



Form 51-102F1

Management's Discussion & Analysis for the year ended December 31, 2010

ABACUS MINING & EXPLORATION CORPORATION

Management's Discussion & Analysis

For the Year Ended

December 31, 2010

The following management's discussion and analysis ("MD&A") of the financial condition of Abacus Mining & Exploration Corporation ("Abacus" or the "Company") and results of operations of the Company should be read in conjunction with the audited financial statements including the notes thereto for the years ended December 31, 2010 and December 31, 2009.

The audited financial statements and related notes are presented in accordance with Canadian generally accepted accounting principles. These statements, together with the following MD&A dated April 18, 2011, are intended to provide investors with a reasonable basis for assessing the financial performance of the Company as well as forward-looking statements relating to the potential future performance. The information in this MD&A may contain forward-looking statements. All dollar amounts are in Canadian dollars unless otherwise noted.

Special Note Regarding Forward-Looking Information

The Company's financial statements for the year ended December 31, 2010, and this accompanying MD&A contain statements that constitute "forward-looking statements" within the meaning of National Instrument 51-102, *Continuous Disclosure Obligations* of the Canadian Securities Administrators. Forward-looking statements often, but not always, are identified by the use of words such as "seek", "anticipate", "believe", "plan", "estimate", "expect", "targeting" and "intend" and statements that an event or result "may", "will", "should", "could", or "might" occur or be achieved and other similar expressions. Forward-looking statements in this MD&A include statements regarding the Company's future exploration plans and expenditures, the satisfaction of rights and performance of obligations under agreements to which the Company is a part, the ability of the Company to hire and retain employees and consultants and estimated administrative assessment and other expenses. The forward-looking statements that are contained in this MD&A involve a number of risks and uncertainties. As a consequence, actual results might differ materially from results forecast or suggested in these forward-looking statements. Some of these risks and uncertainties are identified under the heading "RISKS AND UNCERTAINTIES" in this MD&A. Additional information regarding these factors and other important factors that could cause results to differ materially may be referred to as part of particular forward-looking statements. The forward-looking statements are qualified in their entirety by reference to the important factors discussed under the heading "RISKS AND UNCERTAINTIES" and to those that may be discussed as part of particular forward-looking statements. Forward-looking statements involve known and unknown risks, uncertainties, assumptions and other factors that may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Factors that could cause the actual results to differ include market prices, exploration success, continued availability of capital and financing, inability to obtain required regulatory approvals and general market conditions. These statements are based on a number of assumptions, including assumptions regarding general market conditions, the timing and receipt of regulatory approvals, the ability of the Company and other relevant parties to satisfy regulatory requirements, the availability of financing for proposed transactions and programs on reasonable terms and the ability of third-party service providers to deliver services in a timely manner. Forward-looking statements contained herein are made as of the date of this MD&A and the Company disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events or results or otherwise. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

Additional information relating to the Company and its operations can be obtained from the offices of the Company or on SEDAR at www.sedar.com.

Overall Performance

Abacus is a mineral exploration and development company engaged in the acquisition, exploration and development of mineral resource properties. The Company is a Tier One issuer that trades on the TSX Venture Exchange under the symbol AME. As at the date hereof, the Company holds a 49% interest in KGHM Ajax Mining Inc. ("KGHM-Ajax") which holds a 100% interest in six copper-gold mineral resource properties in the former Afton-Ajax Mine Camp ("Ajax") near Kamloops, British Columbia.

Activity of the Company is generally dependent on the sources of capital and access to funding in the capital markets. The Company has incurred significant operating losses over the past several fiscal years, has working capital deficiency of \$3,964,476, and an accumulated deficit of \$52,546,193 at December 31, 2010, limited resources and no source of operating cash flow. The Company's current working capital is not sufficient to meet its financial obligations and administrative overhead costs in 2011. The ability of the Company to continue as a going concern is dependent upon the Company's ability to generate future profitable operations and receive continued financial support from its exploration partners and shareholders. Management is actively seeking to raise the necessary capital to meet its funding requirements. There can be no assurance that management's plan will be successful.

