

ABACUS MINING & EXPLORATION CORPORATION
(An Exploration Stage Company)

Condensed Interim Financial Statements
September 30, 2011

(Unaudited)

(Expressed in Canadian dollars)

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ABACUS MINING & EXPLORATION CORPORATION**Condensed Interim Balance Sheet**

(An Exploration Stage Company)

Unaudited - expressed in Canadian dollars

	September 30, 2011	December 31, 2010 (note 14)
ASSETS		
Current assets		
Cash and cash equivalents	\$ 284,542	\$ 2,372,507
Marketable securities (note 7)	-	2,250
Amounts receivable	19,045	1,247,047
Due from KGHM Ajax Mining Inc. (note 12)	512,851	1,980,694
Mining Exploration Tax Credit receivable	-	116,252
Prepaid expenses	235,087	261,319
	1,051,525	5,980,069
Non-current assets (notes 9 and 12)		
Equipment	76,824	91,117
Restricted cash (note 8)	77,772	-
Investment in KGHM Ajax Mining Inc. (note 4)	36,041,709	36,641,809
	\$ 37,247,830	\$ 42,712,995
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable and accrued liabilities (note 12)	\$ 432,143	\$ 4,237,971
Contractual obligation (note 9)	-	5,706,574
	432,143	9,944,545
Non-current liabilities		
Contractual obligation (note 9)	5,000,000	5,000,000
	5,432,143	14,944,545
Equity		
Capital stock (note 11)	80,563,461	76,243,267
Contributed surplus	4,414,916	4,070,308
Accumulated other comprehensive income	-	1,068
Deficit	(53,162,690)	(52,546,193)
	31,815,687	27,768,450
	\$ 37,247,830	\$ 42,712,995

Commitments (note 13)

Approved on behalf of the Board by:

/s/ James Excell, Chief Executive Officer

/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 Loss

(An Exploration Stage Company)

Unaudited - expressed in Canadian dollars

	Three months ended September 30,		Nine months ended September 30,	
	2011	2010 (note 14)	2011	2010 (note 14)
General and administrative expenses (note 12)				
Salaries and contract wages	\$ 324,722	\$ 652,170	\$ 905,663	\$ 861,051
Consulting and directors' fees	74,997	154,588	235,695	280,794
Share-based payments (note 11)	65,198	183,796	344,608	261,942
Rent	57,692	41,070	167,415	96,647
Investor relations	55,836	63,077	171,590	154,041
Travel and promotion	39,573	98,387	238,640	415,996
Accounting and audit	25,000	2,500	96,000	53,296
Office and miscellaneous	23,130	28,410	105,365	78,601
Insurance	11,388	6,102	35,054	17,722
Amortization	6,720	8,171	20,086	28,101
Transfer agent fees	2,853	3,563	8,920	23,723
Regulatory fees	200	40,676	23,555	64,668
Legal	-	42,554	39,585	148,288
Expense recoveries	(328,888)	-	(1,017,216)	(34,471)
Loss before other items and income tax	(358,421)	(1,325,064)	(1,374,960)	(2,450,399)
Other items				
Realized gain on available-for-sale securities	3,125	-	3,125	-
Interest income	2,015	5,635	6,773	66,904
Gain on contractual obligation (note 9)	-	-	1,348,827	-
Loss on equity investment (note 4)	(152,338)	-	(600,100)	-
Impairment of mineral interests (note 14)	-	-	-	(13,279,478)
Interest and other expenses (note 10)	-	-	-	(89,735)
Loss before income tax	(505,619)	(1,319,429)	(616,335)	(15,752,708)
Deferred tax recovery (expense)	-	66	(162)	2,032,667
Net loss for the period	(505,619)	(1,319,363)	(616,497)	(13,720,041)
Unrealized gain arising on available-for-sale securities, net of deferred taxes, during the period	834	600	1,651	(415)
Reclassification adjustment for gain realized during the period on available-for-sale securities included in net loss	(2,719)	-	(2,719)	-
Comprehensive loss for the period	\$ (507,504)	\$ (1,318,763)	\$ (617,565)	\$ (13,720,456)
Loss per share, basic and diluted	\$ 0.00	\$ (0.01)	\$ 0.00	\$ (0.08)
Weighted average number of common shares outstanding	197,242,093	176,350,859	189,868,965	176,350,859

