Amended and Restated

ABACUS MINING & EXPLORATION CORPORATION

(An Exploration Stage Company)

Financial Statements

September 30, 2009
(Unaudited – Prepared by Management)

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

ABACUS MINING & EXPLORATION CORPORATION

Amended and Restated

(An Exploration Stage Company)
Balance Sheets
(Unaudited - Prepared by Management)

	September 30, 2009	December 31, 2008
	(Unaudited) (restated – note 14)	(restated – note 14)
Assets (note 8)		
Current		
Cash and cash equivalents	$ 455,656	$ 1,039,130
Marketable securities (note 5)	583	101,506
Amounts receivable (note 11)	22,238	68,210
British Columbia Mining Exploration Tax Credit receivable (note 8)	3,172,210	3,242,240
Prepaid expenses	50,290	108,944
	3,700,977	4,560,030
Mineral Interests (notes 6 and 14)	44,529,399	42,414,420
Equipment (note 7)	122,258	74,207
Reclamation Deposits	35,000	12,000
	$ 48,387,634	$ 47,060,657
Liabilities		
Current		
Accounts payable and accrued liabilities (note 11)	$ 1,136,189	$ 1,103,830
Loan payable (note 8)	2,526,790	0
	3,662,979	1,103,830
Future Income Tax	1,965,764	1,435,474
	5,628,743	2,539,304
Shareholders' Equity		
Capital Stock (notes 9 and 14)	66,321,149	66,717,032
Contributed Surplus	3,349,336	2,988,881
Deficit	(26,911,211)	(25,184,177)
Accumulated Other Comprehensive Loss	(383)	(383)
	42,758,891	44,521,353
	$ 48,387,634	$ 47,060,657

Nature of Operations and Going Concern (note 1)
Commitment (note 12)
Subsequent Event (note 13)

Approved by the Board:

"Douglas A. Fulcher"
……………………………………………… Director
Douglas A. Fulcher

"Michael McInnis"
……………………………………………… Director
Michael McInnis

See notes to financial statements.

ABACUS MINING & EXPLORATION CORPORATION

(An Exploration Stage Company)
Statements of Operations
(Unaudited - Prepared by Management)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2009	**2008**	**2009**	**2008**
General and Administrative Expenses				
Stock-based compensation (note 9(f))	$ 265,382	$ 178,563	$ 512,034	$ 356,006
Contract wages	118,167	204,064	390,798	615,454
Consulting	95,760	125,674	344,695	592,105
Interest	138,675	0	278,741	0
Travel and promotion	29,392	65,803	213,880	226,912
Legal	17,031	6,718	93,907	48,839
Rent	22,314	14,908	73,042	41,454
Investor relations	17,472	13,813	55,776	37,333
Office and miscellaneous	7,130	16,801	40,307	45,687
Insurance	5,573	5,560	16,687	12,097
Regulatory fees	500	1,519	14,122	20,776
Telephone	3,259	3,130	9,493	10,094
Transfer agent fees	1,371	2,204	6,391	6,888
Accounting and audit	0	0	5,440	(380)
Management fees	0	0	0	1,500
Amortization	7,464	4,370	22,373	11,505
Interest income	(10)	(8,451)	(4,657)	(119,336)
Loss Before Other Item and Income Tax	729,480	634,676	2,073,029	1,906,934
Other Item				
Realized loss on sale of marketable securities	0	0	17,777	0
Loss Before Income Tax	729,480	634,676	2,090,806	1,906,934
Future income tax expense (recovery)	0	40,330	(363,772)	(950,859)
Net Loss and Comprehensive Loss for the Period	$ 729,480	$ 675,006	$ 1,727,034	$ 956,075
Loss Per Share, Basic and Diluted	$ 0.01	$ 0.01	$ 0.01	$ 0.02
Weighted Average Number of Common Shares Outstanding	123,327,989	111,307,831	122,474,661	114,764,791

See notes to financial statements.

