

ABACUS MINING & EXPLORATION CORPORATION
(An Exploration Stage Company)

Condensed Interim Financial Statements
March 31, 2011

(Unaudited)

(Expressed in Canadian dollars)

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ABACUS MINING & EXPLORATION CORPORATION

Condensed Interim Balance Sheets

(An Exploration Stage Company)

Unaudited - expressed in Canadian dollars

	March 31, 2011	December 31, 2010 (note 13)	January 1, 2010 (note 13)
Assets			
Current			
Cash and cash equivalents	\$ 2,122,110	\$ 2,372,507	\$ 4,847,622
Marketable securities (notes 5 and 7)	3,250	2,250	2,083
Amounts receivable	582,511	1,247,047	45,568
Due from KGHM Ajax Mining Inc.	1,390,673	1,980,694	-
Mining Exploration Tax Credit receivable	116,252	116,252	2,097,146
Prepaid expenses	282,805	261,319	66,744
	4,497,601	5,980,069	7,059,163
Non-current assets			
Mineral Interests (notes 8 and 11)	-	-	46,661,572
Equipment	88,273	91,117	117,100
Reclamation Deposits	-	-	35,000
Investment in KGHM Ajax Mining Inc. (note 4)	36,383,565	36,641,809	-
	\$ 40,969,439	\$ 42,712,995	\$ 53,872,835
Liabilities and Equity			
Current liabilities			
Accounts payable and accrued liabilities	\$ 3,094,734	\$ 4,237,971	\$ 1,637,110
Loan payable (note 9)	-	-	2,057,725
Contractual obligation (notes 5 and 8)	4,565,259	5,706,574	-
	7,659,993	9,944,545	3,694,835
Non-current liabilities			
Contractual Obligation (notes 5 and 8)	5,000,000	5,000,000	-
Future Income Taxes	292	-	1,251,502
	12,660,285	14,944,545	4,946,337
Equity			
Capital Stock (note 10)	76,243,267	76,243,267	72,121,063
Contributed Surplus	4,232,901	4,070,308	3,730,435
Accumulated Other Comprehensive Income	1,957	1,068	922
Deficit	(52,168,971)	(52,546,193)	(26,925,922)
	28,309,154	27,768,450	48,926,498
	\$ 40,969,439	\$ 42,712,995	\$ 53,872,835

Approved on behalf of the Board by:

/s/ James Excell, President

/s/ Tom McKeever, Director

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

ABACUS MINING & EXPLORATION CORPORATION**Condensed Interim Statement of Comprehensive Income**

(An Exploration Stage Company)

Unaudited - expressed in Canadian dollars

	Three months ended March 31	
	2011	2010
		(note 13)
General and Administrative Expenses (note 11)		
Salaries and contract wages	\$ 270,674	\$ 107,000
Share-based payments (note 10)	162,593	39,073
Travel and promotion	109,988	136,085
Consulting	89,750	72,737
Investor relations	58,804	32,964
Rent	50,930	28,300
Legal	34,484	53,667
Accounting and audit	27,500	50,796
Insurance	18,694	5,810
Office and miscellaneous	18,655	13,429
Regulatory fees	10,625	14,358
Amortization	6,646	8,530
Telephone	5,301	5,863
Transfer agent fees	4,918	7,691
Expense recoveries	(360,725)	-
Loss Before Other Items and Income Tax	(508,837)	(576,303)
Other Items		
Unrealized gain on contractual obligation (note 8)	1,141,315	-
Interest and other expenses	-	(89,735)
Interest income	3,150	55,846
Loss on equity investment (note 4)	(258,244)	-
Income (Loss) Before Income Tax	377,384	(610,192)
Future Income Tax Recovery	(162)	(65)
Net Income (Loss) for the Period	377,222	(610,257)
Unrealized gain (loss) on available-for-sale securities, net of future income taxes	889	(435)
Comprehensive Income (Loss) for the Period	\$ 378,111	\$ (610,692)
Loss per Share, basic and diluted	\$ 0.00	\$ 0.00
Weighted Average Number of Common Shares Outstanding	169,250,239	156,319,609

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

ABACUS MINING & EXPLORATION CORPORATION

Condensed Interim Statement of Changes in Equity

(An Exploration Stage Company)

Unaudited - expressed in Canadian dollars

	Number of Shares	Capital Stock	Contributed Surplus	Accumulated Other Comprehensive Income (Loss)	Deficit	Total Equity (note 13)
Balance, January 1, 2010	156,304,609	\$ 72,121,063	\$ 3,730,435	\$ 922	\$ (26,925,922)	\$ 48,926,498
Unrealized loss on available-for-sale securities, net of future income taxes	-	-	-	(435)	-	(435)
Exercise of options	30,000	4,500	-	-	-	4,500
Fair value of options exercised	-	2,100	(2,100)	-	-	-
Share-based payments	-	-	39,073	-	-	39,073
Net loss for the three months	-	-	-	-	(610,257)	(610,257)
Balance, March 31, 2010	156,334,609	72,127,663	3,767,408	487	(27,536,179)	48,359,379
Unrealized gain on available-for-sale securities, net of future income taxes	-	-	-	581	-	581
Issued for cash, private placement, net of issue costs	15,000,000	3,745,760	-	-	-	3,745,760
Exercise of options	140,058	28,012	-	-	-	28,012
Exercise of warrants	16,250	4,875	-	-	-	4,875
Issued for mineral property	5,000,000	1,100,000	-	-	-	1,100,000
Fair value of options exercised	-	18,207	(18,207)	-	-	-
Share-based payments	-	-	321,107	-	-	321,107
Income tax effect on flow-through share renoucement	-	(781,250)	-	-	-	(781,250)
Net loss for the nine months	-	-	-	-	(25,010,014)	(25,010,014)
Balance, December 31, 2010	176,490,917	76,243,267	4,070,308	1,068	(52,546,193)	27,768,450
Unrealized gain on available-for-sale securities, net of future income taxes	-	-	-	889	-	889
Share-based payments	-	-	162,593	-	-	162,593
Net income for the three months	-	-	-	-	377,222	377,222
Balance, March 31, 2011	176,490,917	\$ 76,243,267	\$ 4,232,901	\$ 1,957	\$ (52,168,971)	\$ 28,309,154