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 (note 14)	Contributed Surplus	Accumulated Other Comprehensive Income (Loss)	Deficit (note 14)	Total Equity (note 14)
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 deferred taxes	-	-	-	(415)	-	(415)
Issued for cash, private placement, net of issue costs	15,000,000	3,745,760	-	-	-	3,745,760
Exercise of options	46,250	7,750	-	-	-	7,750
Issued for mineral property	5,000,000	1,100,000	-	-	-	1,100,000
Fair value of options exercised	-	4,212	(4,212)	-	-	-
Share-based payments	-	-	261,942	-	-	261,942
Income tax effect on flow-through share renouncement	-	(781,250)	-	-	-	(781,250)
Net loss for the nine months	-	-	-	-	(13,720,041)	(13,720,041)
Balance, September 30, 2010	176,350,859	76,197,535	3,988,165	507	(40,645,963)	39,540,244
Unrealized gain on available-for-sale securities, net of deferred taxes	-	-	-	561	-	561
Exercise of options	123,808	24,762	-	-	-	24,762
Exercise of warrants	16,250	4,875	-	-	-	4,875
Fair value of options exercised	-	16,095	(16,095)	-	-	-
Share-based payments	-	-	98,238	-	-	98,238
Net loss for the three months	-	-	-	-	(11,900,230)	(11,900,230)
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 deferred taxes	-	-	-	1,651	-	1,651
Reclassification adjustment for gain on available-for-sale securities, net of tax	-	-	-	(2,719)	-	(2,719)
Issued in settlement of contractual obligation, net of issue costs	20,751,176	4,320,194	-	-	-	4,320,194
Share-based payments	-	-	344,608	-	-	344,608
Net loss for the nine months	-	-	-	-	(616,497)	(616,497)
Balance, September 30, 2011	197,242,093	\$ 80,563,461	\$ 4,414,916	\$ -	\$ (53,162,690)	\$ 31,815,687

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

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

(An Exploration Stage Company)

Unaudited - expressed in Canadian dollars

	Nine months ended September 30,	
	2011	2010
		(note 14)
Operating activities		
Net loss for the period	\$ (616,497)	\$ (13,720,041)
Items not involving cash:		
Gain on contractual obligation	(1,348,827)	-
Realized gain on available-for-sale securities	(3,125)	-
Deferred tax expense (recovery)	182	(2,032,667)
Loss on equity investment	600,100	-
Share-based payments	344,608	261,942
Amortization	20,086	28,101
Impairment of mineral interests	-	13,279,478
Interest expense on loan payable	-	89,735
	(1,003,473)	(2,093,452)
Changes in non-cash working capital items:		
Amounts receivable	1,228,002	210,141
Due from KGHM Ajax Mining Inc.	1,467,843	-
Mining Exploration Tax Credit receivable	116,252	-
Prepaid expenses	26,232	(170,613)
Accounts payable and accrued liabilities	(3,805,828)	3,351,079
	(967,499)	3,390,607
Cash provided by (used for) operating activities	(1,970,972)	1,297,155
Investing activities		
Equipment purchases	(5,793)	(33,373)
Proceeds from disposition of marketable securities	4,125	-
Restricted cash	(77,772)	-
Deferred costs	-	(694,671)
Mineral interests	-	(6,107,685)
Cash used for investing activities	(79,440)	(6,835,729)
Financing activities		
Issue costs for issuance of capital stock in settlement of contractual obligations	(37,553)	-
Issuance of capital stock for cash	-	3,753,510
Repayment of loan payable	-	(2,147,460)
Cash used for financing activities	(37,553)	1,606,050
Decrease in cash, during the period	(2,087,965)	(3,932,524)
Cash and cash equivalents, beginning of the period	2,372,507	4,847,622
Cash and cash equivalents, end of the period	\$ 284,542	\$ 915,098

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

ABACUS MINING & EXPLORATION CORPORATION**Condensed Interim Statement of Cash Flows (continued)**

(An Exploration Stage Company)