ABACUS MINING & EXPLORATION CORPORATION

Amended and Restated

(An Exploration Stage Company)
Statements of Shareholders' Equity
(Unaudited - Prepared by Management)

	Number of Shares	Capital Stock	Contributed Surplus	Deficit	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
		(restated – note 14)				(restated – note 14)
Balance, December 31, 2007	107,803,341	$65,654,753	$2,410,798	$(23,375,295)	$456,966	$45,147,222
Net loss for year	0	0	0	(1,808,882)	0	(1,808,882)
Unrealized loss on available-for-sale securities, net of future income taxes of $102,892	0	0	0	0	(688,587)	(688,587)
Adjustment for impairment on available-for-sale securities, net of future income taxes of $8,865	0	0	0	0	231,238	231,238
Comprehensive loss for year						(2,266,231)
Issued for cash						
Private placement, net of issue costs (note 9(b))	11,512,666	3,220,212	0	0	0	3,220,212
Exercise of options	1,145,000	122,360	0	0	0	122,360
Issued for services	834,672	120,000	0	0	0	120,000
Fair value of options exercised	0	104,994	(104,994)	0	0	0
Fair value of finders' warrants issued on private placements	0	(24,926)	24,926	0	0	0
Stock-based compensation	0	0	658,151	0	0	658,151
Income tax effect on flow-through share renouncement	0	(2,480,361)	0	0	0	(2,480,361)
Balance, December 31, 2008	121,295,679	66,717,032	2,988,881	(25,184,177)	(383)	44,521,353
Net loss and comprehensive loss for period	0	0	0	(1,727,034)	0	(1,727,034)
Issued for services	621,930	40,000	0	0	0	40,000
Issued for loan financing	1,250,000	125,000	0	0	0	125,000
Issued for cash on exercise of options	1,135,000	181,600	0	0	0	181,600
Fair value of options exercised	0	151,579	(151,579)	0	0	0
Stock-based compensation	0	0	512,034	0	0	512,034
Income tax effect on flow-through shares renouncement	0	(894,062)	0	0	0	(894,062)
Balance, September 30, 2009	124,302,609	$66,321,149	$3,349,336	$(26,911,211)	$ (383)	$42,758,891

See notes to financial statements.

ABACUS MINING & EXPLORATION CORPORATION

(An Exploration Stage Company)
Statements of Cash Flows
(Unaudited – Prepared by Management)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2009	**2008**	**2009**	**2008**
Operating Activities				
Net loss for the period	$ (729,480)	$ (675,006)	$ (1,727,034)	$ (956,075)
Items not involving cash				
Amortization	7,464	4,370	22,373	11,505
Stock-based compensation	265,382	178,563	512,034	356,006
Realized loss on sale of marketable securities	0	0	17,777	0
Accrued interest and accretion on loan payable	138,470	0	276,790	0
Write-off of reclamation bonds	0	0	0	11,272
Future income tax expense (recovery)	0	40,330	(363,772)	(950,859)
	(318,164)	(451,743)	(1,261,832)	(1,528,151)
Changes in non-cash working capital items				
Amounts receivable	10,137	29,474	45,972	58,058
Prepaid expenses	25,666	(1,113)	58,654	13,324
Advances to contractor	0	(73,454)	0	0
Accounts payable and accrued liabilities	105,738	(985,221)	25,058	77,859
	141,541	(1,030,314)	129,684	149,241
Cash Used in Operating Activities	(176,623)	(1,482,057)	(1,132,148)	(1,378,910)
Investing Activities				
Mineral interests	(329,799)	(1,237,881)	(1,997,648)	(8,139,368)
Equipment purchases	0	(3,554)	(70,424)	(42,177)
Reclamation deposit	0	0	(23,000)	0
Cash Used in Investing Activities	(329,799)	(1,241,435)	(2,091,072)	(8,181,545)
Financing Activities				
Issuance of capital stock for cash	181,600	3,301,622	181,600	3,359,222
Proceeds on sale of marketable securities	0	0	83,146	0
Loan payable, net of issue costs	0	0	2,375,000	0
Cash Provided by Financing Activities	181,600	3,301,622	2,639,746	3,359,222
Increase (Decrease) in Cash During the Period	(324,822)	578,130	(583,474)	(6,201,233)
Cash and Cash Equivalents, Beginning of Period	780,478	2,134,862	1,039,130	8,914,225
Cash and Cash Equivalents, End of Period	$ 455,656	$ 2,712,992	$ 455,656	$ 2,712,992
Cash and Cash Equivalents Consists of:				
Cash	$ 455,656	$ 711,034	$ 455,656	$ 711,034
Temporary investments	0	2,001,958	0	2,001,958
	$ 455,656	$ 2,712,992	$ 455,656	$ 2,712,992

Supplemental disclosure with respect to cash flows (note 10)

1. NATURE OF OPERATIONS AND GOING CONCERN

Abacus Mining & Exploration Corporation (the "Company"), incorporated in British Columbia, is an exploration stage company engaged principally in the acquisition, exploration and development of mineral properties.

