ABACUS MINING & EXPLORATION CORPORATION

(An Exploration Stage Company)

Financial Statements

September 30, 2010

NOTICE OF NO AUDITOR REVIEW

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

The Company's independent auditors have not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of the interim financial statements by an entity's auditors.

ABACUS MINING & EXPLORATION CORPORATION
(An Exploration Stage Company)
Balance Sheets
(Unaudited – Prepared by Management)

	September 30, 2010 (Unaudited)	December 31, 2009 (Audited)
Assets (note 8)		
Current		
Cash and cash equivalents	$ 915,098	$ 4,847,622
Marketable securities (note 5)	1,583	2,083
Amounts receivable (note 11)	1,932,573	45,568
British Columbia Mining Exploration Tax Credit receivable (notes 8 and 12)	0	2,097,146
Prepaid expenses	237,357	66,744
	3,086,611	7,059,163
Mineral Interests (note 6)	53,869,257	46,661,572
Equipment (note 7)	122,372	117,100
Reclamation Deposits	35,000	35,000
Deferred Costs	694,671	0
	$ 57,807,911	$ 53,872,835
Liabilities		
Current		
Accounts payable and accrued liabilities (note 11)	$ 4,989,244	$ 1,637,110
Loan payable (note 8)	0	2,057,725
	4,989,244	3,694,835
Future Income Tax (note 12)	1,251,502	1,251,502
	6,240,746	4,946,337
Shareholders' Equity		
Capital Stock (note 9)	76,977,730	72,121,063
Contributed Surplus	3,988,165	3,730,435
Deficit	(29,399,237)	(26,925,922)
Accumulated Other Comprehensive Income (Loss)	507	922
	51,567,165	48,926,498
	$ 57,807,911	$ 53,872,835

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

Approved on behalf of the Board:

"James Excell"
……………………………………………… Director
James D. Excell

"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, 2010	For the Three Months Ended September 30, 2009	For the Six Months Ended September 30, 2010	For the Six Months Ended September 30, 2009
General and Administrative Expenses				
Stock-based compensation (note 9(f))	$ 183,796	$ 265,382	$ 261,942	$ 512,034
Contract wages (note 11(a))	652,170	118,167	861,051	390,798
Consulting (note 11(c))	154,588	95,760	280,794	344,695
Travel and promotion	98,387	29,392	415,996	213,880
Legal	42,554	17,031	148,288	93,907
Rent	41,070	22,314	96,647	73,042
Investor relations	63,077	17,472	154,041	55,776
Office and miscellaneous	21,145	7,130	58,224	40,307
Insurance	6,102	5,573	17,722	16,687
Regulatory fees	40,676	500	64,668	14,122
Telephone	7,265	3,259	20,377	9,493
Transfer agent fees	3,563	1,371	23,723	6,391
Accounting and audit	2,500	0	53,296	5,440
Amortization	8,171	7,464	28,101	22,373
Loss Before Other Items and Income Tax	1,325,064	590,815	2,484,870	1,798,945
Other Items				
Interest and other expenses (note 8)	0	138,675	89,735	278,741
Expense recoveries	0	0	(34,471)	0
Realized loss on available-for-sale securities	0	0	0	17,777
Interest income	(5,635)	(10)	(66,904)	(4,657)
Loss Before Income Tax	1,319,429	729,480	2,473,230	2,090,806
Future Income Tax Recovery (note 12)	(66)	0	85	(363,772)
Net Loss for the Period	1,319,363	729,480	2,473,315	1,727,034
Unrealized loss (gain) on available-for-sale securities, net of future income taxes	73	0	(507)	0
Comprehensive Loss for the Period	$ 1,319,436	$ 729,480	$ 2,472,808	$ 1,727,034
Loss Per Share, basic and diluted	$ 0.01	$ 0.01	$ 0.01	$ 0.01
Weighted Average Number of Common Shares Outstanding	176,350,859	123,327,989	176,350,859	122,474,661

See notes to financial statements.