Unaudited - expressed in Canadian dollars

Supplemental cash flows	Nine months ended September 30,	
	2011	2010
Non-cash investing and financing transactions:		
Issuance of capital stock in settlement of contractual obligation (notes 9 and 11(b))	\$ 4,357,747	\$ -
Reduction of capital stock due to the income tax effect on flow-through share renouncement (notes 11(c) and 14(b))	\$ -	\$ 781,250
Reclassification of contributed surplus to capital stock upon exercise of stock options	\$ -	\$ 4,212
Supplemental disclosures:		
Interest received	\$ 6,773	\$ 66,904
Interest paid	\$ -	\$ 89,735
Tax paid	\$ -	\$ -

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

ABACUS MINING & EXPLORATION CORPORATION

Notes to the Condensed Interim Financial Statements

(An Exploration Stage Company)

For the three and nine months ended September 30, 2011

Unaudited - expressed in Canadian dollars

1. NATURE OF OPERATION 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 in Canada. 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 (note 4).

The Company has incurred significant operating losses over the past several fiscal years, and as at September 30, 2011 has working capital of \$619,382 (December 31, 2010 – deficit of \$3,964,476), an accumulated deficit of \$53,162,690 (December 31, 2010 - \$52,546,193), limited resources and no source of operating cash flow. In addition, under an asset purchase agreement, during the fourth quarter of 2012 the Company may be required to make a \$5,000,000 cash payment – note 9. 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 will be actively seeking to raise the necessary capital to meet its funding requirements upon the completion of the bankable feasibility study, which is expected to be completed prior to December 31, 2011 – refer to note 4. 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 INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

Transition to IFRS

The Company's financial statements were prepared 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, the Company is 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 14, 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 14 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 the Company's 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 and nine months ended September 30, 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 November 23, 2011, the date the Board of Directors approved the financial statements. Any subsequent changes to IFRS that are given effect in the Company's annual financial statements for the year ending December 31, 2011 could result in restatement of these condensed 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 the Company's Canadian GAAP annual financial statements for the year ended December 31, 2010. Refer to note 14 for disclosure of IFRS information for the year ended December 31, 2010 that is material to the understanding of these condensed interim financial statements.

The Company's 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 deferred tax assets; and
- the determination of the variables used in the calculation of share-based payments.

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

Please refer to note 14(b), which discusses the impacts on the comparative information provided with respect to the nine months ended September 30, 2010 arising from the correction errors.

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

3. SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the Company's significant accounting policies:

(a) Investments in associates

Investments in which the Company exerts significant influence are accounted for using the equity method whereby the original cost of the investment is adjusted 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 statement 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

(An Exploration Stage Company)

For the three and nine months ended September 30, 2011

Unaudited - expressed in Canadian dollars

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Cash equivalents

Cash equivalents are comprised of bank deposits or highly-liquid temporary investments, which are readily convertible into known amounts of cash and which mature within 90 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.

(f) Share-based payments

The Company has a stock option plan that is described in note 11(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.

ABACUS MINING & EXPLORATION CORPORATION

Notes to the Condensed Interim Financial Statements

(An Exploration Stage Company)

For the three and nine months ended September 30, 2011

Unaudited - expressed in Canadian dollars

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Share-based payments (Continued)

Consideration received on the exercise of stock options is recorded as capital stock 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, deferred tax assets and liabilities are recognized for deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to be in effect when the temporary differences are likely to reverse. The amount of deferred 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 deferred tax liability.

A portion of the deferred tax assets that were not previously recognized are recognized as a recovery of deferred taxes in net income (loss) up to the amount of the deferred tax liability on renouncement.

(j) Unit offerings

Proceeds received on the issuance of units, consisting of common shares and warrants, are allocated between common shares and share purchase warrants on a residual value basis wherein the fair value of the common shares is the market value on the date of the announcement of the placement and the balance if any is allocated to the attached warrants.

(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 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.

ABACUS MINING & EXPLORATION CORPORATION

Notes to the Condensed Interim Financial Statements

(An Exploration Stage Company)

For the three and nine months ended September 30, 2011

Unaudited - expressed in Canadian dollars

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(I) 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.

