

**ABACUS MINING & EXPLORATION CORP.**  
**(An Exploration Stage Company)**

**Management Discussion & Analysis**

**FORM 51-102F1**

**For the Period Ended**

**March 31, 2010**

The following management discussion and analysis of the financial position of Abacus Mining & Exploration Corp. (“Abacus” or the “Company”) and results of operations of the Company should be read in conjunction with the unaudited financial statements including the notes thereto for the periods ending March 31, 2010 and March 31, 2009.

The accompanying unaudited financial statements and related notes are presented in accordance with Canadian generally accepted accounting principles. These statements, together with the following management’s discussion and analysis dated May 26, 2010 (“Report Date”), 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 the MD&A may contain forward-looking statements.

Additional information relating to the Company may be found on SEDAR at [www.sedar.com](http://www.sedar.com).

## **Overall Performance**

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Abacus Mining & Exploration Corp. (the “Company”) 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 100% interest in six mineral resource properties in the Afton Mine Camp (“Afton”) near Kamloops, British Columbia. The Company also holds the right to earn a 100% interest in mining infrastructure and related permits in the Afton area.

Activity of the Company is generally dependent on the sources of capital and access to funding in the capital markets. Over the past year, the Company successfully completed a private placement for gross proceeds of \$7,025,400 and secured a loan of \$2,500,000, that provided the Company the necessary capital to achieve its objectives.

Exploration in first quarter of 2010 at Afton focused on the Ajax area where \$1,314,180 of the \$1,332,175 in exploration expenditures was allocated. Exploration and drilling, to provide for prefeasibility studies, comprised a significant amount of the exploration costs (\$367,030) as did work associated with the prefeasibility (\$476,259). When combined with previous periods, the Company has spent \$47,993,747 on the Afton properties, including \$22,232,098 on the Ajax ground and \$16,469,497 on various assets within the Afton camp.

Pursuant to the \$2,500,000 loan agreement with Maxtech Ventures Inc. (“Maxtech”), the Company has repaid the outstanding balance in full. In total, the Company paid \$2,752,578 in principal and interest, a finder’s fee of \$125,000 and issued 1,250,000 shares at a fair value of \$0.10.

In January 2010, the Company announced it has accelerated environmental and socio-economic studies to support future environmental assessment and permitting of the Ajax copper-gold deposit. Knight Piesold Ltd. has been retained to undertake comprehensive studies of aquatic and terrestrial ecosystems, physical environmental parameters, and socio-economic data. The studies will expand the significant existing environmental database collected in recent years during Abacus's exploration programs, and will be coupled with analysis of in situ parameters created by past mining activities at

the site.

In March 2010, the Company also announced drill results from the ongoing drill program at Ajax. The drilling was completed in the Ajax East extension (AEE) area, a fault offset extension of the copper-gold rich Ajax deposit. The intent of the program is to upgrade previously existing National Instrument 43-101-compliant mineral resources in the AEE (announced June 22, 2009) and to explore the potential for hosting a "starter pit," which could be delineated for the continuing prefeasibility study. The Ajax deposit is currently estimated to contain approximately 2.9 billion pounds copper and 2.7 million ounces gold with the potential for a 60,000-ton-per-day mining operation producing an average of 110 million pounds of copper and 100,000 ounces of gold in concentrate annually over a 23-year mine life.

The outcome of this phase of drilling is considered successful. The results demonstrate the presence of a zone or zones of near-surface copper-gold mineralization that when combined with previous near-surface intercepts, may host a starter pit that could supply early, higher-grade mill feed and potentially enhance the economics of the Ajax deposit. Also deep drilling in the AEE confirms the future blue-sky potential as the entire Ajax deposit remains open at depth.

Drill highlights include hole AM-10-044 intersects 71 metres (232.9 feet) averaging 0.43 per cent copper and 0.13 gram per tonne (g/t) gold; which includes 29 metres (95.1 feet) averaging 0.64 per cent copper and 0.20 g/t gold, and also includes 14 metres (45.9 feet) grading 1.09 per cent copper and 0.36 g/t gold. The top of the mineralized intercept was 31 metres (101.7 feet) below surface.