These 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 Company has incurred significant operating losses over the past several fiscal years, is currently unable to self-finance operations, has working capital of $37,998 (December 31, 2008 - $3,456,200), an accumulated deficit of $26,911,211 (December 31, 2008 - $25,184,177), limited resources, no source of operating cash flow and no assurances that sufficient funding will be available to conduct further exploration and development of its mineral interests. The Company's current working capital is not sufficient to meet its administrative overhead costs, flow-through obligations and to continue exploration work on its mineral interests for the balance of 2009 and into 2010.

The application of the going concern concept is dependent upon the Company's ability to generate future profitable operations and receive continued financial support from its creditors and shareholders. Management is actively seeking to raise the necessary capital to meet its funding requirements and has undertaken available cost cutting measures. 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.

The business of mining and exploration involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The Company has no source of revenue, and has significant cash requirements to meet its administrative overhead and maintain its mineral interests. The recoverability of amounts shown for mineral interests is dependent on several factors. These include the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development of these properties, and future profitable production or proceeds from disposition of mineral interests.

2. SIGNIFICANT ACCOUNTING POLICIES

These interim unaudited financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and should be read in conjunction with the financial statements for the Company's most recently completed fiscal year ended December 31, 2008. They do not include all disclosures required in the annual financial statements but rather are prepared in accordance with the recommendations for interim financial statements. The interim unaudited financial statements reflect, in the opinion of management, all adjustments (which include reclassifications and normal recurring adjustments) necessary to present fairly the financial position, results of operations and cash flows as at September 30, 2009, and for all periods presented.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Cash and cash equivalents

Cash and cash equivalents comprises cash and highly-liquid temporary investments, which mature within ninety days from the original dates of acquisition and which are readily convertible into known amounts of cash.

(b) Mineral interests

The Company capitalizes all costs related to investments in mineral 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 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 quarterly, on a property-by-property basis, to consider whether there are any conditions that may indicate impairment. When the carrying value of a property exceeds its net recoverable amount that may be estimated by quantifiable evidence of an economic geological resource or reserve, joint venture expenditure commitments or the Company’s assessment of its ability to sell the property for an amount exceeding the deferred costs, provision is made for the impairment in value.

When it has been determined that a mineral property can be economically developed as a result of establishing proven and probable reserves, costs will be depleted using the unit-of-production method over the estimated life of the ore body based upon recoverable ounces to be mined from estimated proven and probable reserves.

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. Proceeds received on the sale or option of the Company’s property interest is recorded as a reduction of the mineral property cost. The Company recognizes in income those costs that are recovered on mineral property interests when amounts received or receivable are in excess of the carrying amount.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Asset retirement obligations ("ARO")

The Company recognizes an estimate of the liability associated with an ARO in the financial statements at the time the liability is incurred. The estimated fair value of the ARO is recorded as a long-term liability, with a corresponding increase in the carrying amount of the related asset. The liability amount is increased each reporting period due to the passage of time and the amount of accretion is charged to earnings in the period. The ARO can also increase or decrease due to changes in the estimates of timing of cash flows or changes in the original estimated undiscounted cost. Actual costs incurred upon settlement of the ARO are charged against the ARO to the extent of the liability recorded. At present, the Company has determined that it has no material AROs to record in these financial statements.

(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.

(e) Use of estimates

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates include the collectability of amounts receivable, recovery of British Columbia Mining Exploration Tax Credit ("BC METC") receivable, balances of accrued liabilities, the fair value of financial instruments, the rates for amortization of equipment, the recoverability of mineral property interests, determination of asset retirement and environmental obligations, future income tax assets and liabilities, valuation allowance for future income tax assets and the determination of the variables used in the calculation of stock-based compensation. While management believes that these estimates are reasonable, actual results could differ from those estimates and could impact future results of operations and cash flows.

(f) Loss per share

Loss per share is calculated using the weighted average number of common shares outstanding during the period. The Company uses the treasury stock method for calculating diluted earnings per share. Under this method, the dilutive effect on earnings per share is calculated 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Stock-based compensation

The Company accounts for stock-based compensation using a fair value based method with respect to all stock-based payments, to directors, employees and non-employees. For directors and employees, the fair value of the options is measured at the date of grant. For non-employees, the fair value of the options is measured on the earlier of the date at which the counterparty performance is completed or the date the performance commitment is reached or the date at which the equity instruments are granted if they are fully vested and non-forfeitable. The fair value of the options is accrued and charged either to operations or mineral interests, with the offset credit to contributed surplus. For directors and employees the options are recognized over the vesting period, and for non-employees the options are recognized over the related service period. If and when the stock options are ultimately exercised, the applicable amounts of contributed surplus are transferred to capital stock.