ABACUS MINING & EXPLORATION CORPORATION
(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
Balance, December 31, 2008	121,295,679	$66,717,032	$2,988,881	$(25,184,177)	$(383)	$44,521,353
Net loss for year	0	0	0	(1,741,745)	0	(1,741,745)
Unrealized gain on available-for-sale securities, net of future income taxes of $195	0	0	0	0	1,305	1,305
Issued for cash Private placement, net of issue costs (note 9(b)(ii))	32,002,000	6,046,057	0	0	0	6,046,057
Exercise of options	1,135,000	181,600	0	0	0	181,600
Issued for services (note 10(a))	621,930	40,000	0	0	0	40,000
Issued for loan financing (note 8)	1,250,000	125,000	0	0	0	125,000
Fair value of options exercised	0	151,579	(151,579)	0	0	0
Fair value of agents' options issued on private placement	0	(246,143)	246,143	0	0	0
Stock-based compensation	0	0	646,990	0	0	646,990
Income tax effect on flow-through shares renouncement	0	(894,062)	0	0	0	(894,062)
Balance, December 31, 2009	156,304,609	$72,121,063	$3,730,435	$(26,925,922)	$ 922	$48,926,498
Net loss for period	0	0	0	(2,473,315)	0	(2,473,315)
Unrealized gain on available-for-Sale securities, net of future Income taxes of $76	0	0	0	0	(415)	(415)
Issued for cash Private placement, net of issue Costs (note 9(b)(i)	15,000,000	3,744,705	0	0	0	3,744,705
Exercise of options	46,250	7,750	0	0	0	7,750
Issued for mineral property	5,000,000	1,100,000	0	0	0	1,100,000
Fair value of options exercised	0	4,212	(4,212)	0	0	0
Stock-based compensation	0	0	261,942	0	0	261,942
Balance September 30 , 2010	176,350,859	$76,977,730	$3,988,165	$(29,399,237)	$507	$51,567,165

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,	
	2010	**2009**	**2010**	**2009**
Operating Activities				
Net loss for the year	$ (1,319,363)	$ (729,480)	$ (2,473,315)	$(1,727,034)
Items not involving cash				
Amortization	8,171	7,464	28,101	22,373
Stock-based compensation	183,796	265,382	261,942	512,034
Loss on sale of marketable securities	0	0	0	17,777
Accrued interest on loan payable	0	138,470	89,735	276,790
Future income tax recovery	(66)	0	85	(363,772)
	(1,127,462)	(318,164)	(2,093,452)	(1,261,832)
Changes in non-cash working capital				
Amounts receivable	(1,770,892)	10,137	210,140	45,972
Prepaid expenses	(18,369)	25,666	(170,612)	58,654
Accounts payable and accrued liabilities	3,655,909	105,738	3,352,135	25,058
	1,866,648	141,541	3,391,663	129,684
Cash Used in Operating Activities	739,186	(176,623)	1,298,211	(1,132,148)
Investing Activities				
Mineral interests	(3,195,197)	(329,799)	(6,107,685)	(1,997,648)
Equipment purchases	(3,136)	0	(33,373)	(70,424)
Deferred costs	(694,671)	0	(694,671)	0
Reclamation deposit	0	0	0	(23,000)
Cash Used in Investing Activities	(3,893,004)	(329,799)	(6,835,729)	(2,091,072)
Financing Activities				
Issuance of capital stock for cash	0	181,600	3,752,455	181,600
Proceeds on sale of marketable securities	0	0	0	83,146
Loan payable	0	0	(2,147,461)	2,375,000
Cash Provided by Financing Activities	0	181,600	1,604,994	2,639,746
Increase (Decrease) in Cash During the Period	(3,153,818)	(324,822)	(3,932,524)	(583,474)
Cash and Cash Equivalents, Beginning of Period	4,068,916	780,478	4,847,622	1,039,130
Cash and Cash Equivalents, End of Period	$ 915,098	$ 455,656	$ 915,098	$ 455,656
Cash and Cash Equivalents Consists of:				
Cash	$ 15,098	$ 455,656	$ 15,098	$ 455,656
Temporary investments	900,000	0	900,000	0
	$ 915,098	$ 455,656	$ 915,098	$ 455,656

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, has a working capital deficit of $1,902,633 (2009 - $37,998), an accumulated deficit of $29,399,237 (2009 - $26,911,211), 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 and development work and feasibility studies on its mineral interests in 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 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 operations or proceeds from disposition of mineral interests.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"), are presented in Canadian dollars and reflect the following:

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) 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 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.