Subsequent to the period ending March 31, 2010, the Company announced the signing of a significant strategic investment agreement with KGHM Polska Miedz SA (KGHM) to form a joint venture to advance the Afton-Ajax copper-gold project 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 agreement includes the following investment highlights:

- KGHM and the Company have completed a C\$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) in the capital of Abacus at a price of 30 cents per share.
- KGHM will acquire a 51-per-cent interest in the project by investing US\$37-million in cash at closing of the transaction, to be allocated to: (a) completion of the BFS and certain other obligations; and (b) exploration of other targets in the Afton-Ajax camp, in accordance with a jointly approved budget.

Development option:

- Following the completion of the BFS, KGHM will have the option to acquire an additional 29-per-cent interest, for a total 80-per-cent direct interest in the joint venture, for cash consideration of US\$0.025 per pound for the corresponding 29 per cent of proven and probable copper equivalent reserves (as defined in the BFS) up to a maximum of US\$35-million. This payment will be applied directly toward Abacus's proportionate share of the project's capital costs, estimated at \$535-million (U.S.) in Abacus's preliminary economic assessment written by Wardrop Engineering Inc. and dated July 31, 2009.
- KGHM will arrange the financing for its proportionate share of 80 per cent of the project's capital costs and will offer to arrange the financing for the balance of Abacus's proportionate share of 20 per cent of the project's capital costs on commercially reasonable terms.

The investment agreement has been unanimously approved by the board of directors of Abacus. The transaction is subject to approval by the shareholders of Abacus and Abacus will call a special meeting of its shareholders to approve the transaction, to be held on June 22, 2010. The directors and officers of Abacus will vote their shares in favour of the transaction and will recommend that other shareholders do likewise. The parties have also agreed to complete a definitive joint-venture agreement and ancillary agreements. The definitive joint-venture agreement is expected to close by June 30, 2010, but no later than September 30, 2010.

## **Results of Operations**

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Activities of the Company for the period ending March 31, 2010 focused on continued engineering and exploration work based on the results of the Company's PEA, announced June 22<sup>nd</sup>, 2009. In-house engineering studies, commissioned to potentially refine and improve the economics of the PEA, will be incorporated into the Prefeasibility study that commenced in December.

The total cost for the acquisition, exploration and engineering work for the period ended March 31, 2010 total \$1,332,175. Of this amount, \$476,259 was allocated to prefeasibility studies, \$367,030 was allocated to drilling, and \$202,075 was allocated to contract wages stemming from exploration work on the mineral properties.

Exploration expenditures in 2009 (\$1,332,175) were approximately 65% higher than fiscal 2009 (\$805,651). The increase in expenditures is attributable to the shift in exploration activity at Ajax deposit. As the project advances, the requirement for drilling to upgrade the resource increased, as has the need for advanced engineering and environmental studies for prefeasibility studies. The Company plans to spend approximately \$3.5 million on prefeasibility work, and approximately \$5.0-\$7.0 million on feasibility studies.

Administrative costs during the period ending March 31, 2010 total \$576,303 representing a 3.4% increase over the period ending March 31, 2009 (\$557,160). Significant differences include travel costs, legal fees, and accounting costs. Travel costs associated with the Investment Agreement pushed amounts \$40,500 above previous levels (\$136,085 in 2010 compared to \$95,585 in 2009). Legal fees associated with the Company's increased corporate activities total \$53,667 compared to \$22,988 in 2009. Additionally, accounting fees associated with the year-end audit and tax matters

total \$50,796 compared to \$0 in 2009 which was primarily due to change in Canadian GAAP reporting (\$45,440 accrued and reported in 2008).

Conversely, contract wages of \$107,000 were 31% lower than levels in 2009 (\$154,359) and consulting charges of \$72,737 were 29% lower than the corresponding period in 2009 (\$101,989). In addition, stock based compensation costs, a non-cash charge was \$39,073 at March 31, 2010 whereas charges in March 31, 2009 total \$87,155.

Interest charges have also been significant in comparison to the previous period due to the loan with Maxtech Ventures. The loan has been amortized using the effective interest method with a rate of 26.01%. During the period ended March 31, 2010, the Company accrued interest expense of \$89,735.