(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 them in the near term. They are carried in the balance sheet at fair value with changes in fair value recognized in net income (loss).
- *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.

ABACUS MINING & EXPLORATION CORPORATION

Notes to the Condensed Interim Financial Statements

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Financial instruments (Continued)

(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 September 30, 2011 reporting period:

- On January 1, 2012, Abacus will be required to adopt IFRS 7, *Financial Instruments: Disclosures*, which involves increases in disclosure with regard to the transfer of financial assets, especially in cases where there is a disproportionate amount of transfer transactions that take place around the end of a reporting period. The Company has not yet assessed the impact of the standard.
- On January 1, 2013, Abacus will be required to adopt IFRS 9, *Financial Instruments*, which 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 FVTPL. IFRS 9 also replaces the models for measuring equity instruments, and such instruments are either recognized at FVTPL or at fair value through other comprehensive income. 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.
- On January 1, 2013, Abacus will be required to adopt IFRS 12, *Disclosure of Interests in 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 utilize 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.

ABACUS MINING & EXPLORATION CORPORATION

Notes to the Condensed Interim Financial Statements

(An Exploration Stage Company)

For the three and nine months ended September 30, 2011

Unaudited - expressed in Canadian dollars

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 IAS 28 (2011), Investments in Associates. 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 the wholly-owned subsidiary KGHM Ajax, pursuant to the Investment Agreement dated May 4, 2010 between the Company and KGHM to advance the Company's Ajax copper-gold project (the "Project") located near Kamloops, British Columbia, through a bankable feasibility study and into production. On June 29, 2010, the Company transferred its mineral interests to KGHM Ajax. On October 12, 2010, the Company entered into the Definitive Agreement with KGHM, which resulted in the Company reducing its interest in KGHM Ajax to 49% in conjunction with a cash contribution by KGHM for a 51% interest in KGHM Ajax. The terms of the Investment Agreement were incorporated into the Definitive Agreement. Accordingly, the Company's investment in KGHM Ajax after October 12, 2010 was accounted for using the equity method of accounting. For the period from KGHM Ajax's incorporation to October 12, 2010, KGHM Ajax was a wholly owned subsidiary of the Company and was consolidated.

Investment in KGHM Ajax	
Fair value of mineral interests transferred to KGHM Ajax during 2010	\$ 37,429,581
Company's share of loss in KGHM Ajax during 2010	(20,864)
Dilution loss during 2010	(766,908)
Investment in KGHM Ajax as of December 31, 2010	36,641,809
Company's share of loss in KGHM Ajax during the nine months ended September 30, 2011	(600,100)
Investment in KGHM Ajax as of September 30, 2011	\$ 36,041,709

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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 are as follows:

Selected financial information of KGHM Ajax	As at September 30, 2011	As at December 31, 2010
Total current assets	\$ 17,225,846	\$ 26,443,954
Total non-current assets	57,160,469	50,349,089
Total assets	\$ 74,386,315	\$ 76,793,043
Total liabilities	\$ 831,749	\$ 2,013,841
Total equity	73,554,566	74,779,202
Total liabilities and equity	\$ 74,386,315	\$ 76,793,043
	Nine months ended September 30, 2011	Period from incorporation to September 30, 2010
Net loss	\$ (1,224,694)	\$ (18)

5. FINANCIAL INSTRUMENTS

The Company has classified its cash and cash equivalents, restricted cash 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), restricted cash, and accounts payable and accrued liabilities (excluding due to related parties) approximate their fair values due to the short-term maturity of these financial instruments. The 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 Company's risk exposure and the impact on the Company's financial instruments are summarized below.

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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 September 30, 2011	Total	Level 1	Level 2	Level 3
Liabilities				
Contractual obligation (note 9)	\$ 5,000,000	\$ -	\$ 5,000,000	\$ -

As at December 31, 2010	Total	Level 1	Level 2	Level 3
Assets				
Marketable securities	\$ 2,250	\$ 2,250	\$ -	\$ -
Liabilities				
Contractual obligation (note 9)	\$ 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:

	September 30, 2011	December 31, 2010
Bank accounts and temporary investments	\$ 284,542	\$ 2,372,507
Due from KGHM Ajax	512,851	1,980,694
Total	\$ 797,393	\$ 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 \$432,143 (December 31, 2010: \$4,237,971) are due in the fourth quarter of 2011, and the contractual obligation of \$5,000,000 (December 31, 2010 - \$10,706,574) is due the fourth quarter of 2012.