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.

(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 of five years.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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 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.

(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 or equity instruments issued 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 of tax allocation, future income tax assets and liabilities are determined based on differences between the financial statement carrying values and their respective income tax basis (temporary differences), and losses carried forward. Future income tax assets and liabilities are measured using the tax rates expected to be in effect when the temporary differences are likely to reverse. The effect on future income tax assets and liabilities of a change in tax rates is included in operations in the period in which the change is enacted or substantively enacted. The amount of future income tax assets recognized is limited to the amount of the benefit that is more likely than not to be realized.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) 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.

(j) 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. The tax impact to the Company of the renouncement is recorded on the date that the renunciation is filed with taxation authorities, through a decrease in capital stock and the recognition of a future tax liability.

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

(k) Warrants

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

(l) Foreign currency translation

Amounts recorded in foreign currency are translated into Canadian dollars as follows:

(i) Monetary assets and liabilities, at the rate of exchange in effect as at the balance sheet date;

(ii) Non-monetary assets and liabilities, at the exchange rates prevailing at the time of the acquisition of the assets or assumption of the liabilities; and

(iii) Expenses, at the rate of exchange in effect at the date of the transaction.

Gains and losses arising from this translation of foreign currency are included in the determination of net income (loss).

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) 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.

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 disposed of are based on the specific identification method.

(n) Future accounting changes

(i) International Financial Reporting Standards ("IFRS")

In February 2008, the Canadian Accounting Standards Board ("AcSB") confirmed that January 1, 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canadian GAAP. The IFRS standards will be effective for the Company for interim and annual financial statements relating to the Company's fiscal year beginning on or after January 1, 2011. The effective date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the interim periods and year ended December 31, 2010. The Company has begun the planning and scoping phase of the transition to IFRS and intends to transition to IFRS financial statements during fiscal 2011. While the Company has begun assessing the adoption of IFRS for fiscal 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

(ii) Business Combinations

In January 2009, the CICA issued Section 1582, "Business Combinations", Section 1601, "Consolidated Financial Statements", and Section 1602, "Non-Controlling Interests". These sections replace the former Section 1581, "Business Combinations", and Section 1600, "Consolidated Financial Statements", and establish a new section for accounting for a non-controlling interest in a subsidiary.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Future accounting changes (Continued)

(ii) Business Combinations (Continued)

Sections 1582 and 1602 will require net assets, non-controlling interests and goodwill acquired in a business combination to be recorded at fair value and non-controlling interests will be reported as a component of equity. In addition, the definition of a business is expanded and is described as an integrated set of activities and assets that are capable of being managed to provide a return to investors or economic benefits to owners. Acquisition costs are not part of the consideration and are to be expensed when incurred. Section 1601 establishes standards for the preparation of consolidated financial statements.

These new sections apply to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption of these sections is permitted as of the beginning of a fiscal year. All three sections must be adopted concurrently. The Company is currently evaluating the impact of the adoption of these sections.

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, amounts receivable (excluding due from related parties) and accounts payable (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 their fair value since amounts held earn interest at market rates. The loan payable approximates fair value as it is at a market rate of interest. The fair values of amounts due to and from related parties have not been disclosed as their fair values cannot be reliably measured since there is no quoted market prices for such instruments.

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

(a) Fair value

The Company's measurement of fair value of financial instruments at September 30, 2010 in accordance with the fair value hierarchy is as follows:

	Total	Level 1	Level 2	Level 3
Assets				
Marketable securities	$ 1,583	$ 1,583	$ 0	$ 0

3. FINANCIAL INSTRUMENTS (Continued)

(a) Fair value (Continued)

The Company's marketable securities are classified within Level 1 of the fair value hierarchy because they are valued using quoted market prices.

(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 a major Canadian financial institution. In regard to amounts receivable, the Company is not exposed to significant credit risk as the majority 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:

	2010	2009
Bank accounts	$ 15,098	$ 455,656
Temporary investments	900,000	0
Total	$ 915,098	$ 455,656

Temporary investments as at September 30, 2010 earn interest at 1.0%.