On February 16, 2010, the Company received \$2,056,914 plus \$51,316 pursuant to its application for the BC METC refunds for 2008.

The Company currently has funds invested in Guaranteed Investment Certificates (GICs) and has no exposure to Asset Backed Commercial Paper.

The Company does not expect to claim any significant BC METC for 2009 as funds expended were provided by flow-through financings.

#### Afton Properties, Kamloops, B.C.

The Company holds a 100% interest in 41 mineral claims and 31 Crown grants in the vicinity of the past producing Afton mine. The properties were purchased from Afton Operating Corporation and Teck Cominco, and from Discovery-Corp. Enterprises Inc. on the Rainbow portion of the claims. The Company has an asset purchase agreement with Teck Cominco Limited ("Teck Cominco") to acquire the mill buildings, shop facilities, tailings dam, associated land, permits and back-in rights at the past producing Afton mine. Under the terms of the agreement with Teck Cominco, the Company will acquire the assets for a total price of \$28.5-million by issuing 18.5 million shares and paying \$10-million cash. The Company has issued 13.5 million shares to Teck Cominco and has paid \$8.0 million cash. The remaining cash payment and shares due on or before November 26, 2007, have been extended to July 31, 2010.

Upon completion of all share issuances and cash payments, Teck Cominco will transfer title (the "Transfer Date") to 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 Cominco, is less than \$18,500,000, the Company will pay Teck Cominco 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.

Teck Cominco has retained 1.5-per-cent net smelter royalty with respect to each of the Rainbow and DM/Audra agreements, which can be purchased for \$3-million per agreement.

The Company also holds an interest in 20 mineral claims surrounding the Ajax pits pursuant to an Option Agreement (the "Agreement") with New Gold Inc. Under the terms of the Agreement, the

Company must incur \$2.5 million in exploration expenditures (completed) and deliver a PEA by July 25, 2010 (delivered). Upon delivery of the PEA, New Gold has 90 days to establish a joint venture where the Company would hold a 60% interest in, and be the operator of, any open pit operation (to a maximum pit depth not exceeding 500 metres), while New Gold would retain a 40%.

In June 2009, the Company released a National Instrument 43-101 ("NI 43-101") compliant study completed by Wardrop, a Tetra Tech Company ("Wardrop"), 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

Ajax Resource Estimate

	Cutoff NSR (\$/t)	Tonnes (Mt)	Cu (%)	Au (g/t)	NSR* (\$/t)	Contained Metal	
						Cu (M lb)	Au (Koz)
Measured	<b>3.84</b>	231	0.29	0.18	11.32	1,454.8	1,300
Indicated	<b>3.84</b>	193	0.27	0.18	10.93	1,153.6	1,100
Measured + Indicated	<b>3.84</b>	424	0.28	0.18	11.14	2,608.4	2,400
Inferred	<b>3.84</b>	78	0.21	0.15	8.28	357.5	400

*\*NSR based on metal prices of \$2.00/lb Cu and \$700 /oz Au, at a copper recovery of  $Cu\ Rec=32.591xCu(\%)+72.732$ , max 92%, and gold recovery of  $Au\ Rec=33.871xAu(g/t)+75.29$ , max 90%. These were the metal recoveries developed during the preparation of the PEA.*

In the study, approximately 15.5% of the mineral resources in the mine production plan are classified as inferred. Mineral resources are not mineral reserves and do not have demonstrated economic viability. There are no known environmental, permitting, legal, title, taxation, socio-political, marketing or other relevant issues which may materially affect the mineral resource.

On July 13, 2009, the Company announced that it signed Option to Purchase Agreements ("Option Agreements") with subsidiaries of Teck Resources Limited - Afton Operating Corporation and

Surgarloaf Ranches Limited (collectively "Teck") 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 one year by making further option payments to Teck of an additional \$100,000. The exercise price of the options is \$2,500 per acre, exercisable at any time during the two year period, less amounts paid to Teck for the options.