(h) Income taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis, and losses carried forward. Future tax assets and liabilities are measured using substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in operations in the period in which the change is enacted or substantially assured. The amount of future income tax assets is limited to the amount of the benefit that is more likely than not to be realized.

(i) Flow-through common shares

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

When flow-through expenditures are renounced, a portion of the future income tax assets that were not previously recognized, due to the recording of a valuation allowance, are recognized as a recovery of future income taxes in the statement of operations.

(j) Warrants

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Financial instruments

All financial instruments are classified as one of the following: held-to-maturity, loans and receivables, held-for-trading, available-for-sale or other financial liabilities. Financial assets and liabilities classified as held-for-trading are measured at fair value with gains and losses recognized in net income. Financial assets classified as held-to-maturity, loans and receivables, and other financial liabilities are measured at amortized cost using the effective interest method. Financial instruments classified as available-for-sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) and reported in shareholders' equity. Any financial instrument may be designated as held-for-trading upon initial recognition. When a decline in the fair value of an available-for-sale financial asset has been recognized in comprehensive income, and there is objective evidence that the impairment is other than temporary, the cumulative loss that had been previously recognized in accumulated other comprehensive income is removed from accumulated other comprehensive income and recognized in net income even though the financial asset has not been de-recognized.

Transaction costs that are directly attributable to the acquisition or issue of financial instruments that are classified as other than held-for-trading, which are expensed as incurred, are included in the initial carrying value of such instruments.

The fair value of all marketable securities is determined by quoted market prices. Gains or losses on securities sold are based on the specific identification method.

Comprehensive income or loss is the overall change in equity for a period, other than changes attributable to transactions with shareholders. It is made up of net income and other comprehensive income. Other comprehensive income includes gains and losses that generally accepted accounting principles requires to be recognized in a period but are excluded from net income for that period.

For the Company, such items consist primarily of unrealized gains and losses on marketable securities. The Company has included a calculation of other comprehensive income (loss) in the statement of shareholders' equity.

(l) Future accounting changes

International Financial Reporting Standards ("IFRS")

In 2008, the Canadian Accounting Standards Board ("AcSB") confirmed the convergence of Canadian GAAP with IFRS for publicly-listed companies to use IFRS, effective for the Company for interim and annual financial statements beginning on or after January 1, 2011. The change will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

3. FINANCIAL INSTRUMENTS

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

The carrying values of cash and cash equivalents, marketable securities, amounts receivable, reclamation deposits, and accounts payable approximate their fair values due to the short-term maturity of these financial instruments. The loan payable approximates fair value as it is at a market rate of interest.

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

(a) 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 a major Canadian financial institution. In regard to amounts receivable, the Company is not exposed to significant credit risk as they are due from governmental agencies.

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, 2009	December 31, 2008
Temporary investments	$ 0	$1,011,663
Bank accounts	455,656	27,467
Total	$ 455,656	$1,039,130

Temporary investments earned interest at 1.42% and matured on January 30, 2009.

3. FINANCIAL INSTRUMENTS (Continued)

(b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in obtaining funds to meet commitments as they become due. The Company's approach to managing liquidity risk is to provide reasonable assurance that it will have sufficient funds to meet its liabilities when they become due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. The Company maintains sufficient cash and cash equivalents at September 30, 2009 in the amount of $455,656 and amounts receivable of $3,194,448 in order to meet short-term liabilities of $1,136,189, which will be repaid in the fourth quarter of 2009. At September 30, 2009, the Company has accounts payable and accrued liabilities and a loan payable of $2,526,790, which will be repaid by April, 2010. The Company will require significant cash requirements to meet its administrative overhead costs and flow-through obligations and maintain its mineral interests in 2010. This will require the Company to obtain additional financing in 2010 to continue exploration work on the mineral interests.

(c) Market risk

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

(i) Interest rate risk

To the extent that prevailing market interest rates differ from the interest rate on the loan payable, the Company is exposed to interest rate price 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 or future cash flows of a financial instrument will fluctuate because of changes in market prices, other than those arising from interest rate risk or foreign currency risk. The Company is not exposed to significant other price risk.

4. CAPITAL MANAGEMENT

The Company has a loan repayable on April 1, 2010. The Company's primary source of funds comes from the issuance of capital stock and proceeds from the loan payable. 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. 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.