(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 investing and financing activities. The Company has insufficient cash at September 30, 2010 in the amount of $915,098 in order to meet its short-term liabilities of $4,989,244, which are due in the fourth fiscal quarter of 2010. The Company requires significant additional funding to meet its administrative overhead costs and flow-through obligations and maintain its mineral interests in 2010.

(d) 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 two types of risk: interest rate risk and foreign currency risk.

3. FINANCIAL INSTRUMENTS (Continued)

(d) Market risk (Continued)

(i) Interest rate risk

Interest rate risk consists of two components:

(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's loan is at a fixed rate of interest and, therefore, has no significant interest rate risk.

(ii) Foreign currency risk

The Company is not exposed to significant foreign currency risk.

4. CAPITAL MANAGEMENT

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

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

There were no changes in the Company's approach to capital management during the period ended September 30, 2010. The Company is not subject to externally imposed capital requirements.

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.

	2010		2009	
	Cost	Fair Value	Cost	Fair Value
8,333 (2009 - 8,333) common shares of Redstar Gold Corp.	1,000	1,583	1,000	583
	$ 1,000	$ 1,583	$ 1,000	$ 583

6. MINERAL INTERESTS

During the period ended September 30, 2010 and December 31, 2009, expenditures deferred on mineral interests were as follows:

	Afton Mine Property						
	Afton	Rainbow	Iron Mask/ Ajax	DM/Audra	New Gold	General	Total
Balance, December 31, 2009	$16,450,502	$2,771,891	$20,917,918	$1,399,985	$5,121,276	$ 0	$46,661,572
Additions during period							
Acquisition costs	1,541,932	0	0	0	0	0	1,541,932
Exploration costs							
Drilling	0	0	810,331	0	0	0	810,331
Contract wages	0	400	578,556	0	0	10,000	588,956
Assays	0	0	145,148	0	0	803	145,951
Camp support and field supplies	0	0	132,145	0	0	0	132,145
Travel and accommodation	0	0	83,644	0	0	0	83,644
Equipment rental	0	0	45,611	0	0	0	45,611
Geological consulting	0	0	186,166	0	0	0	186,166
Recording fees	0	0	17,112	0	0	0	17,112
Environmental impact assessment	0	0	459,464	0	0	0	459,464
Prefeasibility	0	0	1,008,034	0	0	0	1,008,034
Feasibility	0	0	2,188,339	0	0	0	2,188,339
	0	400	5,654,550	0	0	10,803	5,665,753
Net additions during period	1,541,932	400	5,654,550	0	0	10,803	7,207,685
Balance, September 30, 2010	$17,992,434	$2,772,291	$26,572,468	$1,399,985	$5,121,276	10,803	$53,869,257

6. MINERAL INTERESTS (Continued)

	Afton Mine Property					
	Afton	Rainbow	Iron Mask/ Ajax	DM/Audra	New Gold	Total
Balance, December 31, 2008	$16,245,747	$2,769,649	$17,102,264	$1,389,432	$4,907,328	$42,414,420
Additions during year						
Acquisition costs	204,755	0	0	0	0	204,755
Exploration costs						
Drilling	0	0	880,733	0	0	880,733
Contract wages	0	235	588,429	435	0	589,099
Assays	0	0	78,115	0	2,177	80,292
Camp support and field supplies	0	0	186,194	0	0	186,194
Travel and accommodation	0	0	138,013	0	0	138,013
Equipment rental	0	0	31,599	0	0	31,599
Geological consulting	0	0	82,243	0	0	82,243
Preliminary economic assessment	0	0	846,721	0	0	846,721
Recording fees	0	0	40,339	0	0	40,339
Environmental impact assessment	0	0	93,056	0	0	93,056
Prefeasibility	0	0	604,169	0	0	604,169
	0	235	3,569,611	435	2,177	3,572,458
Mineral exploration tax credit (note 12)	0	2,007	246,043	10,118	211,771	469,939
Net additions during the year	204,755	2,242	3,815,654	10,553	213,948	4,247,152
Balance, December 31, 2009	$16,450,502	$2,771,891	$20,917,918	$1,399,985	$5,121,276	$46,661,572

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 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.