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

ABACUS MINING & EXPLORATION CORPORATION**Condensed Interim Statements of Cash Flows**

(An Exploration Stage Company)

Unaudited - expressed in Canadian dollars

	Three months ended March 31	
	2011	2010
		(note 13)
Operating Activities		
Net Income (loss) for the period	\$ 377,222	\$ (610,257)
Items not involving cash:		
Unrealized gain on contractual obligation (note 8)	(1,141,315)	-
Loss on equity investment	258,244	-
Share-based payments (note 10)	162,593	39,073
Amortization	6,646	8,530
Accrued interest on loan payable	-	89,735
Future income tax recovery	181	65
	(336,429)	(472,854)
Changes in non-cash working capital items:		
Amounts receivable	664,536	2,026,698
Due from KGHM Ajax Mining Inc.	590,021	-
Prepaid expenses	(21,486)	(449,099)
Accounts payable and accrued liabilities	(1,143,237)	(597,597)
	89,834	980,002
Cash provided by (used for) Operating Activities	(246,595)	507,148
Investing Activities		
Equipment purchases	(3,802)	(6,240)
Mineral interests	-	(1,332,175)
Cash used for Investing Activities	(3,802)	(1,338,415)
Financing Activities		
Issuance of capital stock for cash	-	4,500
Repayment of loan payable	-	(2,147,461)
Cash used for Financing Activities	-	(2,142,961)
Decrease in Cash During the Period	(250,397)	(2,974,228)
Cash and Cash Equivalents, Beginning of the Period	2,372,507	4,847,622
Cash and Cash Equivalents, End of Period	\$ 2,122,110	\$ 1,873,394
Cash and Cash Equivalents consists of:		
Cash	\$ 1,622,110	\$ 173,394
Temporary investments	500,000	1,700,000
	\$ 2,122,110	\$ 1,873,394

ABACUS MINING & EXPLORATION CORPORATION**Condensed Interim Statements of Cash Flows**

(An Exploration Stage Company)

Unaudited - expressed in Canadian dollars

Supplemental cash flows	Three months ended March 31	
	2011	2010
Non-cash investing and financing transactions:		
Reclassification of contributed surplus to share capital upon exercise of stock options	\$ -	\$ 2,100
Supplemental disclosures:		
Interest received	\$ 3,150	\$ 55,846
Interest paid	\$ -	\$ 89,735
Tax paid	\$ -	\$ -

ABACUS MINING & EXPLORATION CORPORATION

Notes to the Condensed Interim Financial Statements

(An Exploration Stage Company)

For the three months ended March 31, 2011

Unaudited - expressed in Canadian dollars

1. NATURE OF OPERATIONS AND GOING CONCERN

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

On October 12, 2010, the Company entered into a definitive Joint Venture Shareholders Agreement with KGHM Poliska Miedz S.A. ("KGHM") ("Definitive Agreement") and has an interest in KGHM Ajax Mining Inc. ("KGHM Ajax") of 49%. The Company's investment in KGHM Ajax is accounted for using the equity method of accounting (see Note 4).

The Company has incurred significant operating losses over the past several fiscal years, has a working capital deficit of \$3,162,392(December 31, 2010 -\$3,964,476), an accumulated deficit of \$52,168,971(December 31, 2010 - \$52,546,193), limited resources and no source of operating cash flow. Included in current liabilities is \$4,565,259 of the current portion of contractual obligations which were settled in full in April 2011 through the issuance of capital stock - notes 8 and 14(d). The Company's current working capital is not sufficient to meet its financial obligations and administrative overhead costs beyond 2011. These condensed interim financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. The ability of the Company to continue as a going concern is dependent upon the Company's ability to generate future profitable operations and receive continued financial support from its exploration partners and shareholders. Management is actively seeking to raise the necessary capital to meet its funding requirements. There can be no assurance that management's plan will be successful. If the going concern assumption were not appropriate for these financial statements then adjustments would be necessary in the carrying value of assets and liabilities, the reported expenses and the balance sheet classifications used. Such adjustments could be material.

2. BASIS OF PREPARATION AND FIRST TIME ADOPTION OF IFRS

Transition to International Financial Reporting Standards ("IFRS")

We prepare our financial statements in accordance with Canadian generally accepted accounting principles ("GAAP") as set out in the Handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook"). In 2010, the CICA Handbook was revised to incorporate IFRS as issued by the International Accounting Standards Board, and require publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, we have commenced reporting on this basis in these condensed interim financial statements. In these condensed interim financial statements, the term "Canadian GAAP" refers to Canadian GAAP before the adoption of IFRS.

These condensed interim financial statements have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting* ("IAS 34") and IFRS 1, *First-Time Adoption of IFRS* ("IFRS 1"). Subject to certain transition elections disclosed in note 13, we have consistently applied the same accounting policies in our opening IFRS balance sheet as at January 1, 2010 and throughout all periods presented, as if these policies had always been in effect. Note 13 discloses the impact of the transition to IFRS on our reported balance sheet, comprehensive income, changes in equity and cash flows, including the nature and effect of significant changes in accounting policies from those used in our financial statements for the year ended December 31, 2010.

ABACUS MINING & EXPLORATION CORPORATION

Notes to the Condensed Interim Financial Statements

(An Exploration Stage Company)

For the three months ended March 31, 2011

Unaudited - expressed in Canadian dollars

2. BASIS OF PREPARATION AND FIRST TIME ADOPTION OF IFRS (Continued)

The policies applied in these condensed interim financial statements are presented in note 3 and are based on IFRS issued and outstanding as of June 15, 2011, the date the Board of Directors approved the financial statements. Any subsequent changes to IFRS that are given effect in our annual financial statements for the year ending December 31, 2011 could result in restatement of these interim financial statements, including the transition adjustments recognized on change-over to IFRS.