In November, the Company started drilling on the eastern portion of the Ajax deposit known as the Ajax East Extension ("AEE"). The focus of the drill programs is two-fold: to convert approximately 80 million tonnes of inferred resources in the AEE to a measured and indicated status for Prefeasibility work, and to explore for a potential near surface higher grade starter pit.

Results for the drilling were announced subsequent to the year ended December 31, 2009 with the following highlights:

- Hole AM-09-018 intersects 325.55 metres (1,068 feet) averaging 0.33% copper and 0.27g/t gold, and 105.05 metres (344.7 feet) averaging 0.47% copper and 0.39 g/t gold; both of which are part of a larger interval consisting of 520.2 metres (1706.7 feet) averaging 0.27% copper and 0.22 g/t gold. This hole is still in the mineralized zone at the end of the hole at 678.48 metres (2,226 feet) and will be deepened at the first opportunity.
- Hole AM-09-024 intersects 137.5 metres (451.1 feet) averaging 0.39% copper and 0.36 g/t gold; including 37.5 metres (123 feet) averaging 0.68% copper and 0.61 g/t gold. These intercepts form part of a larger mineralized interval consisting of 198 metres (649.6 feet) averaging 0.33% copper and 0.29 g/t gold.
- Hole AM-09-031 intersects 71.5 metres (234.6 feet) averaging 0.47% copper and 0.25 g/t gold; and a 112.5 metre (369.1 feet) intercept averaging 0.35% copper and 0.26 g/t gold; both of which are part of a larger interval consisting of 263.5 metres (864.5 feet) averaging 0.32% copper and 0.21 g/t gold.

On November 9, 2009, the Company announced it received notice from New Gold that New Gold has elected not to establish a joint venture and will retain a 10% Net Profits Interest in any open pit operation not exceeding 500 metres. New Gold maintains a right to establish a joint venture, and be the operator of, any underground operation that is below the 500 metre level.

The Company has now commenced prefeasibility studies and expects to have them complete by July 2010.

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### **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 \$
<b>March 31, 2010</b>	<b>Nil</b>	<b>(610,257)</b>	<b>(0.00)</b>
December 31, 2009	Nil	(304,000)	(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)
December 31, 2008	Nil	215,792	0.01
September 30, 2008	Nil	(675,006)	(0.01)
June 30, 2008	Nil	(848,303)	(0.01)

Fluctuations in the Company's expenditures reflect the seasonal variations of exploration and the ability of the Company to raise capital for its projects. During the periods ending December 31, 2008 and September 30, 2009 future income tax recovery adjustments of \$950,859 and \$363,772 were incurred, respectively. While the Company incurred operating costs comparable to other periods, the offsetting income tax recovery charges resulted in income amounts of \$215,792 and net loss \$729,480, also respectively. Additionally, quarterly periods ending in June and September are generally higher as overall corporate activity increases with respect to promotional, travel and investor relations.

The significant loss in the second quarter ending June 30, 2009 primarily stems from interest charges incurred from the loan agreement with Maxtech which was in effect April 1, 2009, and significant stock based compensation charges (a non-cash expense). During the second quarter stock based compensation costs associated with the vesting of 840,000 stock options granted on February 20, 2009, 3,000,000 stock options on March 3, 2009, 2,030,000 stock options granted on June 26, 2009, and repricing 1,000,000 stock options from \$0.43 to \$0.14 (announced April 24, 2009) were applied. Stock based compensation costs are calculated using Black-Scholes option pricing model.

During the quarter ending March 31, 2010, the Company incurred \$89,735 in interest expense pursuant to the loan agreement with Maxtech offsetting \$55,846 interest income stemming from the METC recovery and interest earned from funds invested in GICs.

## Liquidity

At March 31, 2010, the Company has working capital of \$1,467,324 (2009 - \$2,101,196 working capital), and an accumulated deficit of \$27,536,179 (2009 - \$25,757,714). Given the Company's current exploration and development plans, it is anticipated that the Company will have a working capital deficiency subsequent to the period ending March 31, 2010.