6. MINERAL INTERESTS (Continued)

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

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

On November 25, 2005, the Company signed an Asset Purchase Agreement with Teck Resources Limited ("Teck") to purchase land, buildings, equipment, tailings pond and the back-in rights pursuant to the Rainbow and Iron Mask property agreements. Effective November, 25, 2009, the parties amended the agreement to extend the date for the final payment to November 30, 2010. Total aggregate consideration for the transfer of the assets is 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, Teck 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 Teck is less than $18,500,000, the Company will pay to Teck additional consideration equal to 81.1% of the difference between $18,500,000 and the weighted average closing price of the Company's common shares. Any reclamation liabilities that may be attributable to the assets acquired will be assessed and recorded on the Transfer Date.

Effective June 4, 2009, the parties amended the Asset Purchase Agreement. Under the terms of the Amending Agreement, if, on the Transfer Date, the weighted market value of the payment shares is less than $18,500,000, Teck will receive 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. 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 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.

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

6. MINERAL INTERESTS (Continued)

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

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

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

(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.

(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. The amounts shown for acquisition and exploration costs represent costs incurred to date and do not necessarily reflect present or future values.

(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.

6. MINERAL INTERESTS (Continued)

(d) Environmental (Continued)

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

		2010	
	Cost	Accumulated Amortization	Net
Computer equipment	$ 214,840	$ 117,793	$ 97,047
Office equipment	47,810	29,499	18,311
Other equipment	19,092	16,494	2,598
Leasehold improvements	9,814	5,398	4,416
	$ 291,556	$ 169,184	$ 122,372

		2009	
	Cost	Accumulated Amortization	Net
Computer equipment	$ 182,102	$ 88,464	$ 93,638
Office equipment	44,270	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

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. As consideration to the lender, the Company issued 1,250,000 common shares at a value of $125,000 and 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 amounts to be received from the Company's BC METC. The loan bears interest at a rate of 12% per annum, compounded monthly.

8. LOAN PAYABLE (Continued)

In the event that the amount actually received on the BC METC claim 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 collateral for the loan, the Company has granted the lender a security interest in certain of the Company's assets, with the exception of its mineral interests.

The loan balance is recognized at its amortized cost of $2,057,725. The loan is being amortized using the effective interest method, using an effective interest rate of 26.01%, with a corresponding charge to interest expense. During the year ended December 31, 2009, the Company accrued interest expense of $412,842 and made principal and interest payments totaling $605,117.

In February 2010, the Company repaid the loan including principal and interest payments totaling $2,147,461.

9. CAPITAL STOCK

(a) Authorized

Unlimited number of common shares without par value

(b) Share issuances

(i) On May 10, 2010, the Company closed a private placement with KGHM Polska Miedz S.A. ("KGHM") for gross proceeds of $4,500,000 by issuing 15,000,000 common shares of the Company at $0.30 per share. As a result of the private placement KGHM holds approximately 8.75% of the issued and outstanding shares of the Company.

Cash share issuance costs of $755,296 were incurred by the Company in respect of this private placement, resulting in net cash proceeds received of $3,744,704.

(iii) 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. Each unit consists of one common share and one transferable common share purchase warrant. Each warrant entitles the holder to acquire one common share until December 29, 2012 at a price of $0.30.

9. CAPITAL STOCK (Continued)

(b) Share issuances (Continued)

The agents received cash commissions of $491,778 and were issued 1,920,120 options to acquire units ("Agent option"). Each Agent option entitles the holder to acquire one common share plus one share purchase warrant until December 29, 2012 at a price of $0.20 per Agent option. Each warrant will entitle the holder to acquire one common share until December 29, 2012 at a price of $0.30. The 1,920,120 Agent options were fair valued, using the Black-Scholes method, amounting to $246,143 (note 9(g)).

Other cash share issuance costs of $487,115 were incurred by the Company in respect of this public equity financing, resulting in net cash proceeds received of $6,046,057.

(iii) 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.

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 warrants. Each warrant entitles the holder to purchase one non-flow-through common share until March 10, 2010 at a price of $0.30. The 760,246 warrants were fair valued, using the Black-Scholes method, amounting to $24,926 (note 9(d)).