Basis of preparation

These condensed interim financial statements have been prepared in accordance with IAS 34. These condensed interim financial statements do not include all the information required for full annual financial statements. The condensed interim financial statements should be read in conjunction with our Canadian GAAP annual financial statements for the year ended December 31, 2010. Refer to note 13 for disclosure of IFRS information for the year ended December 31, 2010 that is material to the understanding of these condensed interim financial statements.

Management makes 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. Significant areas requiring the use of management estimates include:

- the collectability of amounts receivable;
- recovery of Mining Exploration Tax Credits;
- balances of accrued liabilities;
- the fair value of financial instruments;
- the rates for amortization of equipment;
- the recoverability of investment in KGHM Ajax;
- determination of asset retirement and environmental obligations;
- the utilization of future income tax assets; and
- the determination of the variables used in the calculation of share-based payments.

While management believes that these estimates are reasonable, actual results could differ from those estimates and could impact future results of comprehensive income and cash flows.

The condensed interim financial statements were prepared on a historical cost basis except for financial instruments, which are classified as available-for-sale.

3. SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies:

- (a) Significant influence investments
Investments in which the Company exerts significant influence are accounted for using the equity method whereby the original cost of the investment is adjusted annually for the Company's share of earnings, losses and dividends during the current period. The Company's share of net income and losses of such investments are included in the statements of comprehensive income. The Company's 49% investment in KGHM Ajax is accounted for under the equity method.

ABACUS MINING & EXPLORATION CORPORATION

Notes to the Condensed Interim Financial Statements

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

- (b) **Cash equivalents**
Cash equivalents comprise bank deposits or highly-liquid temporary investments, which are readily convertible into known amounts of cash and which mature within ninety days from the original dates of acquisition.
- (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. The amounts shown for acquisition costs and deferred exploration expenditures represent costs incurred to date and do not necessarily reflect present or future values. 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. Costs accumulated relating to projects that are abandoned are written off in the period in which a decision to discontinue the project is made.
- 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 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, a provision is made for the impairment in value.
- 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 not recorded. Option payments are recorded as property costs or recoveries when the payments are made or received. Where recoveries exceed costs, such amounts are recognized in net income.
- (d) **Equipment**
Equipment is recorded at cost and amortized using the declining-balance method at an annual rate of 20% for office and other equipment and 30% for computer equipment. Amortization on leasehold improvements is recorded on a straight-line basis over the term of the lease of five years.
- (e) **Loss per share**
Loss per share is calculated using the weighted average number of common shares outstanding during the period. The computation of diluted earnings per share is performed by presuming the exercise of outstanding options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to re-purchase common shares at the average market price during the period. However, the calculation of diluted loss per share excludes the effects of conversions or exercise of options and warrants if they would be anti-dilutive.

ABACUS MINING & EXPLORATION CORPORATION

Notes to the Condensed Interim Financial Statements

(An Exploration Stage Company)

For the three months ended March 31, 2011

Unaudited - expressed in Canadian dollars

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Share-based payments

The Company has a stock option plan that is described in note 10(e). Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The offset to the recorded cost is to contributed surplus. Consideration received on the exercise of stock options is recorded as share capital and the related amount originally recorded in contributed surplus is transferred to capital stock.

(g) Income taxes

The Company uses the balance sheet method of accounting for income taxes. Under this method, tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred income tax assets and liabilities are measured using substantially enacted tax rates expected to be in effect when the temporary differences are likely to reverse. The amount of future income tax assets recognized is limited to the amount of the benefit that is expected to be realized.

(h) Mining and exploration tax recoveries

The Company recognizes mining and exploration tax recoveries in the period in which the related qualifying resource expenditures are incurred. The amount recoverable is subject to review and approval by the taxation authorities and is adjusted for in the period when such approval is confirmed.

(i) Flow-through common shares

Flow-through shares entitle a company that incurs certain resource exploration expenditures in Canada to renounce them for tax purposes allowing the expenditures to be deducted for income tax purposes by the investors who purchased the flow-through shares. The proceeds from shares issued under flow-through share financing agreements are credited to capital stock. 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.

A portion of the future income tax assets that were not previously recognized are recognized as a recovery of future income taxes in the statements of comprehensive income up to the amount of the future income tax liability or renouncement.

(j) Unit offerings

Proceeds received on the issuance of units, consisting of common shares and warrants, are allocated entirely to common shares.

(k) Foreign currency translation

The functional and reporting currency of the Company is the Canadian dollar. Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the dates of transaction. Monetary assets and liabilities that are denominated in foreign currency are translated at the rates prevailing at each reporting date. Non-monetary assets and liabilities that are measured in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate

ABACUS MINING & EXPLORATION CORPORATION

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Unaudited - expressed in Canadian dollars

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Foreign currency translation (Continued)
at the date the fair value was determined. Non-monetary items that are measured in terms of historical cost in foreign currency are not translated. Foreign currency translation differences are recognized in the statement of comprehensive income, except for differences on the translation of available-for-sale instruments, which are recognized in other comprehensive income.

(l) Financial instruments

(i) Financial assets

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss ("FVTPL") - This category comprises derivatives, or assets acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the balance sheet at fair value with changes in fair value recognized in net income.

Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortized cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

Held-to-maturity investments - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in net income.

Available-for-sale - Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized in other comprehensive income as a component of equity. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized in net income.

All financial assets, except for those classified as FVTPL, are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described above.

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Notes to the Condensed Interim Financial Statements

(An Exploration Stage Company)

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Unaudited - expressed in Canadian dollars

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Financial instruments (Continued)

(ii) Financial liabilities

The Company classifies its financial liabilities into one of two categories. The Company's accounting policy for each category is as follows:

FVTPL - This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the balance sheet at fair value with changes in fair value recognized in the net income.

Other financial liabilities - This category includes promissory notes, amounts due to related parties and accounts payables and accrued liabilities, all of which are recognized at amortized cost.

(iii) Fair value hierarchy

The Company provides information about its financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate the fair value:

Level 1 Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 Inputs, other than quoted prices, that are observable for the asset or liability either directly or indirectly; and

Level 3 Inputs that are not based on observable market data.

