at a conversion price equal to the offering price. In addition, 1,000,000 shares of Niblack Mining will be issued pursuant to an escrow agreement over an 18 month period as a bonus for the foregoing loan and to provide an initial measure of control over the direction of Niblack Mining. On completion of the reorganization and prospectus financing, the Company will hold approximately 6.5% of Niblack Mining, the Abacus shareholders will hold an estimated 61%, and the prospectus purchasers will hold the remaining 32.5%.

At September 30, 2005, expenditures incurred on mineral properties are as follows:

	Rainbow	Iron Mask	Niblack	Joker	Total
Balance, December 31, 2004	\$2,514,061	\$1,287,163	\$ 1	\$ -	\$3,801,225
Additions during period					
Acquisition costs	-	-	-	-	-
Exploration costs					
Assay	-	19,685	-	2,534	22,219
Drilling	-	6,341	-	-	6,341
Geological consulting	13,845	7,222	-	-	21,067
Geophysical consulting	-	-	-	-	-
Contract wages	-	184,306	-	8,325	192,631
Travel and accommodation	-	48,001	-	945	48,946
Reports, drafting, maps	-	-	-	1,650	1,650
Recording fees	-	2,015	-	-	2,015
Equipment rental	-	24,099	-	-	24,099
Camp, field supplies	-	3,289	-	-	3,289
	13,845	294,958	-	13,454	322,257
Total additions during period	13,845	294,958	-	13,454	322,257
Balance, September 30, 2005	\$2,527,906	\$1,582,121	\$ 1	\$ 13,454	\$4,123,482

**4. EQUIPMENT**

Equipment is comprised of office, field and computer equipment and are recorded at cost net of accumulated amortization of \$72,568 as at September 30, 2005.

**ABACUS MINING & EXPLORATION CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**September 30, 2005**  
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**5. SHARE CAPITAL**

Authorized	No. of	Amount
100,000,000 common shares without par value	Shares	Amount
Issued:		
Balance at December 31, 2004	37,535,602	\$ 25,982,848
Issued in settlement of debts	212,601	48,000
Issued for cash, exercise of stock options	2,500	280
	215,101	48,280
<b>Balance, September 30, 2005</b>	<b>37,750,703</b>	<b>26,031,128</b>

**(a) Share Purchase Warrants**

The Company has, as at September 30, 2005, share purchase warrants outstanding entitling the holders to acquire common shares as follows:

Outstanding as at December 31, 2004	Exercise Price	Expiry Date	Issued	Exercised	Expired	Outstanding as at September 30, 2005
394,744*1,2	\$0.192	October 29, 2005	-	-	-	394,744

\* 1. The share purchase warrants issued as part of units in the settlement of outstanding debts have been ascribed a fair value of \$40,748 calculated using the Black-Scholes Option Pricing Model.

2. All outstanding warrants have been exercised subsequent to the period ending September 30, 2005.

**(b) 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 September 30, 2005 the Company had stock options outstanding to directors and employees for the purchase of up to 6,512,500 common shares exercisable as follows:

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5. **SHARE CAPITAL (continued)**

(b) **Stock Options (continued)**

Number Of Shares	Exercise Price	Expiry Date
225,000	\$0.112	June 1, 2006
462,500	\$0.16	April 16, 2007
775,000	\$0.08	April 4, 2008
750,000	\$0.152	September 4, 2008
300,000	\$0.288	October 9, 2008
1,500,000	\$0.16	September 17, 2009
1,500,000	\$0.32	October 23, 2009
200,000	\$0.30	December 23, 2009
800,000	\$0.28	March 4, 2010
500,000	\$0.34	May 20, 2010
7,012,500		

A summary of the status of the Company's stock options as at September 30, 2005 and changes during the period then ended is as follows:

	Shares	Weighted Average Exercise Price
Outstanding at December 31, 2004	5,715,000	\$ 0.18
Granted	1,300,000	0.30
Exercised	(2,500)	0.112
Cancelled/expired	-	
Outstanding, September 30, 2005	7,012,500	\$ 0.20

(c) **Stock based compensation**

Pursuant to the CICA standard of accounting for stock-based compensation, the fair value of stock options granted and vested in the period, in the amount of \$127,504 has been recorded as an expense in the period.

The fair value of stock options used to calculate compensation expense is estimated using the Black-Scholes Option Pricing Model with the following assumptions:

	2005
Risk-free interest rate	3.12
Expected dividend yield	-
Expected stock price volatility	108%
Expected option life in years	3

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the

**ABACUS MINING & EXPLORATION CORPORATION**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**September 30, 2005**

**(Unaudited – Prepared by Management)**

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Company's stock options.

**6. RELATED PARTY TRANSACTIONS**

- (a) The Company conducts the majority of its exploration activities through an exploration services contractor in which two directors are principals. The Company paid that contractor \$308,413 (2004 - \$1,909,139) for exploration costs and \$119,348 (2004 - \$198,223) to reimburse office and administrative costs. As at September 30, 2005 the Company had advanced \$155,909 to that contractor.
- (b) A management fee of \$13,500 (2004 - \$22,500) was paid or was owed to a company controlled by a Company director.
- (c) The Company shares office and administrative costs with a company with three directors in common. As at September 30, 2005, \$3,837 was due to this company.

**7. LOANS PAYABLE**

On September 22, 2005 the Company negotiated private loans for the amount of \$450,000. The terms of the loan agreements are for a period of one year bearing an interest rate of 12% per annum compounded monthly. The Company has also agreed to pay the lenders 450,000 shares at a deemed price of \$0.20 per share as consideration of the loans.

**8. SEGMENTED DISCLOSURE**

The Company has one operating segment, mineral exploration and development. All of the Company's assets are located in Canada (refer to Note 3).

**9. SUBSEQUENT EVENTS**

**Corporate Reorganization**

The Company received shareholder, court and regulatory approval of the arrangement to transfer the Company's Niblack property to the newly incorporated Niblack Mining Corp. ("Niblack"). Under the terms of the plan of arrangement, shareholders of the Company at April 15, 2005 have received four new common shares of the Company and one common share of Niblack for each four common shares held in the Company. Pursuant to the plan of arrangement the exercise price of all outstanding share purchase warrants and stock options of the Company have been reduced by 20%.