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) Renunciation of 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), and an equal charge to capital stock.

9. CAPITAL STOCK (Continued)

(d) Share purchase warrants

At September 30, 2010 and December 31, 2009, the Company has outstanding share purchase warrants entitling the holders to acquire common shares as follows:

Outstanding as at December 31, 2009	Exercise Price	Expiry Date	Issued	Exercised	Expired	Outstanding as at September 30, 2010
5,756,332	$0.50	March 10, 2010	0	0	5,756,332	0
760,246	$0.30	March 10, 2010	0	0	760,246	0
19,502,000	$0.30	December 29, 2012	16,250	0	0	19,518,250
26,018,578			16,250	0	(6,516,578)	19,518,250

The fair value of the 760,246 warrants issued to finders in 2008, in the amount of $24,926 ($0.03 per warrant) and included as a reduction to capital stock, were estimated using the Black-Scholes option pricing model with the following weighted average assumptions: risk-free interest rate - 2.71%, expected dividend yield - 0, expected stock price volatility - 54% and expected life in years - 1.5.

(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 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. The shareholders of the Company approved an increase in the maximum number of stock options available for grant on May 28, 2009 to 24,509,135, which is subject to Exchange approval.

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, 2010, the Company had stock options outstanding to directors, officers and consultants for the purchase of 11,560,000 common shares exercisable as follows:

9. CAPITAL STOCK (Continued)

(e) Stock options (Continued)

	Options Outstanding		Options Exercisable	
Exercise Prices	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
$0.01 - $0.25	7,070,000	$0.18	3,783,000	$0.17
$0.26 - $0.50	2,865,000	$0.34	2,865,000	$0.34
$0.51 - $0.75	400,000	$0.65	400,000	$0.65
$0.76 - $1.00	1,225,000	$0.90	1,225,000	$0.90
	11,560,000	$0.31	8,273,000	$0.36

Options Outstanding			Options Exercisable	
Number of Options	Exercise Price	Expiry Date	Number of Options	Exercise Price
1,225,000	$0.90	April 7, 2011	1,225,000	$0.90
400,000	$0.65	March 15, 2012	400,000	$0.65
335,000	$0.45	January 11, 2013	335,000	$0.45
880,000	$0.45	February 1, 2013	880,000	$0.45
1,000,000	$0.14	May 5, 2013	1,000,000	$0.14
1,650,000	$0.26	August 29, 2013	1,650,000	$0.26
810,000	$0.15	February 20, 2014	810,000	$0.15
300,000	$0.10	March 3, 2014	300,000	$0.10
1,990,000	$0.20	June 29, 2014	1,492,500	$0.20
100,000	$0.25	September 17, 2014	75,000	$0.25
1,000,000	$0.18	July 21, 2015	25,000	$0.18
1,720,000	$0.19	August 27, 2015	43,000	$0.19
150,000	$0.19	September 7, 2013	37,500	$0.19
11,560,000			8,273,000	

9. CAPITAL STOCK (Continued)

(e) Stock options (Continued)

A summary of the status of the Company's stock options as at September 30, 2010 and 2009 and changes during the periods then ended are as follows:

	2010		**2009**	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding at beginning of period	10,060,000	$0.35	10,280,000	$0.44
Granted	2,870,000	$0.19	3,270,000	$0.18
Re-priced - original	0	0	(1,000,000)	$(0.43)
Re-priced - new	0	0	1,000,000	$0.14
Exercised	(30,000)	$0.15	1,135,000	$0.16
Expired	(1,250,000)	$0.30	0	$0.00
Forfeited	(90,000)	$0.59	0	$0.00
Outstanding at end of period	11,560,000	$0.31	12,415,000	$0.36

9. CAPITAL STOCK (Continued)

(f) Stock-based compensation

During the period ended September 30, 2010, the Company granted 2,870,000 stock options to directors, officers, employees and consultants. The fair value of these stock options is recognized as stock-based compensation expense over the vesting period of the options. The total fair value of these options was calculated at $481,700, of which $207,407 will be recognized in 2010, $240,850 in 2011 and $33,443 in 2012.