(m) Accounting standards issued for adoption in future periods

Certain new accounting standards and interpretations have been published that are not mandatory for the March 31, 2011 reporting period:

- IFRS 9, *Financial Instruments*, addresses classification and measurement of financial instruments and replaces the multiple category and measurement models in IAS 39, *Financial Instruments - Recognition and Measurement*, for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments, and such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income (loss). IFRS 9 is required to be applied for accounting periods beginning on or after January 1, 2013, with earlier adoption permitted. The Company has not yet assessed the impact of the standard or determined whether it will adopt the standard.
- On January 1, 2013, Abacus will be required to adopt IFRS 11, *Joint Arrangements*, which applies to accounting for interests in joint arrangements where there is joint control. The Company has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Accounting standards issued for adoption in future periods (Continued)

- On January 1, 2013, Abacus will be required to adopt IFRS 12, *Disclosure of Involvement with Other Entities*, which includes disclosure requirements about subsidiaries, joint ventures and associates, as well as unconsolidated structured entities and replaces existing disclosure requirements. The Company has not yet assessed the impact of the standard or determined whether it will adopt the standard early.
- On January 1, 2013, Abacus will be required to adopt IFRS 13, *Fair Value Measurement*. Upon adoption, the Company will provide a single framework for measuring fair value while requiring enhanced disclosures when fair value is applied. IFRS 13 is required to be applied for accounting periods beginning on or after January 1, 2013, with earlier adoption permitted. The Company has not yet assessed the impact of the standard or determined whether it will adopt the standard early.
- On January 1, 2013, Abacus will be required to adopt IAS 28, *Investments in Associates and Joint Ventures*. As a consequence of the issue of IFRS 10, IFRS 11 and IFRS 12, IAS 28 has been amended and will further provide the accounting guidance for investments in associates and will set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. This standard will be applied by the Company when there is joint control or significant influence over an investee. The Company has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

4. INVESTMENT IN KGHM AJAX MINING INC.

On June 28, 2010, the Company incorporated a wholly-owned subsidiary, KGHM Ajax, pursuant to the Investment Agreement dated May 4, 2010 between the Company and KGHM to advance the Company's Afton-Ajax copper-gold project (the "Project") located near Kamloops, British Columbia, through a bankable feasibility study and into production. The terms of the Investment Agreement were incorporated into the Definitive Agreement.

The carrying value of the Company's investment in KGHM Ajax is summarized as follows:

Investment in KGHM Ajax	
Fair value of mineral interests transferred to KGHM Ajax on October 12, 2010	\$ 37,429,581
Company's share of loss in KGHM Ajax during the nine-month period	(20,864)
Dilution loss during the period	(766,908)
Investment in KGHM Ajax as of December 31, 2010	36,641,809
Company's share of loss in KGHM Ajax during the three-month period	(258,244)
Investment in KGHM Ajax as of March 31, 2011	\$ 36,383,565

ABACUS MINING & EXPLORATION CORPORATION

Notes to the Condensed Interim Financial Statements

(An Exploration Stage Company)

For the three months ended March 31, 2011

Unaudited - expressed in Canadian dollars

4. INVESTMENT IN KGHM AJAX MINING INC.(Continued)

A summary of 100% of the assets and liabilities of KGHM Ajax and the results of operations for are as follows:

Selected financial information of KGHM Ajax			
	As at		As at
	March 31,		December 31,
	2011		2010
Total current assets	\$	22,328,889	\$ 26,443,954
Total non-current assets		53,384,880	50,349,089
Total assets	\$	75,713,769	\$ 76,793,043
Total liabilities	\$	1,461,519	\$ 2,013,841
Total equity		74,252,251	74,779,202
Total liabilities and equity	\$	75,713,770	\$ 76,793,043
		Three months	
		ended	
		March 31,	
		2011	
Net loss	\$	(527,029)	

5. FINANCIAL INSTRUMENTS

The Company has classified its cash and cash equivalents and contractual obligations as FVTPL; marketable securities as available-for-sale; amounts receivable as loans and receivables; reclamation deposits as held-to-maturity; and accounts payable, accrued liabilities and loan payable as other financial liabilities.

The carrying values of cash and cash equivalents, amounts receivable (excluding due from related parties), and accounts payable and accrued liabilities (excluding due to related parties) approximate their fair values due to the short-term maturity of these financial instruments. The carrying value of reclamation deposits approximates fair value since amounts held earn interest at market rates. The loan payable approximated fair value as it was at a market rate of interest. The fair values of amounts due from related parties have not been disclosed as their fair values cannot be reliably measured since there are no quoted market prices for such instruments.

The Company's risk exposure and the impact on the Company's financial instruments are summarized below.

ABACUS MINING & EXPLORATION CORPORATION

Notes to the Condensed Interim Financial Statements

(An Exploration Stage Company)

For the three months ended March 31, 2011

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5. FINANCIAL INSTRUMENTS (Continued)

(a) Fair value

The Company's measurement of fair value of financial instruments in accordance with the fair value hierarchy is as follows:

As at March 31, 2011	Total	Level 1	Level 2	Level 3
Assets				
Marketable securities	\$ 3,250	\$ 3,250	\$ -	-
Liabilities				
Contractual obligation	\$ 9,565,259	\$ -	\$ 9,565,259	-

As at December 31, 2010	Total	Level 1	Level 2	Level 3
Assets				
Marketable securities	\$ 2,250	\$ 2,250	\$ -	-
Liabilities				
Contractual obligation	\$ 10,706,574	\$ -	\$ 10,706,574	-

(b) Credit risk

The Company manages credit risk, in respect of cash and cash equivalents, by purchasing highly liquid, short-term investment-grade securities held at major Canadian financial institutions. The Company is exposed to credit risk from related party balances.