4. CAPITAL MANAGEMENT (Continued)

The Company has in the past invested its capital in liquid investments to obtain adequate returns. The investment decision is based on cash management to ensure working capital is available to meet the Company's short-term obligations while maximizing liquidity and returns of unused capital.

Although the Company has been successful at raising funds in the past through the issuance of capital stock, it is uncertain whether it will continue this financing due to the current difficult conditions.

5. MARKETABLE SECURITIES

The Company has investments in marketable securities of companies that have directors in common. These marketable securities have been classified as available-for-sale.

	September 30, 2009		December 31, 2008	
	Cost	Fair Value	Cost	Fair Value
1,682,049 (2007 - 1,682,049) common shares of Committee Bay Resources Ltd.*	$ 0	$ 0	$ 341,026	$ 100,923
8,333 (2007 - 8,333) common shares of Redstar Gold Corp.	1,000	583	1,000	583
Balance	$ 1,000	$ 583	$ 342,026	$ 101,506

* formerly Niblack Mining Corp. ("Niblack")

During 2008, Committee Bay Resources Ltd. ("Committee Bay") purchased all the issued and outstanding capital stock of Niblack by way of a plan of arrangement. The Company received one share of Committee Bay for each share of Niblack held. The unrealized loss on marketable securities was recorded in accumulated other comprehensive income for the year ended December 31, 2008, at $688,587 net of future income taxes of $102,892. At December 31, 2008, an impairment loss of $240,103 was considered other than temporary and, accordingly, removed from accumulated other comprehensive income and recorded in net loss.

During 2009, the Committee Bay shares were sold for net proceeds of $83,146.

6. MINERAL INTERESTS

At September 30, 2009 and December 31, 2008, expenditures deferred on mineral interests are as follows:

	Afton Mine Property					
	Afton	Rainbow	Iron Mask/ Ajax	DM/Audra	New Gold	Total
	(restated – note 14)					(restated – note 14)
Balance, December 31, 2008	$16,245,747	$2,769,649	$17,102,264	$1,389,432	$4,907,328	$42,414,420
Additions during the period						
Acquisition costs	198,416	0	0	0	0	198,416
Exploration costs						
Drilling	0	0	2,843	0	0	2,843
Contract wages	0	235	382,926	435	0	383,596
Assays	0	0	18,617	0	2,177	20,794
Camp support and field supplies	0	0	133,323	0	0	133,323
Travel and accommodation	0	0	100,583	0	0	100,583
Equipment rental	0	0	23,910	0	0	23,910
Geological consulting	0	0	73,333	0	0	73,333
Preliminary economic assessment	0	0	846,721	0	0	846,721
Recording fees	0	0	35,717	0	0	35,717
Environmental impact assessment	0	0	87,101	0	0	87,101
Prefeasibility	0	0	208,642	0	0	208,642
	0	235	1,913,716	435	2,177	1,916,563
Net additions during the period	198,416	235	1,913,716	435	2,177	2,114,979
Balance, September 30, 2009	$16,444,163	$2,769,884	$19,015,980	$1,389,867	$4,909,505	$44,529,399

6. MINERAL INTERESTS (Continued)

	Afton Mine Property					
	Afton	Rainbow	Iron Mask/ Ajax	DM/Audra	New Gold	Total
	(restated – note 14)					(restated – note 14)
Balance, December 31, 2007	$16,035,603	$2,770,388	$13,766,723	$1,308,184	$1,444,470	$35,325,368
Additions during year						
Acquisition costs	210,144	0	0	0	0	210,144
Exploration costs						
Drilling	0	0	2,359,666	0	3,375,050	5,734,716
Contract wages	0	2,534	923,419	21,674	584,220	1,531,847
Assays	0	8,457	422,308	34,398	489,635	954,798
Camp support and field supplies	0	108	246,562	108	156,008	402,786
Travel and accommodation	0	0	183,693	0	143,865	327,558
Equipment rental	0	0	42,104	0	26,060	68,164
Geological consulting	0	0	354,692	71,807	13,248	439,747
Preliminary economic assessment	0	0	180,216	0	0	180,216
Recording fees	0	731	16,857	731	0	18,319
Environmental impact assessment	0	0	503,316	15,908	0	519,224
Permitting	0	0	11,030	0	0	11,030
Access road	0	0	237	0	1,242	1,479
Expense recoveries	0	0	(115,429)	0	0	(115,429)
	0	11,830	5,128,671	144,626	4,789,328	10,074,455
Less: Recoveries	0	(12,569)	(1,793,130)	(63,378)	(1,326,470)	*(3,195,547)
Net additions during year	210,144	(739)	3,335,541	81,248	3,462,858	7,089,052
Balance, December 31, 2008	$16,245,747	$2,769,649	$17,102,264	$1,389,432	$4,907,328	$42,414,420

* BC METC recoverable.