Subsequent to the period ending March 31, 2010, the Company announced the signing of a significant strategic investment agreement with KGHM Polska Miedz SA (KGHM) to form a joint



venture to advance the Afton-Ajax copper-gold project through bankable feasibility study (BFS) and into production. The Company anticipates that through this strategic initiative, there will be adequate funds to see the Company meet its financial obligations. Including plans at the Ajax project through to production. The agreement remains subject to shareholder approval to be held on June 22, 2010.

The \$2,500,000 loan payable to Maxtech was repaid through application with the BC Provincial Government under the Mineral Exploration Tax Credit. At the period ended March 31, 2010, the Company has received the funds from the Provincial Government and the loan was repaid in full. A total of \$2,752,578 was repaid.

At March 31, 2010, the Company has 156,334,609 shares outstanding and share capital of \$72,127,663. As at the date hereof, the Company has 176,350,859 shares outstanding and a share capital of \$77,465,274.

As at March 31, 2010, the Company also had the following share purchase warrants and incentive stock options available for exercise:

#### Warrants

Outstanding as at December 31, 2009	Exercise Price	Expiry Date	Issued	Exercised	Expired	Outstanding as at March 31, 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	0	0	0	19,502,000
26,018,578			0	0	(6,516,578)	19,502,000

#### Options

Exercise Prices	Options Outstanding		Options Exercisable	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
\$0.01 - \$0.25	4,200,000	\$0.17	2,877,500	\$0.16
\$0.26 - \$0.50	3,315,000	\$0.34	3,315,000	\$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
	9,140,000	\$0.35	7,817,500	\$0.38

Outstanding obligations include rent of office space, which is in the fourth year of a six-year lease ending March 31, 2013. The cost of the premises is shared primarily between the Company and four

other companies. The Company's proportionate share of minimum annual rental payments under this arrangement is approximately payable as follows: 2010 - \$25,858, 2011 - \$26,597, 2012 - \$26,597 and 2013 - \$6,649.

### Capital Resources

The Company's primary capital assets are mineral property assets. The company capitalizes all costs related to the mineral properties until the properties are abandoned and written-off.

The Company's Asset purchase agreement with Teck Cominco is a binding purchase and sale agreement whereby the company must issue 18,500,000 shares and pay \$10,000,000 over a two year period. To date, the Company has issued 13,500,000 shares and paid \$8,000,000. The remaining 5,000,000 shares and \$2,000,000 payable to Teck Cominco were due November 26, 2007. By mutual consent the parties have agreed to postpone the payment until July 31, 2010.

### Transactions with Related Parties

- (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 March 31, 2010 and 2009, the Company paid that contractor amounts as follows:

	2010	2009
Exploration costs	\$ 833,794	\$ 511,360
Office and administrative costs	\$ 88,485	\$ 115,942
Equipment	\$ 6,240	\$ 7,293
Contract wages	\$ 107,000	\$ 154,359

As at March 31, 2010, there was \$322,073 (2009 - \$788,955) payable to that contractor.

- (b) The Company shares office and administrative costs with a company with three directors in common. As at March 31, 2010, \$2,146 (2009 - \$2,146) was due from this company and is included in amounts receivable.
- (c) For the period ended March 31, 2010, consulting fees of \$15,000 (2009 - \$15,000) were charged by a director of the Company. As at March 31, 2010, \$16,310 (2009 - \$14,048) was payable to this director.

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.

### **Proposed Transactions**

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There are no proposed transactions that will materially affect the performance of the Company.

### **First Quarter Adjustments**

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Significant adjustments include the adjustment for stock based compensation of costs \$39,073.

### **Outstanding Share Capital**

As at May 26, 2010, the Company had the following common shares, stock options and warrants outstanding:

Common shares	176,350,859
Stock options	8,690,000
Warrants	19,518,250
Agent`s Compensation Options	1,903,870
Agent`s Compensation Warrants	1,903,870
Fully Diluted shares outstanding	208,366,849

### **Disclosure Controls and Internal Controls Over Financial Reporting**

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The Company's President & Chief Executive Officer (CEO) and Chief Financial Officer (CFO) are responsible for establishing and maintaining disclosure controls and procedures and internal controls over financial reporting for the Company.