Concentration of credit risk exists with respect to the Company's cash and cash equivalents as all amounts are held at a single major Canadian financial institution. The Company's concentration of credit risk and maximum exposure thereto is as follows:

	March 31, 2011	December 31, 2010
Bank accounts	\$ 1,622,110	\$ 1,872,507
Temporary investments	500,000	500,000
Due from KGHM Ajax	1,390,673	1,980,694
Total	\$ 3,512,783	\$ 4,353,201

(c) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty meeting obligations associated with financial liabilities. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated financing and investing activities. Accounts payable and accrued liabilities of \$3,094,734 (December 31, 2010: \$4,237,971) are due in the second quarter of 2011 and the contractual obligation of \$4,565,259 (December 31, 2010: \$5,706,574) was settled in the second quarter of 2011(note 14(d)).The Company requires significant additional funding to meet its financial obligations and administrative overhead costs beyond 2011.

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5. FINANCIAL INSTRUMENTS (Continued)

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

(i) Interest rate risk

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

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

The Company is not exposed to significant interest rate risk.

(ii) Foreign currency risk

The Company is not exposed to significant foreign currency risk.

(iii) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk. While at March 31, 2011 the Company is exposed to other price risk for its contractual obligation of \$9,565,259 (December 31, 2010: \$10,706,574) the portion of this obligation subject to market prices was settled in April 2011 (note 14(d)).

6. CAPITAL MANAGEMENT

The Company's primary source of funds comes from the issuance of capital stock. The Company defines its capital as all components of shareholders' equity. Capital requirements are driven by the Company's exploration activities on its mineral property interests and general and administrative expenses. To effectively manage the Company's capital requirements, the Company has a planning and budgeting process in place to ensure that adequate funds are available to meet its strategic goals. The Company monitors actual expenses to budget on all exploration projects and overhead to manage costs, commitments and exploration activities.

Although the Company has been successful at raising funds in the past through the issuance of capital stock, there can be no assurance that it will continue to be able to do so in the future.

There were no changes in the Company's approach to capital management during the period ended March 31, 2011. The Company is not subject to externally imposed capital requirements.

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7. MARKETABLE SECURITIES

The Company has an investment in marketable securities of a company in which a former director and officer is a director. These marketable securities have been classified as available-for-sale.

	March 31, 2011		December 31, 2010	
	Cost	Fair Value	Cost	Fair Value
8,333 common shares of Redstar Gold Corp.	\$ 1,000	\$ 3,250	\$ 1,000	\$ 2,250

8. MINERAL INTERESTS

There were no expenditures deferred on mineral interest during the three months ended March 31, 2011. During the year ended December 31, 2010, expenditures deferred on mineral interests were as follows:

	Afton Mine Property					Total
	Afton	Rainbow	Iron Mask/ Ajax	DM/Audra	New Gold	
Balance, December 31, 2009	\$16,450,502	\$2,771,891	\$20,917,918	\$1,399,985	\$5,121,276	\$46,661,572
Additions during period						
Acquisition costs	1,576,171	-	-	-	-	1,576,171
Exploration costs						
Drilling	-	-	810,331	-	-	810,331
Contract wages	-	400	590,556	-	-	590,956
Assays	-	-	145,951	-	-	145,951
Camp support and field supplies	-	-	132,145	-	-	132,145
Travel and accommodation	-	-	83,644	-	-	83,644
Equipment rental	-	-	45,611	-	-	45,611
Geological consulting	-	-	186,166	-	-	186,166
Recording fees	-	-	17,112	-	-	17,112
Environmental impact assessment	-	-	492,525	-	-	492,525
Prefeasibility	-	-	1,008,034	-	-	1,008,034
Feasibility	-	-	2,188,339	-	-	2,188,339
	-	400	5,700,414	-	-	5,700,814
Net additions during period	1,576,171	400	5,700,414	-	-	7,276,985
Total expenditures to October 12, 2010	\$18,026,673	\$2,772,291	\$26,618,332	\$1,399,985	\$5,121,276	53,938,557
Impairment of mineral properties						(13,279,478)
Mineral interests transferred to KGHM Ajax						(40,659,079)
Balance, December 31, 2010						\$ 0

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8. MINERAL INTERESTS (Continued)

The Company's mineral interests transactions were as follows:

Iron Mask/Ajax, Rainbow, DM/Audra, New Gold JV 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 for \$200,000, the issuance of 850,000 common shares of the Company and incurring \$1,500,000 in mineral exploration expenditures on the property. The properties are subject to two separate 1.5% net smelter royalties ("NSR"), of which the Company may purchase each 1.5% NSR for \$3,000,000. Certain of the mineral claims are subject to various net profit interests or NSR 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 acquisition costs in prior years.

On November 25, 2005, the Company signed an Asset Purchase Agreement with Teck Resources Limited ("Teck") to purchase land, buildings, equipment, tailings pond and the back-in rights pursuant to the Rainbow and Iron Mask property agreements. Effective November 25, 2009, the parties amended the agreement to extend the date for the final payment to November 30, 2010. Total aggregate consideration for the transfer of the assets is \$28,500,000 and is payable as follows:

- 8,500,000 shares on the execution date (issued);
- 5,000,000 shares and \$5,000,000 cash on or before November 26, 2006 (issued and paid); and
- 5,000,000 shares and \$5,000,000 cash on or before July 31, 2010 (issued and \$3,000,000 paid).

On June 4, 2009, and subsequently on May 18, 2010 and July 31, 2010, the parties amended the Asset Purchase Agreement to include a further cash payment of \$750,000 on or before July 31, 2010 for the purchase of certain additional lands, increasing the consideration from \$28,500,000 to \$29,250,000. On October 12, 2010, the remaining cash payment to Teck of \$2,750,000 was made by KGHM Ajax.

Furthermore, upon completion of all share issuances and cash payments, Teck will transfer title (the "Transfer Date") of the assets to the Company, subject to a price adjustment clause. The final consideration is subject to a price adjustment ("Additional Consideration"). If the ten-day weighted average closing price of the Company's common shares issued to Teck is less than \$18,500,000, the Company will pay to Teck Additional Consideration equal to 81.1% of the difference between \$18,500,000 and the weighted average closing price of the Company's common shares (the "deficit") in the form of additional common shares of the Company sufficient to increase its ownership interest in the Company to not more than 19.9%, plus an additional cash payment of up to \$5,000,000 for the balance of the deficit. Any reclamation liabilities that may be attributable to the assets acquired will be assessed and recorded on the Transfer Date.