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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. At December 31, 2010, the Company was exposed to other price risk for its contractual obligation of \$10,706,574 as a portion of this obligation was subject to market prices, which was settled on April 8, 2011 (notes 9 and 11(b)(iii)).

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 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 September 30, 2011. The Company is not subject to externally imposed capital requirements.

7. MARKETABLE SECURITIES

The Company had an investment in marketable securities of a company in which a former director and officer is a director. The marketable securities were disposed of during the third quarter of 2011 for gross proceeds of \$4,125 and a recorded gain of \$3,125. These marketable securities had been classified as available-for-sale.

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7. MARKETABLE SECURITIES (Continued)

	September 30, 2011		December 31, 2010	
	Cost	Fair Value	Cost	Fair Value
8,333 common shares of Redstar Gold Corp.	\$ -	\$ -	\$ 1,000	\$ 2,250

8. RESTRICTED CASH

During the third quarter of 2011, the Company posted as security for credit cards \$77,625 with the Company's bank. These funds earn interest at 2.04% and are not available for use by the Company.

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9. MINERAL INTERESTS

There were no expenditures deferred on mineral interests during the three and nine months ended September 30, 2011 (note 4). During the year ended December 31, 2010, expenditures deferred on mineral interests were as follows:

Ajax property mineral interests	Iron Mask/ Ajax	Afton	Rainbow	DM/Audra	New Gold	Total
Balance, December 31, 2009	\$ 20,917,918	\$ 16,450,502	\$ 2,771,891	\$ 1,399,985	\$ 5,121,276	\$ 46,661,462
Acquisition expenditures during the period	-	1,576,171	-	-	-	1,576,171
Exploration expenditures during the period:						
Drilling	810,331	-	-	-	-	810,331
Contract wages	590,556	-	400	-	-	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
Total exploration expenditures during the period	5,700,414	-	400	-	-	5,700,814
Total acquisition and exploration expenditures during the period	5,700,414	1,576,171	400	-	-	7,276,985
Total expenditures to October 12, 2010	\$ 26,618,332	\$ 18,026,673	\$ 2,772,291	\$ 1,399,985	\$ 5,121,276	\$ 53,938,557
Impairment of mineral interests during the period						(13,279,400)
Mineral interests transferred to KGHM Ajax during the period						(40,659,150)
Balance, December 31, 2010 and September 30, 2011						\$

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).

9. MINERAL INTERESTS (Continued)

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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 agreed to transfer title (the "Transfer Date") of the assets to the Company, subject to a price adjustment clause. The final consideration was subject to a price adjustment ("Additional Consideration"). If the ten-day weighted average closing price of the Company's common shares issued to Teck was less than \$18,500,000, the Company would pay to Teck the 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. The Company has the option to pay the Additional Consideration entirely in cash and had 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; as of March 31, 2011, the Company had 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 11(b)(iii)) and realized a \$1,348,827 gain from this settlement. The remaining \$5,000,000 cash component is due in the fourth quarter of 2012.

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 KGHM Ajax. As of November 23, 2011, KGHM had not exercised its option.

10. 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 \$2,147,460.

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11. CAPITAL STOCK

(a) Authorized capital stock

At September 30, 2011, the authorized capital stock comprised an unlimited number of common shares without par value.

(b) Details of share issuances as at September 30, 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 September 30, 2011, KGHM holds approximately 7.6% 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 9).

(iii) On April 8, 2011, the Company issued 20,751,176 common shares to Teck at a fair value of \$4,357,747 (\$0.21 per common share), being the share component of the Additional Consideration required under the Asset Purchase Agreement (note 9). Cash share issuance costs of \$37,553 were incurred by the Company in respect to this issuance, resulting in a net increase of \$4,320,194 to capital stock.