In accordance with the requirements of Multilateral Instrument 52-109, Certification and Disclosure in the Company's annual and interim filings, evaluations of the design and operating effectiveness of disclosure controls and procedures and the design effectiveness of internal control over financial reporting were carried out under the supervision of the CEO and CFO as of the end of the period covered by this report.

The CEO and CFO have concluded that the design and operation of disclosure controls and procedures were adequate and effective to provide reasonable assurance that material information relating the Company would have been known to them and by others within those entities. The CEO and CFO have also concluded that the Company's internal controls over financial reporting are designed effectively, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

While there were no changes that occurred for the most recent fiscal period that have materially affected the Company's internal control procedures, the CEO and CFO will continue to attempt to

identify areas to improve controls and intend to incorporate such improvement over the next fiscal period.

### **International Financial Reporting Standards (“IFRS”)**

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In February 2008, the Accounting Standards Board of the CICA confirmed that IFRS will replace Canadian GAAP for publicly accountable enterprises for fiscal years beginning on or after January 1, 2011. As a result, the conversion from Canadian GAAP to IFRS will be applicable to the Company’s reporting for the first quarter of fiscal 2011 for which current and comparative information will be prepared on an IFRS basis. In light of these requirements, the Company has developed an IFRS transition project plan.

The policy plan for transition is as follows:

#### *Policy development and implementation policy decisions IFRS*

Transition goal: Identify differences in relevant Canadian GAAP and 1m accounting policies, selection of ongoing IFRS policies, selection of IFRS first-time adoption of IFRS choices, development of new financial statement format.

Status: We have identified the differences between accounting policies under Canadian GAAP and accounting policy choices under IFRS and are in the process of selecting accounting policies under IFRS.

#### *Infrastructure modifications*

Transition goal: Staff trained in IFRS requirements and new Global policies. Ensure accounting software selection, ledger accounts used and reporting procedures are sufficient to meet requirements of IFRS policy and reporting.

Status: Key employees and officers have been trained. Additional training for management, Board and other stakeholders will be ongoing throughout the convergence period.

#### *Business activities and contracts*

Transition goal: IFRS compliant financing contracts and other contractual arrangements, which extend past January 1, 2010. Contract modifications and re-negotiations completed as necessary.

Status: A review of contracts is planned to start in the next three months. Management is considering IFRS implications in current business negotiations.

### **Subsequent Event**

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Please see the ‘Overall Performance’ section in reference to the Investment Agreement between the Company and KGHM.

## **Other Requirements**

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Additional disclosure of the Company's technical reports, material change reports, news releases, and other information can be obtained on SEDAR.

## **Risks and Uncertainties**

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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, political and economical.

Although the Company has taken steps to verify the 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.

The Company has no significant source of operating cash flow and no revenues from operations. None of the Company's mineral properties currently have reserves. The Company has limited financial resources. Substantial expenditures are required to be made by the Company to establish ore reserves.

The property interests owned by the Company, or in which it has an option to earn an interest 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. Exploration of the Company's mineral exploration may not result in any discoveries of commercial bodies of mineralization. If the Company's 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 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.

## **Changes in accounting policies including initial adoption**

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Effective January 1, 2009, the Company adopted the following standards of the Canadian Institute of Chartered Accountants ("CICA") Handbook:

Amendments to Section 1400 – Going Concern

The Company implemented CICA Handbook section 1400 (General Standards of Financial Statement Presentation). Section 1400 was amended to include requirements to assess and disclose an entity's ability to continue as a going concern. When financial statements are not prepared on a going concern basis, that fact shall be disclosed together with the basis on which the financial statements are prepared and the reason why the company is not considered a going concern. The Company's accounting policies were already in accordance with the requirement of the amended section and there was no effect on the Company's financial statements.

### **Future accounting changes**

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

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The effective date for the Company is for interim and annual financial statements relating to the Company's fiscal years beginning on or after January 1, 2011.

The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

### **Cautionary Notices**

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The Company's financial statements for the period ended March 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.

On Behalf of the Board,  
**ABACUS MINING & EXPLORATION CORP.**

*"Doug Fulcher"*

Doug Fulcher  
President