The additional cash payment, if any, is payable at the earlier of 18 months after the Transfer Date or from 20% of net proceeds from any equity financing activities, within five days of receipt.

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8. MINERAL INTERESTS (Continued)

Iron Mask/Ajax, Rainbow, DM/Audra, New Gold JV and Afton Mine Property, Kamloops Mining Division, BC (Continued)

The Company has the option to pay the Additional Consideration entirely in cash and has estimated the fair value to be \$9,565,259 at March 31, 2011 (December 31, 2010: \$10,706,524), based on the market price of the Company's shares as at that date. The Company has recorded the fair value of the common shares as a current liability of \$4,565,259 (December 31, 2010: \$5,706,574) and as a long-term liability of \$5,000,000 (December 31, 2010: \$5,000,000). On April 8, 2011 the Company issued 20,751,176 common shares in satisfaction of the non-cash liability (note 14(d)).

All of the Company's mineral interests were transferred to KGHM Ajax as part of the Definitive Agreement, effective October 12, 2010 (note 4).

On April 1, 2011, the Company amended the Definitive Agreement whereby KGHM Ajax agreed to pay for the \$5,000,000 cash component of the Additional Consideration in the event that KGHM exercises its option to acquire a further 29% interest in the Project.

Pursuant to a letter of intent dated October 19, 2007, the Company entered into an option agreement with New Gold Inc. ("New Gold") to acquire up to a 100% interest in additional claims surrounding the area of the Company's Ajax property. Under the terms of the option, from the date an exploration permit is obtained, the Company must incur \$2,500,000 (incurred) in mineral exploration expenditures within 24 months and obtain an independent preliminary economic assessment within 30 months. Upon exercise of the option, New Gold has the option to form a joint venture on the property or revert to a 10% net profits interest royalty. The Company has earned a 100% interest in these claims and New Gold has elected to retain a 10% net profits interest royalty and not form a joint venture.

On June 29, 2010, the Company assigned its rights to the New Gold option to KGHM Ajax.

On July 13, 2009, the Company signed Option to Purchase Agreements ("Option Agreements") with subsidiaries of Teck, Afton Operating Corporation and Sugarloaf Ranches Limited, to acquire approximately 6,000 acres of land around the Company's Afton-Ajax deposit.

Under the terms of the Option Agreements, the Company will pay an aggregate of \$100,000 (paid) to Teck for the options and will then have two years to elect to exercise the options, or have the right to extend the exercise period of the options by an additional year by making further option payments to Teck of an additional \$100,000. Should the Company wish to exercise the options and purchase the land, payments of \$4,795,500 and \$8,131,175 would be due to Afton Operating Corporation and Sugarloaf Ranches Limited, respectively.

On June 29, 2010, the Company assigned its rights to the Option Agreements to KGHM Ajax.

9. LOAN PAYABLE

On April 1, 2009, the Company entered into a loan agreement whereby the Company was advanced a loan of \$2,500,000 with a maturity date of April 1, 2010. In February 2010, the Company repaid the loan including principal and interest payments totaling \$2,147,461.

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10. CAPITAL STOCK

- (a) Authorized capital stock
At March 31, 2011, the authorized capital stock comprised an unlimited number of common shares without par value.
- (b) Details of share issuances as at March 31, 2011 and December 31, 2010 are as follows:
- (i) On May 7, 2010, the Company closed a private placement with KGHM for gross proceeds of \$4,500,000 and issued 15,000,000 common shares of the Company at \$0.30 per share. As at March 31, 2011 and December 31, 2010, KGHM holds approximately 8.5% of the issued and outstanding shares of the Company.
- Cash share issuance costs of \$754,241 were incurred by the Company in respect of this private placement, resulting in net cash proceeds received of \$3,745,760.
- (ii) On May 18, 2010, the Company issued 5,000,000 common shares at a price of \$0.22 per share for aggregate value of \$1,100,000, pursuant to the Asset Purchase Agreement with Teck (note 8).
- (c) Renunciation of exploration expenditures
On December 29, 2009, the Company closed a brokered placement of 19,502,000 units and 12,500,000 flow-through common shares at a price of \$0.20 per unit and \$0.25 per flow-through share, for aggregate gross proceeds of \$7,025,400. In February 2010, the Company renounced \$3,125,000 of exploration expenditures under its flow-through share program, resulting in a future income tax liability of \$781,250 and an equal charge to capital stock. For the three-month period ended March 31, 2011, there were no renuncements.
- (d) Share purchase warrants
At March 31, 2011 and December 31, 2010, the Company has outstanding share purchase warrants entitling the holders to acquire common shares as follows:

Expiry Date	Exercise Price	Outstanding as	Issued	Exercised	Expired	Outstanding as
		at December 31, 2010				at March 31, 2011
December 29, 2012	0.30	19,625,808	-	-	-	19,625,808

Expiry Date	Exercise Price	Outstanding as	Issued	Exercised	Expired	Outstanding as
		at December 31, 2009				at December 31, 2010
March 10, 2010	\$0.50	5,756,332	-	-	(5,756,332)	(40,247)
March 10, 2010	\$0.30	760,246	-	-	(760,246)	-
December 29, 2012	\$0.30	19,502,000	140,058	(16,250)	-	19,625,808
		26,018,578	140,058	(16,250)	(6,516,578)	19,625,808

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10. CAPITAL STOCK (Continued)

(d) Share purchase warrants (Continued)

The fair value of the 140,058 warrants issued to finders during 2010 pursuant to the exercise of agent options were estimated using the Black-Scholes option pricing model with the following weighted average assumptions: risk-free interest rate -1.62%, expected dividend yield - 0, expected stock price volatility -138.33% and expected life in years - 2.19.