(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 an increase to the deferred tax liabilities by \$781,250 and an equal charge to capital stock – note 14(b). For the nine months ended September 30, 2011, there were no renouncements.

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11. CAPITAL STOCK (Continued)

(d) Share purchase warrants

At September 30, 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 at December 31, 2010	Issued	Exercised	Expired	Outstanding as at September 30, 2011
December 29, 2012	\$0.30	19,625,808	-	-	-	19,625,808

Expiry Date	Exercise Price	Outstanding as at January 1, 2010	Issued	Exercised	Expired	Outstanding as at December 31, 2010
March 10, 2010	\$0.50	5,756,332	-	-	(5,756,332)	-
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

The fair value of the 140,058 warrants issued to finders during 2010 pursuant to the exercise of agent options was 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.

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11. CAPITAL STOCK (Continued)**(e) Stock options (Continued)**

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 September 30, 2011, the Company had stock options outstanding to directors, officers and consultants for the purchase of 11,260,000 (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
\$0.65	March 15, 2012	400,000	0.46	400,000	0.46
\$0.45	January 11, 2013	335,000	1.28	335,000	1.28
\$0.45	February 1, 2013	800,000	1.34	800,000	1.34
\$0.14	May 5, 2013	1,000,000	1.60	1,000,000	1.60
\$0.26	August 29, 2013	1,650,000	1.91	1,650,000	1.91
\$0.15	February 20, 2014	560,000	2.39	560,000	2.39
\$0.10	March 3, 2014	300,000	2.42	300,000	2.42
\$0.20	June 29, 2014	1,730,000	2.75	1,730,000	2.75
\$0.25	September 17, 2014	100,000	2.97	100,000	2.97
\$0.18	July 21, 2015	1,000,000	3.81	750,000	3.81
\$0.19	August 27, 2015	1,660,000	3.91	1,245,000	3.91
\$0.19	September 7, 2015	150,000	3.94	150,000	3.94
\$0.24	December 17, 2015	600,000	4.21	300,000	4.21
\$0.27	January 12, 2016	850,000	4.28	425,000	4.28
\$0.22	April 4, 2016	125,000	4.51	31,250	4.51
		11,260,000	2.77	9,776,250	2.57

The weighted average remaining contractual life of the stock options outstanding as at September 30, 2011 is 2.77 (December 31, 2010: 3.03) years and the weighted average price was \$0.24 (December 31, 2010: \$0.31).

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11. CAPITAL STOCK (Continued)

(e) Stock options (Continued)

A summary of the status of the Company's stock options as at September 30, 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	975,000	0.26
Expired	(1,125,000)	0.90
Forfeited	(740,000)	0.30
Outstanding, September 30, 2011	11,260,000	0.24

(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 nine months ended September 30, 2011 was calculated at \$196,803, of which \$154,843 was recognized during the 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 nine months ended September 30, 2011, share-based payment expense for stock options granted during the period and for prior year option grants that vested during the period was \$344,608 (September 30, 2010: \$261,942).

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 of 2.20%, expected life of 3.85 years, expected volatility of 112.76% and expected dividends of \$nil.

For the 125,000 options granted on April 4, 2011, the weighted average grant date fair value is \$0.17 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 of 2.76%, expected life of 5 years, expected volatility of 104.3% and expected dividends of \$nil.

During the period September 30, 2010, the Company granted 2,870,000 stock options, having a weighted average grant date fair value of \$0.14 per share. The grant date fair value was estimated using the Black-Scholes option pricing model with the following weighted average assumptions: risk-free interest rate of 2.01%, expected life of 4 years, expected volatility of 156% and expected dividends of \$nil.