6. MINERAL INTERESTS (Continued)

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

(a) 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 (a total of 53 mineral claims) 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 of which the Company may purchase each 1.5% net smelter royalty for $3,000,000. Certain of the mineral claims are subject to various net profit interests or net smelter royalties held by underlying vendors of those claims.

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

On November 25, 2005, the Company signed an Asset Purchase Agreement with the optionor to purchase land, buildings, equipment, tailings pond and the back-in rights pursuant to the Rainbow and Iron Mask property agreements ("Afton"). The parties amended the agreement to extend the date for the final payment to July 31, 2010. Total aggregate consideration for the transfer of the assets 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 ($3,000,000 paid).

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

6. MINERAL INTERESTS (Continued)

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

Effective June 11, 2009, the parties amended the Asset Purchase Agreement. Under the terms of the Amending Agreement, Teck Resources Limited ("Teck") will receive additional common shares of the Company sufficient to increase its ownership interest in the Company to 19.99%, and could receive an additional cash payment of up to $5,000,000. The number of additional shares and the amount of additional cash is dependent on the market value of the Company at the time the assets are transferred from Teck to the Company (the "Transfer Date"). The additional cash payment, if any, is payable 18 months after the Transfer Date.

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 a 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. Subsequent to September 30, 2009, the Company earned a 100% interest in these claims and New Gold elected to retain a 10% net profits interest royalty and not form a joint venture.

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. The exercise price of the options is $2,500 per acre, exercisable at any time during the two-year period, less amounts paid to Teck for the options.

(b) Title to mineral property interests

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

6. MINERAL INTERESTS (Continued)

(c) Realization of assets

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

Resource exploration and development is highly speculative and involves inherent risks. While the rewards if an ore body is discovered can be substantial, few properties that are explored are ultimately developed into producing mines. There can be no assurance that current exploration programs will result in the discovery of economically viable quantities of ore.

(d) Environmental

Environmental legislation is becoming increasingly stringent and costs and expenses of regulatory compliance are increasing. The impact of new and future environmental legislation on the Company's operations may cause additional expenses and restrictions.

If the restrictions adversely affect the scope of exploration and development on the mineral properties, the potential for production on the property may be diminished or negated.

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous material and other matters. The Company may also be held liable should environmental problems be discovered that were caused by former owners and operators of its properties and properties in which it has previously had an interest. The Company conducts its mineral exploration activities in compliance with applicable environmental protection legislation. The Company is not aware of any existing environmental problems related to any of its current or former properties that may result in material liability to the Company.

7. EQUIPMENT

	September 30, 2009		
	Cost	Accumulated Amortization	Net
Computer equipment	$ 182,102	$ 88,464	$ 93,638
Office equipment	44,470	25,476	18,994
Other equipment	19,092	15,845	3,247
Leasehold improvements	9,814	3,435	6,379
	$ 255,478	$ 133,220	$ 122,258

7. EQUIPMENT (Continued)

	December 31, 2008					
		Cost		Accumulated Amortization		Net
Computer equipment	$	111,911	$	71,468	$	40,443
Office equipment		44,238		22,145		22,093
Other equipment		19,092		15,272		3,820
Leasehold improvements		9,814		1,963		7,851
	$	185,055	$	110,848	$	74,207

8. 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. The 1,250,000 common shares issued to the lender were valued at $125,000 and the Company paid $125,000 as finders' fees, which have been offset against the initial carrying value of the loan payable. The loan is to be repaid from the amount collected on the BC METC. The loan bears interest at a rate of 12% per annum, compounded monthly.

Upon advancing of the funds to the Company, the Company issued to the lender 1,250,000 common shares of the Company. In the event that the amount actually collected on the BC METC receivable is less than the amount required to repay the outstanding loan amount plus interest and the Company does not otherwise have sufficient funds to repay the shortfall (the "shortfall"), then at the discretion of the lender, the Company shall issue to the lender units of the Company, the number of units determined by dividing the shortfall by the volume weighted average closing price of the Company's common shares on the five trading days on which trading in the common shares takes place immediately preceding the day before such calculation is made, less the maximum discount permitted by the Exchange. Each unit shall consist of one common share of the Company and one common share purchase warrant. Each warrant shall be exercisable for one common share of the Company upon payment of the exercise price of the warrant for a period of two years from the date of grant. The exercise price of the warrants shall be equal to the trading price of the Company's common shares at the time such calculation is made, less the maximum discount permitted by the Exchange with respect to the granting of warrants, if any.