In May 2010, the Company announced the signing of a significant strategic investment agreement (the "Agreement") with KGHM Polska Miedz SA ("KGHM") to form a joint venture to advance the Ajax copper-gold project through bankable feasibility study ("BFS") and into production. KGHM is one of the world's largest copper and silver producers with annual production of over 500,000 tonnes of copper and 1,100 tonnes of silver.

The Agreement included the following investment highlights:

- KGHM and the Company completed a \$4.5-million private placement involving the purchase of 15 million common shares (approximately 8.75 per cent of the shares issued and outstanding following the private placement) of Abacus at a price of \$0.30 per share.
- Abacus incorporated a wholly-owned subsidiary, KGHM-Ajax, and transferred all of its mineral property interests in the Ajax project fair valued at US\$35,549,020 to KGHM-Ajax in exchange for 4,900 common shares of KGHM-Ajax.
- KGHM acquired a 51% interest in KGHM-Ajax by investing US\$37,000,000 in cash in exchange for 5,100 common shares of KGHM-Ajax at the closing of the transaction on October 12, 2010. These funds are to be allocated to: (a) completion of the BFS and certain other obligations; and (b) acquisition of additional land areas and exploration of other targets in the Ajax camp, in accordance with a jointly approved budget.
- Abacus is the Operator of the Ajax project. KGHM has the option to become the Operator of the Ajax project, as described below.

Development option:

- Following the completion of the BFS, KGHM will have the option to acquire an additional 29% interest, for a total 80% direct interest in KGHM-Ajax, for cash consideration of US\$0.025 per

pound for the corresponding 29% of proven and probable copper equivalent reserves (as defined in the BFS) up to a maximum of US\$35,000,000. This payment will be applied directly toward Abacus' proportionate share of the project's capital costs.

- KGHM will arrange the financing for its proportionate share of 80% of the project's capital costs and will offer to arrange the financing for the balance of Abacus's proportionate share of 20% of the project's capital costs on commercially reasonable terms.

This transaction was overwhelmingly approved by the shareholders of Abacus at a special meeting of its shareholders held on June 22, 2010 and the parties executed the definitive joint-venture shareholders' agreement ("Joint-Venture Agreement") and ancillary agreements on October 12, 2010.

In June 2009, the Company issued a National Instrument 43-101 ("NI 43-101") compliant study completed by Wardrop Engineering Inc., containing production parameters, capital costs, operating costs, and other financial projections for an open pit mine processing 60,000 tonnes of mill feed per day. The metal prices used for the base case were US\$2.00 per pound copper and US\$700 per ounce gold.

Base Case Highlights (All figures in US dollars and pre-tax)

- Net present value of \$192.7 million discounted at 8%
- Return on initial capital expenditures of \$535 million is 40.4%
- Average life of mine cash costs of \$1.17 per pound copper net of gold credit at \$700 per ounce
- Average annual production estimated at 106 million pounds of copper and 99,400 ounces of gold in concentrate
- Mine life of approximately 23 years
- The pit inventory resource contains 2.6 billion pounds of copper and 2.4 million ounces of gold in the measured and indicated category

Based on the positive results of the preliminary economic study and the strong metal price outlook for copper and gold, the Company and KGHM-Ajax commenced the preparation of a BFS on the Ajax project in 2010.

The BFS is well underway and currently the Company expects it will be completed in the fourth quarter of 2011. In December 2010, the Company filed its Ajax mining project description with the B.C. Environmental Assessment Office and the Canadian Environmental Assessment Agency to begin the permitting process required for a mining operation in the Ajax camp. The project description is available on the B.C. Environmental Assessment Office website (www.eao.gov.bc.ca).

Selected Annual Information

Year Ended	Revenue \$	Net Loss \$	Loss per share \$	Total Assets \$	Total Long-term Liabilities \$
December 31, 2010	nil	25,620,271	0.15	42,712,995	5,000,000
December 31, 2009	nil	1,741,745	0.01	53,872,835	1,251,502
December 31, 2008	nil	1,808,882	0.02	47,060,657	1,435,474

The Company has not paid any dividends during the past three years.