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11. CAPITAL STOCK (Continued)

(g) Agent options

As at September 30, 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 September 30, 2011
1,920,120	\$0.20	December 29, 2012	(140,058)	1,780,062

12. 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 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 September 30, 2011, there was \$512,851 (December 31, 2010: \$1,980,694) receivable from KGHM Ajax and for the nine months ended September 30, 2011 and 2010, the Company was reimbursed the following amounts from KGHM Ajax:

	2011	2010
Exploration costs	\$ 6,411,494	\$ 2,088,293
Office and administrative costs	\$ 1,241,147	\$ 235,725
Equipment and vehicle	\$ 142,515	\$ 343,132
Contract wages	\$ 1,006,950	\$ 726,390

- (b) The Company conducts some of its exploration activities through an exploration services contractor in which a former director and officer is a shareholder. Included in accounts payable and accrued liabilities as at September 30, 2011 is \$43,241 (December 31, 2010: \$3,022,046) payable to the contractor. For the nine months ended September 30, 2011 and 2010, the Company paid that contractor amounts as follows:

	2011	2010
Exploration costs	\$ 1,181,247	\$ 3,278,839
Office and administrative costs	\$ 305,033	\$ 364,355
Equipment	\$ 36,371	\$ 30,266
Contract wages	\$ 381,041	\$ 861,050

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12. RELATED PARTY TRANSACTIONS (Continued)

(b) (Continued)

As at December 31, 2010, included in the amount owed to the contractor was a charge to the Company for GST in the amount of \$1,354,713 for the period from February 1, 2007 to April 30, 2010. This amount was recovered in full by the Company from the Canada Revenue Agency during the nine months ended September 30, 2011, and the Company settled its obligation with the contractor.

(c) For the nine months ended September 30, 2011, consulting fees of \$153,000 (September 30, 2010 - \$65,000) were charged by former directors of the Company, \$108,000 of which was recovered from KGHM Ajax. As at September 30, 2011, included in accounts payable and accrued liabilities is \$17,000 (December 31, 2010: \$17,240) payable to the former directors.

(d) Gross compensation of management personnel, before recoveries from KGHM Ajax for a portion thereof, for the nine months ended September 30, 2011 and 2010 is summarized as follows:

	2011	2010
Salaries and directors' fees	\$ 2,003,920	\$ 1,730,944
Share-based payments	\$ 344,608	\$ 261,942

Key management personnel were not paid post-retirement benefits, termination benefits or other long-term benefits during the nine months ended September 30, 2011 and 2010.

13. 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
	<u>\$ 220,704</u>

14. 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 and nine months ended September 30, 2011, the comparative information presented in these condensed interim financial statements for both the three and nine months ended September 30, 2010, 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.

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14. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

(a) 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 the transition date of January 1, 2010, and allows certain exemptions on the transition to IFRS. The elections the Company's has chosen to apply and that are considered significant to the Company include decisions to:

- continue to measure property, plant and equipment at its historical amortized cost; and
- not apply IFRS 2, *Share-based Payment*, to equity instruments that were fully vested or settled before January 1, 2010.

IFRS 1 requires a company 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.

(b) Correction of errors

During the course of the preparation of the condensed interim financial statements for the three and six months ended June 30, 2011, the Company was required to separately disclose the impact of the correction of the following errors in accordance with IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*:

- In February 2010, the Company renounced \$3,125,000 of exploration expenditures under its flow-through share program, resulting in a deferred income tax liability of \$781,250 and an equal charge to capital stock. As a result of the renouncement, the Company recorded an income tax recovery of \$781,250.
- On May 4, 2010, the Company entered into the Investment Agreement that contemplated the transfer of the Company's mineral interests at a fair value of approximately US \$37 million to KGHM (notes 4 and 9). As the fair value was less than the carrying value of the Company's mineral interests, the Company recognized a \$13,279,478 impairment loss. As a result of this transfer, the Company recorded a deferred income tax recovery of \$1,251,417.
- While the above amounts were correctly reflected in the annual financial statements for the year ended December 31, 2010, they were not reflected in the Company's previously issued Canadian GAAP 2010 interim financial statements. As these errors relate solely to the timing of the recognition of these transactions during 2010, there are no corrections required with respect to the year ended December 31, 2010. The Company also corrected some immaterial errors present in the previously issued Canadian GAAP interim financial statements.

In preparing these condensed interim financial statements, the Company reflected the result of the correction of these errors in the tables below.