As security for the loan, the Company will grant the lender a security interest in certain of the Company's assets, with the exception of its mineral interests.

During the nine months ended September 30, 2009, the interest expense relating to this loan was $276,790 (including accretion of $122,558).

9. CAPITAL STOCK

(a) Authorized

Unlimited number of common shares without par value

(b) Private placements

On September 11, 2008, the Company closed a non-brokered private placement and issued 11,500,666 flow-through units at a price of $0.30 per unit for gross proceeds of $3,450,200. Each flow-through unit consists of one flow-through common share and one-half of one common share purchase warrant. Each warrant entitles the holder to purchase one non-flow-through common share until March 10, 2010 at a price of $0.50 per share.

Finders received cash commissions of $191,892 and were issued 12,000 units with the same terms and conditions as the units described above and 760,246 finders' warrants. Each finders' warrant entitles the holder to purchase one non-flow-through common share until March 10, 2010 at a price of $0.30 per share. The 760,246 finders' warrants were fair valued at $24,926 (note 9(e)).

Other cash share issuance costs of $38,096 were incurred by the Company in respect of this private placement, resulting in net cash proceeds received of $3,220,212.

(c) Renounced exploration expenditures

In February 2009, the Company renounced $3,438,699 (2008 - $9,539,850) of exploration expenditures under its flow-through share program, resulting in a future income tax liability of $894,062 (2008 - $2,480,361), which was deducted from capital stock. As at September 30, 2009, the amount of flow-through proceeds remaining to be expended was $1,533,637.

(d) Loan financing

During the period ended September 30, 2009, the Company arranged a loan for a total of $2,500,000 (note 8). The Company issued common shares of 1,250,000 at a value of $125,000 as part consideration for the loan.

(e) Share purchase warrants

The Company has, as at September 30, 2009, share purchase warrants outstanding entitling the holders to acquire common shares as follows:

Outstanding as at December 31, 2008	Exercise Price	Expiry Date	Issued	Exercised	Expired	Outstanding as at September 30, 2009
535,254	$1.25	January 3, 2009	0	0	(535,254)	0
5,756,332	$0.50	March 10, 2010	0	0	0	5,756,332
760,246	$0.30	March 10, 2010	0	0	0	760,246
7,051,832			0	0	(535,254)	6,516,578

9. CAPITAL STOCK (Continued)

(f) Stock options

The Company has a 20% fixed stock option plan, which allows the board of directors to grant options to directors, officers, employees and consultants. The Company increased the maximum number of stock options available for grant on May, 28 2009 to 24,509,135.

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, 2009, the Company had stock options outstanding to directors, officers and consultants for the purchase of 12,415,000 common shares exercisable as follows:

September 30, 2009				
Number of Options Outstanding	Exercise Price	Expiry Date	Number of Options Exercisable	Weighted Average Remaining Contractual Life
*1,450,000	$0.32	October 23, 2009	1,450,000	0.06
800,000	$0.28	March 4, 2010	800,000	0.42
500,000	$0.34	May 20, 2010	500,000	0.64
1,935,000	$0.90	April 7, 2011	1,935,000	1.52
400,000	$0.65	March 15, 2012	400,000	2.46
485,000	$0.45	January 11, 2013	485,000	3.28
925,000	$0.45	February 1, 2013	925,000	3.34
1,000,000	$0.10	May 5, 2013	750,000	3.60
1,650,000	$0.26	August 29, 2013	825,000	3.92
840,000	$0.15	February 20, 2014	420,000	4.39
300,000	$0.10	March 3, 2014	150,000	4.42
2,030,000	$0.20	June 29, 2014	507,500	4.75
100,000	$0.25	September 17, 2014	25,000	4.97
12,415,000			9,172,500	2.78

* Expired unexercised on October 23, 2009.