Results of Operations

Activities of the Company for the year ending December 31, 2010 focused on continued engineering and exploration work based on the results of the Company's Preliminary Economic Assessment ("PEA"), announced June 22, 2009. In-house engineering studies, commissioned to potentially refine and improve the economics of the PEA, and will be incorporated into the feasibility study.

Total exploration expenditures in 2010 of \$7,276,985 were approximately 71% higher than the same period in 2009 of \$4,247,152. The increase in expenditures is attributable to the shift in exploration activity at Ajax deposit to development work. As the project advances, the requirement for advanced engineering and environmental studies for feasibility has increased.

Administrative costs during the period ending December 31, 2010 total \$2,977,680 representing a 25% increase over the same period in 2009 of \$2,377,127. Significant differences include contract wages in 2010 of \$1,200,187 compared to amounts at the same period in 2009 of \$508,846. Most of the difference is attributable to a one time severance payment to one former director and officer. Travel and promotion costs, primarily associated with the Agreement and Joint-Venture Agreement with KGHM-Ajax were significantly higher (\$502,324 in 2010 compared to \$330,103 in 2009) as management made several trips to Poland and elsewhere finalizing and promoting the KGHM/Abacus joint venture. Stock based compensation expenses, a non-cash charge, total \$360,180 during the period compared to \$646,990 in 2009. The Company also increased its investor relations activities in 2010 with the hiring of a senior investor relations officer.

Interest charges during the period ending December 31, 2010 were \$89,736 compared to 2009 of \$466,535 as the Company paid back the loan payable to Maxtech Ventures Inc. in the first quarter of 2010.

The Company does not expect to claim any significant BC METC for 2010 as funds expended were provided by flow-through financings.



During the year ended December 31, 2010, expenditures deferred on mineral interests were as follows:

	Afton Mine Property					Total
	Afton	Rainbow	Iron Mask/ Ajax	DM/Audra	New Gold	
Balance, December 31, 2009	\$16,450,502	\$2,771,891	\$20,917,918	\$1,399,985	\$5,121,276	\$46,661,572
Additions during period						
Acquisition costs	1,576,171	0	0	0	0	1,576,171
Exploration costs						
Drilling	0	0	810,331	0	0	810,331
Contract wages	0	400	590,556	0	0	590,956
Assays	0	0	145,951	0	0	145,951
Camp support and field supplies	0	0	132,145	0	0	132,145
Travel and accommodation	0	0	83,644	0	0	83,644
Equipment rental	0	0	45,611	0	0	45,611
Geological consulting	0	0	186,166	0	0	186,166
Recording fees	0	0	17,112	0	0	17,112
Environmental impact assessment	0	0	492,525	0	0	492,525
Prefeasibility	0	0	1,008,034	0	0	1,008,034
Feasibility	0	0	2,188,339	0	0	2,188,339
	0	400	5,700,414	0	0	5,700,814
Net additions during period	1,576,171	400	5,689,611	0	0	7,276,985
Total expenditures to October 12, 2010	<u>\$18,026,673</u>	<u>\$2,772,291</u>	<u>\$26,607,529</u>	<u>\$1,399,985</u>	<u>\$5,121,276</u>	53,938,557
Impairment of mineral properties						(13,279,478)
Mineral interests transferred to KGHM Ajax						<u>(40,659,079)</u>
Balance, December 31, 2010						\$ 0

Summary of Quarterly Results

The selected information set out below has been gathered from the previous eight quarterly financial statements for each respective financial period and is based on Canadian GAAP (in Canadian dollars):

	Revenue \$	Income (Loss) \$	Income (Loss) per share \$
December 31, 2010	Nil	(23,146,955)	(0.14)
September 30, 2010	Nil	(1,319,363)	(0.01)
June 30, 2010	Nil	(543,696)	(0.00)
March 31, 2010	Nil	(610,257)	(0.00)
December 31, 2009	Nil	580,990	0.01
September 30, 2009	Nil	(729,480)	(0.01)
June 30, 2009	Nil	(1,019,718)	(0.01)
March 31, 2009	Nil	(573,537)	(0.01)

Fluctuations in the Company's expenditures reflect the variations in the timing of exploration activities and general operations, and the ability of the Company to raise capital for its projects. Quarterly periods ending in June and September are generally higher arising from overall corporate activity increases with respect to promotional, travel and investor relations. During the last quarter of 2010, significant one-time non-cash charges were incurred with respect to the Company's investment in KGHM-Ajax: a \$13,279,478 impairment arising from the Company's mineral interest transaction with KGHM-Ajax on October 12, 2010, and a \$10,612,629 loss on transfer arising from KGHM's acquisition of 5100 shares of KGHM-Ajax.