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14. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

(c) Reconciliation of assets, liabilities and equity

The table below provides a summary of the adjustments to the Company's balance sheet at September 30, 2010:

	September 30, 2010
Mineral interests as previously reported under Canadian GAAP	\$ 53,869,257
Adjustment required to correct impairment error (note 14(b))	(13,279,478)
Mineral interests as restated under Canadian GAAP	\$ 40,589,779
Deferred tax liability as previously reported under Canadian GAAP	\$ 1,251,502
Adjustments to correct income tax recovery errors (note 14(b)):	
Income tax effect of 2010 renouncements	781,250
Recovery of deferred income taxes	(2,032,752)
Deferred tax liability as restated under Canadian GAAP	\$ -
Total assets under Canadian GAAP	\$ 57,807,911
Adjustment required to correct errors (note 14(b))	(13,279,478)
Adjustment required on adoption of IFRS	-
Total assets as restated and under IFRS	\$ 44,528,433
Total liabilities under Canadian GAAP	\$ 6,240,746
Adjustment required to correct errors (note 14(b))	(1,252,557)
Adjustment required on adoption of IFRS	-
Total liabilities as restated and under IFRS	\$ 4,988,189
Total equity under Canadian GAAP	\$ 51,567,165
Adjustment required to correct errors (note 14(b))	(12,026,921)
Adjustment required on adoption of IFRS	-
Total equity as restated and under IFRS	\$ 39,540,244
Total liabilities and equity as restated and under IFRS	\$ 44,528,433

ABACUS MINING & EXPLORATION CORPORATION**Notes to the Condensed Interim Financial Statements**

(An Exploration Stage Company)

For the three and nine months ended September 30, 2011

Unaudited - expressed in Canadian dollars

14. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)**(d) Reconciliation of net loss and comprehensive loss**

The table below provides a summary of the adjustments to net loss and comprehensive loss for the three and nine months ended September 30, 2010:

	Three months ended September 30, 2010	Nine months ended September 30, 2010
Impairment of mineral interests previously reported under Canadian GAAP	\$ -	\$ -
Adjustment required to correct impairment errors (note 14(b))	-	13,279,478
Impairment of mineral interests as restated under Canadian GAAP	\$ -	\$ 13,279,478
Deferred tax recovery previously reported under Canadian GAAP	\$ (66)	\$ 85
Adjustment required to correct errors (note 14(b))	-	(2,032,752)
Deferred tax recovery as restated under Canadian GAAP	\$ (66)	\$ (2,032,667)
Net loss under Canadian GAAP	\$ (1,319,363)	\$ (2,473,315)
Adjustment required to correct errors (note 14(b))	-	(11,246,726)
Adjustment required on adoption of IFRS	-	-
Net loss as restated and under IFRS	\$ (1,319,363)	\$ (13,720,041)
Comprehensive loss under Canadian GAAP	\$ (1,319,436)	\$ (2,472,808)
Adjustment required to correct errors (note 14(b))	673	(11,247,648)
Adjustment required on adoption of IFRS	-	-
Comprehensive loss as restated and under IFRS	\$ (1,318,763)	\$ (13,720,456)

ABACUS MINING & EXPLORATION CORPORATION

Notes to the Condensed Interim Financial Statements

(An Exploration Stage Company)

For the three and nine months ended September 30, 2011

Unaudited - expressed in Canadian dollars

14. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

(e) Reconciliation of cash flows

The table below provides a summary of the adjustments to cash flows for the nine months ended September 30, 2010:

		Nine months ended September 30, 2010
Cash provided by operating activities under Canadian GAAP	\$	1,298,211
Adjustment required to correct errors (note 14(b))		(1,056)
Adjustment required on adoption of IFRS		-
Cash provided by operating activities as restated and under IFRS	\$	1,297,155
Cash used in investing activities under Canadian GAAP	\$	(6,835,729)
Adjustment required to correct errors (note 14(b))		-
Adjustment required on adoption of IFRS		-
Cash used in investing activities under IFRS	\$	(6,835,729)
Cash provided by financing activities under Canadian GAAP	\$	1,604,994
Adjustment required to correct errors (note 14(b))		1,056
Adjustment required on adoption of IFRS		-
Cash provided by financing activities as restated and under IFRS	\$	1,606,050

15. SEGMENT DISCLOSURE

The Company operates in one industry and geographical segment, the mineral resource industry, with all current activities being conducted in Canada.