(e) Stock options

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

Options to purchase common shares have been granted to directors, officers and consultants at exercise prices determined by reference to the market value on the date of the grant. As at March 31, 2011, the Company had stock options outstanding to directors, officers and consultants for the purchase of 12,840,000 (December 31, 2010: 12,150,000) common shares exercisable as follows:

Exercise Price	Expiry Date	Awards Outstanding		Awards Exercisable	
		Quantity	Remaining Contractual Life	Quantity	Remaining Contractual Life
\$0.90	April 7, 2011	1,125,000	0.02	1,125,000	0.02
\$0.65	March 15, 2012	400,000	0.96	400,000	0.96
\$0.45	January 11, 2013	335,000	1.79	335,000	1.79
\$0.45	February 1, 2013	880,000	1.84	880,000	1.84
\$0.14	May 5, 2013	1,000,000	2.10	1,000,000	2.10
\$0.26	August 29, 2013	1,650,000	2.41	1,650,000	2.41
\$0.15	February 20, 2014	770,000	2.89	770,000	2.89
\$0.10	March 3, 2014	300,000	2.92	300,000	2.92
\$0.20	June 29, 2014	1,960,000	3.25	1,960,000	3.25
\$0.25	September 17, 2014	100,000	3.47	100,000	3.47
\$0.18	July 21, 2015	1,000,000	4.31	500,000	4.31
\$0.19	August 27, 2015	1,720,000	4.41	860,000	4.41
\$0.19	September 7, 2015	150,000	4.44	75,000	4.44
\$0.24	December 17, 2015	600,000	4.71	150,000	4.71
\$0.27	January 12, 2016	850,000	4.79	212,500	4.79

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10. CAPITAL STOCK (Continued)

(e) Stock options (Continued)

The weighted average remaining contractual life of the stock options outstanding as at March 31, 2011 is 2.96 years (December 31, 2010: 3.03 years).

A summary of the status of the Company's stock options as at March 31, 2011 and December 31, 2010 and changes during the periods then ended are as follows:

	Number of Options	Weighted Average Exercise Price
Outstanding, January 1, 2010	10,060,000	0.35
Granted	3,470,000	0.19
Expired	(1,250,000)	0.30
Exercised	(30,000)	0.15
Forfeited	(100,000)	0.55
Outstanding, December 31, 2010	12,150,000	0.31
Granted	850,000	0.27
Forfeited	(160,000)	0.63
Outstanding, March 31, 2011	12,840,000	0.30

(f) Share-based payments

The fair value of the stock options that are expected to vest is recognized as share-based payment expense over the vesting period of the options. The total amount of fair value expected to be recognized as share-based payment expenses for those options granted during the three month period ended March 31, 2011 was calculated at \$168,448, of which \$74,401 was recognized in the current period. The total amount of fair value expected to be recognized as share-based payment expenses for those options granted during the year ended December 31, 2010 was calculated at \$493,626, of which \$192,502 was recognized in 2010.

During the three-month period ended March 31, 2011, share-based payment expense for stock options granted during the period and for prior year options that vested during the period was \$162,593 (three-month period ended March 31, 2010: \$39,073).

For the 850,000 options granted on January 12, 2011 the weighted average grant date fair value is \$0.20 per share. The grant date fair value is estimated using the Black-Scholes option pricing model with the following weighted average assumptions: risk free interest rate 2.20%, expected life of 3.85 years, expected volatility of 112.76% and expected dividends of \$nil. There were no stock options granted during the three-month period ended March 31, 2010.

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10. CAPITAL STOCK (Continued)

- (g) Agent options
As at March 31, 2011 and December 31, 2010, Agent options to acquire one common share and one share purchase warrant were outstanding as follows:

Outstanding as at January 1, 2010	Exercise Price	Expiry Date	Exercised	Outstanding as at December 31, 2010 and March 31, 2011
1,920,120	\$0.20	December 29, 2012	(140,058)	1,780,062

11. RELATED PARTY TRANSACTIONS

All advances to and amounts due from (to) related parties have repayment terms similar to the Company's other accounts receivable (payable) and are without interest.

- (a) The Company conducts the majority of its exploration activities through an exploration services contractor in which a former director and officer is a shareholder. For the three-month periods ended March 31, 2011 and 2010, the Company paid that contractor amounts as follows:

	2011	2010
Exploration costs	\$ 900,266	\$ 833,794
Office and administrative costs	\$ 135,168	\$ 88,458
Equipment	\$ 32,563	\$ 6,240
Contract wages	\$ 188,506	\$ 107,000

Included in accounts payable and accrued liabilities as at March 31, 2011 \$1,311,313 (December 31, 2010: \$3,022,046) was payable to the contractor.

Included in the amount owing to that contractor is a charge to the Company for GST in the amount of \$555,581 (December 31, 2010: \$1,354,713) for the period February 1, 2007 to April 30, 2010. This amount is expected to be recovered by the Company from the Canada Revenue Agency in 2011; \$799,132 was recovered during the three-month period ended March 31, 2011. The receivable amount is included in amounts receivable, net of HST due.

- (b) For the three-month period ended March 31, 2011, consulting fees of \$45,000 (March 31, 2010 - \$nil) were charged by former directors of the Company, \$30,000 of which was recovered from KGHM-Ajax. As at March 31, 2011 \$40,000 (December 31, 2010: \$17,240) was payable to the former directors.

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11. RELATED PARTY TRANSACTIONS (Continued)

- (c) The Company acts as the operator for the Project on behalf of KGHM Ajax and is reimbursed for direct costs it incurs. The Company offsets amounts recovered against the respective expense item. As at March 31, 2011, there was \$1,390,673 (December 31, 2010: \$1,980,694) receivable from KGHM Ajax and for the three-month periods ended March 31, 2011 and 2010, the Company was reimbursed the following amounts from KGHM Ajax:

	2011	2010
Exploration costs	\$ 4,126,983	\$ -
Office and administrative costs	\$ 109,955	\$ -
Equipment and vehicle	\$ 122,478	\$ -
Contract wages	\$ 337,997	\$ -

- (d) Compensation of key management personnel for the periods ending March 31, 2011 and 2010 is summarized as follows:

	2011	2010
Salaries and directors' fees	\$ 344,100	\$ 247,700
Share-based payments	\$ 125,500	\$ 22,500

Key management personnel were not paid post-retirement benefits, termination benefits, or other long-term benefits during the periods ended March 31, 2011 and 2010.