Liquidity

The Company's cash and cash equivalents are comprised of bank deposits and highly liquid temporary investments and have no exposure to asset backed commercial paper.

The Company has incurred significant operating losses over the past several fiscal years, has a working capital deficiency of \$3,964,476, an accumulated deficit of \$52,546, 193 at December 31, 2010, limited financial resources and no source of operating cash flow. The Company's current working capital is not sufficient to meet its financial obligations and administrative overhead costs beyond 2011. The ability of the Company to continue as a going concern is dependent upon the Company's ability to generate future profitable operations and/or receive continued financial support from its exploration partners and shareholders. Management is actively seeking to raise the necessary capital to meet its funding requirements. There can be no assurance that management's plan will be successful.

Outstanding contractual obligations include rent of Vancouver office space in which the lease terminates on March 31, 2013. The cost of the premises is shared among the Company and three other companies. In addition, the Company entered into a three-year lease agreement for office space in Toronto, commencing February 1, 2011. The Company's proportionate share of minimum

annual rental payments under these office lease arrangements are as follows: 2011 - \$88,216, 2012 - \$90,191, 2013 - \$40,322 and 2014 - \$1,975.

Capital Resources

The Company's primary capital asset is its interest in KGHM-Ajax which holds mineral property interests in the Ajax project.

The Company's asset purchase agreement ("APA") with Teck Resources Limited ("Teck") is a binding purchase and sale agreement whereby the company must issue 18,500,000 shares (issued) and pay \$10,000,000 (paid) for the receipt of all mineral interests held by Teck in the Ajax project. In addition, under the terms of the APA, if the value of the shares issued is less than \$18,500,000, the total purchase price is subject to a price adjustment clause. The additional consideration due under this clause will be equal to 81.1% of the difference between \$18,500,000 and the value of the common shares issued (based on the ten-day weighted average closing price of the Company's common shares at the time of the APA second-closing) subject to Teck's ownership of the Company not exceeding 19.9%; plus an additional cash payment to a maximum of \$5,000,000 for the balance of the additional consideration due. The additional cash payment will be due 18 months after the APA second-closing, which occurred on April 8, 2011.

The Company does not have any off-balance sheet arrangements.

Transactions with Related Parties

The Company conducts the majority of its exploration activities through an exploration services contractor in which a former director and officer is a shareholder. For the years ended December 31, 2010 and 2009, the Company paid that contractor amounts as follows:

	2010	2009
Exploration costs	\$ 6,605,895	\$ 2,760,640
Office and administrative costs	427,064	419,518
Equipment	30,799	9,999
Contract wages	1,200,187	508,846

As at December 31, 2010, there was \$3,022,046 (2009 - \$1,076,956) payable to the 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 is expected to be recovered by the Company from the Canada Revenue Agency in the first half of 2011. The receivable amount is included in accounts receivable net of HST due.

For the year ended December 31, 2010, consulting fees of \$60,000 (2009 - \$60,000) were charged by a former director of the Company. As at December 31, 2010, \$17,240 (2009 - \$40,166) was payable to this former director.

The Company acts as the operator for the Ajax project on behalf of KGHM-Ajax and is reimbursed for direct costs it incurs. As at December 31, 2010, there was \$1,980,694 receivable from KGHM-Ajax and from October 12, 2010, the Company was reimbursed the following amounts from KGHM-Ajax:

	2010	2009
Exploration costs	\$ 4,450,651	\$ 0
Office and administrative costs	74,261	0
Equipment and vehicle	8,100	0
Contract wages	276,270	0

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.