A summary of the status of the Company's stock options as at September 30, 2009 and changes during the period then ended are as follows:

September 30, 2009		
	Number of Options	Weighted Average Exercise Price
Outstanding, December 31, 2008	10,280,000	$0.44
Granted	3,270,000	$0.18
Re-priced - original	(1,000,000)	$(0.43)
Re-priced - new	1,000,000	$0.10
Exercised	(1,135,000)	$0.16
Outstanding at September 30, 2009	12,415,000	$0.37

9. CAPITAL STOCK (Continued)

(g) Stock-based compensation

During the period ended September 30, 2009, the Company amended the exercise price of certain stock options from $0.43 to $0.10 resulting in additional stock-based compensation expense of $27,900.

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

	September 30, 2009
Risk-free interest rate	2.32%
Expected dividend yield	0
Expected stock price volatility	88.87%
Expected option life in years	5

The weighted average fair value of stock options granted is $0.03.

(h) Agent options

The Company granted agent options related to the sale of the Company's securities through the course of its private placement.

The Company has, as at September 30, 2009, no agent options outstanding as the options expired unexercised on January 3, 2009.

Outstanding as at December 31, 2008	Exercise Price	Expiry Date	Issued	Exercised	Expired	Outstanding as at September 30, 2009
56,870	$0.85	January 3, 2009	0	0	(56,870)	0

10. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

(a) During the period ended September 30, 2009, the Company issued 621,930 (2008 - 345,785) common shares valued at $40,000 (2008 - $90,000) for settlement of certain accounts payable.

(b) During the period ended September 30, 2009, the Company issued 1,250,000 common shares valued at $125,000 to the holder of the loan payable.

(c) Income tax paid amounted to $nil (2008 - $nil).

(d) Accounts payable as at September 30, 2009, included $729,954 (2008 - $682,653) related to mineral expenditures.

(e) Interest paid during the period amounted to $1,951 (2008 - $6,523).

11. RELATED PARTY TRANSACTIONS

(a) The Company conducts the majority of its exploration activities through an exploration services contractor in which a director is a principal. The Company paid that contractor $1,310,880 (2008 - $7,997,555) for exploration costs, $269,737 (2008 - $852,181) to reimburse office and administrative costs, $7,293 (2008 - $32,363) for equipment purchased and contract wages of $390,798 (2008 - $615,454). As at September 30, 2009, there was $706,662 (2008 - $460,899) payable to that contractor.

(b) A management fee of $nil (2008 - $1,500) and rent of $nil (2008 - $3,014) were paid to a company in which a director is a principal. As at September 30, 2009, there was $nil (2008 - $nil) due to that company and included in accounts payable.

(c) The Company shares office and administrative costs with a company with three directors in common. As at September 30, 2009, $2,146 (2008 - $2,146) was due from this company and included in amounts receivable.

(d) Consulting fees of $198,394 (2008 - $67,500) were paid to directors of the Company. As at September 30, 2009, $160,356 (December 31, 2008 - $34,894) was payable to these directors.

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. All of the above transactions and balances are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

12. COMMITMENT

During 2007, the Company and related parties entered into a lease agreement for the rental of office premises for a six-year period, expiring March 31, 2013. The cost of the entire premises is shared primarily between the Company and four other companies related by a common director. The Company's proportionate share of minimum annual rental payments under this arrangement is payable as follows:

2009	$	5,910
2010		25,858
2011		26,597
2012		26,597
2013		6,649
	$	91,611

13. SUBSEQUENT EVENT

On October 2, 2009, the Company received $605,117 plus $36,808 interest pursuant to its application for its BC METC refund for 2007.

14. RESTATEMENT

During 2005 and 2006, the Company incorrectly recorded the 13,500,000 common shares issued in respect of the Asset Purchase Agreement (note 6(a)) at a value of $1 per common share, instead of at the fair value of the shares based on their trading price on the Exchange on the date the shares were issued, resulting in a $6,505,000 reduction to mineral interests and capital stock.

The restatement resulted in changes to the previously reported carrying values of assets and shareholders' equity as at September 30, 2009 as follows:

	Previously Reported	Corrections	Restated
Assets			
Mineral interests	$ 51,034,399	$ (6,505,000)	$ 44,529,399
Shareholders' Equity			
Capital Stock	$ 72,826,149	$ (6,505,000)	$ 66,321,149

The restatement resulted in changes to the previously reported carrying values of assets and shareholders' equity as at December 31, 2008 as follows:

	Previously Reported	Corrections	Restated
Assets			
Mineral interests	$ 48,919,420	$ (6,505,000)	$ 42,414,420
Shareholders' Equity			
Capital Stock	$ 73,222,032	$ (6,505,000)	$ 66,717,032