12. COMMITMENTS

The Company entered into a lease agreement for the rental of office premises in Vancouver for a six-year period, expiring March 31, 2013. The cost of the entire premises is shared primarily between the Company and three other companies. In addition, commencing February 1, 2011, the Company entered into a three-year lease agreement for the rental of office premises in Toronto. The Company's proportionate share of minimum annual rental payments payable under these arrangements is as follows:

2011	\$	88,216
2012		90,191
2013		40,322
2014		1,975
	\$	220,704

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13. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

As stated in note 2, these are the Company's first interim financial statements being prepared in accordance with IAS 34 and IFRS 1. The accounting policies described in note 3 have been applied in preparing these interim financial statements for the three months ended March 31, 2011, the comparative information presented in these interim financial statements for both the three months ended March 31, 2010 and the year ended December 31, 2010 and in the preparation of an opening IFRS balance sheet as at January 1, 2010, the Company's date of transition. An explanation of IFRS 1, first-time adoption of IFRS exemptions, and the required reconciliations between IFRS and Canadian GAAP are described below:

IFRS 1 First-time Adoption of International Financial Reporting Standards

IFRS 1, which governs the first-time adoption of IFRS, generally requires accounting policies to be applied retrospectively to determine the opening balance sheet on our transition date of January 1, 2010, and allows certain exemptions on the transition to IFRS. The elections we have chosen to apply and that are considered significant to the Company include decisions to:

- measure property, plant and equipment at deemed cost, being the carrying value of property, plant and equipment at its historical cost; and
- not apply IFRS 2, *Share-based Payments*, to equity instruments that were fully vested or settled before January 1, 2010.

IFRS 1 requires an entity to reconcile equity, comprehensive income and cash flows for comparative periods. The Company's adoption of IFRS did not have a significant impact on equity, net income (loss) and comprehensive income (loss), and operating, investing or financing cash flows in the prior periods. As a result there were no adjustments to the statements of comprehensive income (loss) and cash flows. In preparing these condensed interim financial statements, the Company reflected the result of transition in the tables below.

Reconciliation of Assets, Liabilities and Equity

The table below provides a summary of the adjustments to the Company's balance sheets at December 31, 2010, March 31, 2010 and January 1, 2010:

	December 31, 2010	March 31, 2010	January 1, 2010
Total assets under Canadian GAAP	\$ 42,712,995	\$ 50,650,392	\$ 53,872,835
Adjustment required on adoption of IFRS	-	-	-
Total assets under IFRS	\$ 42,712,995	\$ 50,650,392	\$ 53,872,835
Total liabilities under Canadian GAAP	\$ 14,944,545	\$ 2,291,013	\$ 4,946,337
Adjustment required on adoption of IFRS	-	-	-
Total liabilities under IFRS	\$ 14,944,545	\$ 2,291,013	\$ 4,946,337
Total equity under Canadian GAAP	\$ 27,768,450	\$ 48,359,379	\$ 48,926,498
Adjustment required on adoption of IFRS	-	-	-
Total equity under IFRS	\$ 27,768,450	\$ 48,359,379	\$ 48,926,498
Total liabilities and equity under IFRS	\$ 42,712,995	\$ 50,650,392	\$ 53,872,835

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13. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

Reconciliation of Net Income (Loss) and Comprehensive Income (Loss)

The table below provides a summary of the adjustments to net income (loss) and to comprehensive income (loss) for the year ended December 31, 2010 and the three months ended March 31, 2010:

	December 31, 2010	March 31, 2010
Net loss under Canadian GAAP	\$ (25,620,271)	\$ (610,257)
Adjustment required on adoption of IFRS	-	-
Net loss under IFRS	\$ (25,620,271)	\$ (610,257)
Comprehensive loss under Canadian GAAP	\$ (25,620,125)	\$ (610,692)
Adjustment required on adoption of IFRS	-	-
Comprehensive loss under IFRS	\$ (25,620,125)	\$ (610,692)

Reconciliation of Cash-flows

The table below provides a summary of the adjustments to cash-flows for the year ended December 31, 2010 and for the three months ended March 31, 2010:

	December 31, 2010	March 31, 2010
Operating activities under Canadian GAAP	\$ (3,354,519)	\$ 507,148
Adjustment required on adoption of IFRS	-	-
Operating activities under IFRS	\$ (3,354,519)	\$ 507,148
Investing activities under Canadian GAAP	\$ (846,018)	\$ (1,338,415)
Adjustment required on adoption of IFRS	-	-
Investing activities under IFRS	\$ (846,018)	\$ (1,338,415)
Financing activities under Canadian GAAP	\$ (1,725,422)	\$ (2,142,961)
Adjustment required on adoption of IFRS	-	-
Financing activities under IFRS	\$ (1,725,422)	\$ (2,142,961)

14. SUBSEQUENT EVENTS

- (a) On April 1, 2011, the Company amended the Definitive Agreement whereby KGHM Ajax agreed to pay for the \$5,000,000 cash component of the Additional Consideration payable to Teck in the event that KGHM exercises its option to acquire a further 29% interest in the Project.
- (b) On April 4, 2011, 125,000 stock options were issued to an officer of the Company at an exercise price of \$0.215 per common share, for a term of five years.

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(An Exploration Stage Company)

For the three months ended March 31, 2011

Unaudited - expressed in Canadian dollars

14. SUBSEQUENT EVENTS(Continued)

- (c) On April 7, 2011, 1,225,000 stock options expired unexercised.
- (d) On April 8, 2011, the Company issued 20,751,176 common shares to Teck at a fair value of \$4,461,503 (\$0.215 per common share), being the share component of the Additional Consideration required under the Asset Purchase Agreement (note 8(a)).