Fourth Quarter 2010

On October 12, 2010, the Company, KGHM and KGHM-Ajax executed the Joint-Venture Agreement whereby KGHM holds 51% and Abacus holds 49% of KGHM Ajax. KGHM-Ajax owns the mineral interests of the Ajax project and will be the development company of these assets. Currently, Abacus is the operator of the Ajax project. KGHM-Ajax will have the option of being the operator upon KGHM increasing its interest in KGHM-Ajax to 80%, pursuant to the terms of the Joint-Venture Agreement as described previously. The Company and KGHM-Ajax began the preparation of a BFS on the Ajax property which is currently expected to be completed in the fourth quarter of 2011.

Subsequent Events

On April 1, 2011, the Company amended the Joint-Venture Agreement with KGHM and KGHM-Ajax, whereby KGHM-Ajax will now assume Abacus' obligation to pay the final \$5,000,000 purchase payment due to Teck under the terms of the APA should KGHM elect under the terms of the Joint-Venture Agreement to increase its interest in KGHM-Ajax to 80%.

On April 8, 2011 the Company issued 20,751,176 common shares to Teck in satisfaction of the share component of the additional consideration due under the APA with Teck, as previously described.

Outstanding Share Data

As at April 18, 2011, the Company had the following common shares, stock options and warrants outstanding:

Common shares	197,242,093
Stock options	11,840,000
Warrants	19,625,808
Agent's Compensation Options	1,780,062

Financial Instruments

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

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

Fair value

The Company's measurement of fair value of financial instruments at December 31, 2010 and 2009 in accordance with the fair value hierarchy is as follows:

2010	Total	Level 1	Level 2	Level 3
Assets				
Marketable securities	\$ 2,250	\$ 2,250	\$ 0	\$ 0
Liabilities				
Contractual obligations	10,706,574	10,706,574	0	0

2009	Total	Level 1	Level 2	Level 3
Assets				
Marketable securities	\$ 2,083	\$ 2,083	\$ 0	\$ 0

Credit Risk

The Company manages credit risk, in respect of cash and cash equivalents, by purchasing highly liquid, short-term investment-grade securities held at major Canadian financial institutions. In regard to amounts receivable, the Company is not exposed to significant credit risk as the majority are due from governmental agencies and related parties.

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	\$ 1,872,507	\$ 4,847,622
Temporary investments	500,000	0
Total	\$ 2,372,507	\$ 4,847,622

Temporary investments as at December 31, 2010 earn interest at 1.20%.

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 and amounts receivable at December 31, 2010 in order to meet its short-term liabilities of \$9,944,545. Accounts payable and accrued liabilities of \$4,237,971 are due in the first quarter of 2011 and the contractual obligation of \$5,706,574 is due in fiscal 2011. The Company requires significant additional funding to meet its financial obligations and administrative overhead costs in 2011.

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 risk, foreign currency risk, and other price risk.

(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 is not exposed to significant interest rate risk.

(ii) Foreign currency risk

The Company is not exposed to significant foreign currency risk.

(iii) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, other than those arising from interest rate risk. The Company is exposed to other price risk for its contractual obligation of \$10,706,574 (refer to note 7). A 45% increase in the Company's share price would decrease net loss by \$1,685,854 and a 45% decrease increase in the Company's share price would decrease net loss by \$2,567,958.

Changes in accounting policies including initial adoption

Initial adoption:

Significant influence investments

Investments in which the Company exerts significant influence are accounted for using the equity method whereby the original cost of the investment is adjusted annually for the Company's share of earnings, losses and dividends during the current year. The Company's share of net income and losses of such investments are included in the statements of operations. The Company's 49% investment in KGHM-Ajax is accounted for under the equity method. This policy was adopted by the Company during the current year with respect to its investment in KGHM-Ajax.

Future accounting changes:

International Financial Reporting Standards

In February 2008, the Canadian Accounting Standards Board confirmed that January 1, 2011 is the changeover date for publicly-listed companies to use International Financial Reporting Standards ("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 for the year-ended December 31, 2010.