During the period ended September 30, 2010, the stock-based compensation expense for stock options for prior year options that vested in the period was $114,748 (2009 - $512,034).

During the year ended December 31, 2009, the stock-based compensation expense for stock options granted and for prior year options that vested in the year was $608,290 (2008 - $658,151).

During the year ended December 31, 2009, the Company amended the exercise price of certain stock options to $0.14 from $0.43 resulting in additional stock-based compensation expense of $38,700 (2008 - $nil).

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:

	2010	**2009**
Risk-free interest rate	2.01%	2.32%
Expected dividend yield	0	0
Expected stock price volatility	156%	104%
Expected option life in years	4	5

The weighted average fair value of stock options granted in 2010 was $0.17 (2009 - $0.09) per share.

(g) Agent options

As at September 30, 2010, Agent options to acquire one common share and one share purchase warrant were outstanding as follows:

Outstanding as at December 31, 2009	Exercise Price	Expiry Date	Issued	Exercised	Expired	Outstanding as at September 30, 2010
1,920,120	$0.20	December 29, 2012	0	16,250	0	1,903,870
1,920,120			0	16,250	0	1,903,870

9. CAPITAL STOCK (Continued)

(g) Agent options (continued)

The fair value of Agent options in the amount of $246,143 was estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

	2009
Risk-free interest rate	1.89%
Expected dividend yield	0
Expected stock price volatility	113%
Expected option life in years	3

10. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

(a) Interest received during the period ended September 30, 2010 amounted to $66,904 (2009 -$4,647).

(b) Interest paid during the period ended September 30, 2010 amounted to $89,735 (2009 - $278,741).

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. For the period ended September 30, 2010 and 2009, the Company paid that contractor amounts as follows:

	2010	**2009**
Exploration costs	$ 3,278,839	$ 1,310,880
Office and administrative costs	$ 364,355	$ 269,737
Equipment	$ 30,226	$ 7,293
Contract wages	$ 861,050	$ 390,798

As at September 30, 2010, there was $2,793,295 (2009 - $706,662) payable to that contractor.

Included in the amount owing to that contractor is a charge to the Company for GST in the amount of $1,354,713 for the period February 1, 2007 to April 30, 2010. This amount will be recovered by the Company in the fourth fiscal quarter of 2010.

(b) The Company shares office and administrative costs with a company with three directors in common. As at September 30, 2010, $2,146 (2009 - $2,146) was due from this company and is included in amounts receivable.

(c) For the period ended September 30, 2010, consulting fees of $45,000 (2009 - $45,000) were charged by a director of the Company. As at September 30, 2010, $11,260 (2009 - $23,356) was payable to this director.

11. RELATED PARTY TRANSACTIONS (Continued)

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. INCOME TAXES

The Company has capital losses of approximately $11,431,000 available to be carried forward indefinitely to offset future taxable capital gains.

The Company has accumulated non-capital losses for Canadian tax purposes of approximately $8,489,000 that expire in various years to 2029 as follows:

2010	$ 257,000
2014	557,000
2015	537,000
2026	716,000
2027	1,119,000
2028	2,563,000
2029	2,740,000
	$ 8,489,000

12. INCOME TAXES (Continued)

Significant components of the Company's future tax assets and liabilities, after applying enacted corporate income tax rates, are as follows:

	2009	2008
Future income tax assets		
Share issue costs	$ 371,782	$ 293,638
Non-refundable mining income tax credit	247,679	0
Non-capital loss carry-forwards	2,122,177	1,455,986
Capital losses carry-forwards	1,461,062	1,452,461
Excess of tax values over accounting values – equipment	35,396	28,950
Excess of tax values over accounting values – marketable securities	0	31,268
	4,238,096	3,262,303
Valuation allowance	(1,461,062)	(1,483,729)
Net future income tax assets	2,777,034	1,778,574
Future income tax liabilities		
Mineral properties	4,028,401	3,214,048
Marketable securities	135	0
	4,028,536	3,214,048
Net future income tax liabilities	$ (1,251,502)	$ (1,435,474)

The reconciliation of income tax provision computed at Canadian statutory rates to the reported income tax provision is as follows:

	2009	2008
Income tax benefit computed at Canadian statutory rates	$ (845,992)	$ (855,520)
Temporary differences not recognized in year	14,404	83,326
Non-taxable items	9,555	74,871
Change in timing differences	(346,194)	147,965
Change in tax rates	112,665	(324,636)
Changes in valuation allowance	(22,667)	(76,865)
	$ (1,078,229)	$ (950,859)

Funds raised through the issuance of flow-through shares are required to be expended on qualified Canadian mineral exploration expenditures, as defined pursuant to Canadian income tax legislation. As at December 31, 2009, the amount of flow-through proceeds to be expended in 2010 is $3,125,000 (2008 - $3,438,699). As at September 30, 2010, the amount of flow-through proceeds remaining to be expended was $nil (2009 - $1,533,637).

12. INCOME TAXES (Continued)

The Company qualifies for a BC METC as it has incurred qualified mineral exploration expenditures for determining the existence, location, extent or quality of a mineral resource in the province of British Columbia. The tax credit is calculated as 30% (for the area in which the Company operates) of qualified mineral exploration expenditures incurred during the year. During the year ended December 31, 2009, the Company determined there will be a reduction in the amount of BC METC received as a result of adjustments to the base used to calculate the credit and, accordingly, reduced the BC METC receivable by $510,170 with a corresponding increase to mineral interests. The Company received a refund of $2,056,915 with respect to the BC METC claim plus interest of $51,316 in February, 2010.

13. 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 June 30, 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 payable under this arrangement is as follows:

2010	$	25,858
2011		26,597
2012		26,597
2013		6,649
	$	85,701

14. SEGMENT DISCLOSURE

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

15. SUBSEQUENT EVENT

On May 4, 2010, the Company announced that it had signed an investment agreement (the "Investment Agreement") with KGHM Polska Miedź S.A. ("KGHM") to form a joint venture (the "Joint Venture") to advance Abacus' Afton-Ajax copper-gold project (the "Project") located near Kamloops, B.C. through bankable feasibility study ("BFS") and into production. KGHM is the world's ninth largest copper producer with annual production of over 500,000 tonnes, and the world's third largest silver producer with annual output approximating 1,100 tonnes.

The following are the details of the agreement:

- Formation of a Joint Venture to fast track the development of a mine at the Afton-Ajax camp by combining Abacus' interests in the camp with the financial backing and operational expertise of a leading global copper and precious metals producer
- Capital funding commitment by KGHM of US$37 million to fully fund the Project through BFS for a 51% interest in the Project
- Funding provisions for the entire Project capex

15. SUBSEQUENT EVENT (continued)

- Strategic partnership to jointly identify and develop other global targets leveraging Abacus' mineral exploration expertise and KGHM's financial strength and operational expertise
- An immediate C$4.5 million private placement into Abacus by KGHM (completed)
- Option for KGHM to acquire a further 29% interest in the Project upon completion of BFS for an additional payment of up to US$35 million

Under the terms of the Investment Agreement, following an immediate private placement in Abacus of C$4.5 million (completed), KGHM will invest US$37 million to fund the Project through BFS and earn a 51% interest in the Project. Upon completion of the BFS, KGHM will have the option to acquire a further 29% in the Joint Venture (for a total 80% interest in the Joint Venture) for cash consideration of US$0.025 per pound copper for 29% of the Proven and Probable copper equivalent reserve, to a maximum of US$35 million. At that time, KGHM will arrange the financing for its (80%) proportionate interest in the Project capex and will offer to arrange financing for Abacus' (20%) proportionate interest in the Project capex on commercially reasonable terms.

At the Special Meeting of the Company held on June 22, 2010, the shareholders overwhelmingly approved the Joint Venture transaction with KGHM. More than 90% of the shares represented at the meeting were voted in favour of the transaction. This clears the way for the finalization of the Definitive Joint Venture Agreement that sets out the parameters to fast track and fully fund the development of the Afton-Ajax copper-gold project near Kamloops, B.C. through BFS and into production. The definitive Agreement is expected to be finalized and the JV launched by the end of August.

On October 12, 2010, the Definitive Joint Venture Agreement with KGHM Polska Miedz S.A. formally creating a Joint Venture Company has been finalized and closed.