The major differences between the current accounting policies of the Company and those the Company expects to apply in preparing IFRS financial statements are included below. These differences do not represent a complete list of expected changes under IFRS

Key areas	Canadian GAAP	IFRS	Analysis
Capital assets	Capital assets are recorded at cost.	Under IFRS 1, capital assets can be recorded at historical cost or at fair value. The carrying value must be assessed annually or when events or	The Company will continue to record its capital assets at cost due to the complexity and the resources required to reassess fair value on an on-going basis.

		circumstances occur which could impair the carrying value.	
Mineral properties and deferred exploration costs	Exploration, evaluation and development costs can be either capitalized or expensed when incurred.	IFRS provides only limited guidance on this topic and currently allows the Company to continue its current treatment.	The existing policy of capitalizing exploration costs will be maintained.
Impairment of long-lived assets	Mineral properties, capital assets and deferred exploration costs are tested for impairment on an annual basis or when there are indicators of impairment.	Same as Canadian GAAP.	The use of discounted future cash flows as an indicator of impairment may increase the likelihood of write downs in the future.
Functional currency	The Company has determined that the Canadian dollar is its functional currency of the parent company. Functional currency is determined by the reference to the following: The currency used in day-to-day operations; and The currency used for labor, materials and other costs of the product or service.	IFRS provides more guidance in determining functional currency. Functional currency is defined as the currency of the primary economic environment in which the entity operates. IFRS provides additional factors to consider in determining functional currency.	The Company is in the process of analyzing its functional currency under IFRS. It is likely that the Company's functional currency will remain the Canadian dollar.
Stock-based compensation	Stock-based compensation is determined using the Black Scholes option pricing model. Allows use of the straight-line method or accelerated method to account for graded-vesting	Stock-based compensation is determined using the Black Scholes option pricing model. For graded-vesting features, each installment or vesting period is treated as a	The recognition of the value of stock-based compensation will be higher in early vesting periods and will decrease as options approach the final vesting period.

	features.	separate share option grant, and hence the fair value of each vesting period will differ.	
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The Company is currently working through the implementation phase. Draft IFRS financial statements are being developed and are about to undergo a thorough review process with the involvement of the Company's auditors. Significant differences between Canadian GAAP and IFRS impacting the Company's opening balance sheet for January 1, 2010 are in process of being finalized. The Company will prepare IFRS financial statements for its first quarter of fiscal 2011.

The audit committee of the Company is kept informed of management's decision on accounting policy choices under IFRS.

Business combinations

In January 2009, the Canadian Institute of Chartered Accountants 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.

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.

Risks and Uncertainties

The Company's principal activity is mineral exploration and development. Companies in this industry are subject to many and varied kinds of risks, including but not limited to; environmental, metal prices, mining, and governmental policies.

Although the Company has taken steps to verify the title to mineral properties in which it or KGHM-Ajax have an interest in accordance with industry standards for the current stage of exploration of

such properties, these procedures do not guarantee the title. Property title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

The Company has no significant source of operating cash flow and no revenues from operations. The Company has limited financial resources. The Company's ability to continue operating as a going concern is dependent upon management's success in raising additional monies to sustain the Company until cash-flow from operations is adequate to sustain the Company's viability. Substantial expenditures are required to be made by the Company and/or its development partners to establish ore reserves and develop a mining operation.

The property interests owned by the Company or KGHM-Ajax, or in which it has an interest in, are in the exploration stages only, are without known bodies of commercial mineralization and have no ongoing mining operations. Mineral exploration involves a high degree of risk and few properties, which are explored, are ultimately developed into producing mines. Mineral exploration may not result in any discoveries of commercial bodies of mineralization. If efforts do not result in any discovery of commercial mineralization, the Company will be forced to look for other exploration projects or cease operations.

The price of the common shares, financial results and exploration, development and mining activities of the Company or KGHM-Ajax may in the future be significantly adversely affected by declines in the prices of base and precious metals. Metal prices fluctuate widely and are affected by numerous factors beyond the Company's control.

The mining, processing, development and mineral exploration activities of the Company are subject to various laws governing prospecting, development, production, taxes, labour standards, mine safety, land use, toxic substances, land claims of local people and other matters. These laws and other governmental policies may affect investments of the Company and/or its shareholders.

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.

On behalf of the Board,

ABACUS MINING & EXPLORATION CORPORATION

"James D. Excell"

James D. Excell
President, CEO & Director