



Form 51-102F1

Management's Discussion & Analysis for the three and six month periods ended
June 30, 2011

ABACUS MINING & EXPLORATION CORPORATION

Management's Discussion & Analysis

For the period ended June 30, 2011



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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 unaudited condensed interim financial statements including the notes thereto for the three and six month periods ended June 30, 2011 and June 30, 2010, the unaudited condensed interim financial statements including the notes thereto for the three month period ended March 31, 2011 and 2010 and the audited financial statements including the notes thereto for the year ended December 31, 2010.

The unaudited condensed interim financial statements and related notes are presented in accordance with Canadian generally accepted accounting principles which were revised to incorporate International Financial Reporting Standards ("IFRS"). Abacus' accounting policies are described in note 3 of the June 30, 2011 unaudited condensed interim financial statements. These financial statements, together with the following MD&A dated August 15, 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 unaudited condensed interim financial statements for the three and six month periods ended June 30, 2011 and June 30, 2010, the unaudited condensed interim financial statements including the notes thereto for the three month period ended March 31, 2011 and 2010 and the audited financial statements including the notes thereto from 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.



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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" or "the Project") 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 of \$980,683 (December 31, 2010 – deficit of \$3,964,476), an accumulated deficit of \$52,657,071 (December 31, 2010 - \$52,546,193), 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 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 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 8.5 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.



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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. Highlights of the base case in the NI 43-101 are as follows (all figures in US dollars and pre-tax):

- Net present value of \$192.7 million using a discount rate of 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 NI 43-101, and the strong metal price outlooks 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).

Results of Operations

Activities of the Company for the three and six month periods ending June 30, 2011 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, will be incorporated into the feasibility study.

Total exploration and evaluation expenditures in the six month period ending June 30, 2011 were \$4,752,263 of which 100% were recovered from KGHM Ajax, and increased by 18% as compared to \$4,012,488 for the same period in 2010 (refer to note 11(a)). The increase in expenditures is attributable to the shift in exploration activity at Ajax deposit to activities related to the feasibility study. As the project advances, the requirement for advanced engineering and environmental studies for feasibility has increased. There were no expenditures deferred on mineral interests during the six month period ended June 30, 2011 as compared to \$4,012,488 deferred during the same period in 2010, as all expenditures since October 12, 2011 are being recorded as deferred exploration expenses by KGHM Ajax.

Net administrative costs during the three month period ending June 30, 2011 totalled \$507,702 which represents a 8% decrease over the same period in 2010 of \$549,031. For the period in 2011 \$327,603 of the gross administrative costs totalling \$835,305 were recovered from KGHM Ajax as compared to the same period in the prior year where \$34,471 were recovered. Significant differences in the administration costs before recoveries include contract wages in 2011 of \$310,267 compared to \$101,880 incurred in the same period in 2010. The difference is attributable to the increase in the number of employees of the Company in 2011 as compared to the same period in 2010. Travel and promotion costs of \$89,079 in 2011 decreased by 50% as compared to amounts of \$181,524 for the same period in 2010, attributed to the activity in 2010 related to the Agreement and Joint-Venture Agreement with KGHM Ajax as management in 2010 made several trips to Poland and elsewhere finalizing and promoting the KGHM/Abacus joint venture. Share-based payment



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expenses, a non-cash charge, totalled \$116,817 during the three month period as compared to \$39,073 in 2010, increased due to the timing of new employee hires and their related stock options. The Company also increased its investor relations activities in 2011 with the hiring of a senior investor relations officer.

During the six month period ended June 30, 2011, the Company recognized a \$1,348,827 non-cash gain with respect to its contractual obligation with Teck Resources Limited ("Teck"). A portion of this contractual obligation was settled in April 2011. Please refer to note 8.

The Company does not expect to claim any significant BC METC in 2011, as all exploration activities are being incurred by KGHM Ajax.

Summary of Quarterly Results

The selected information set out below has been gathered from the previous eight quarterly financial statements for each respective three month financial period and reflects the impacts of the Company's adoption of IFRS and other adjustments as discussed in note 13 of the condensed interim financial statements:

| | Revenue \$ | Income (Loss) \$ | Income (Loss) per share \$ |
|--------------------|---------------|---------------------|----------------------------------|
| June 30, 2011 | Nil | (488,100) | 0.00 |
| March 31, 2011 | Nil | 377,222 | 0.00 |
| December 31, 2010 | Nil | (11,900,230) | (0.06) |
| September 30, 2010 | Nil | (1,319,363) | (0.01) |
| June 30, 2010 | Nil | (12,571,671) | (0.07) |
| March 31, 2010 | Nil | 170,993 | 0.00 |
| December 31, 2009 | Nil | 580,990 | 0.01 |
| September 30, 2009 | Nil | (729,480) | (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 first half of 2011, a significant non-cash gain of \$1,348,827 was incurred with respect to the Company's contractual obligation to Teck. During the period ended June 30, 2010 significant one-time non-cash amounts were recognized with respect to a \$13,279,478 impairment arising from the Company's mineral interest transaction with KGHM Ajax and a \$2,032,600 income tax recovery - please refer to notes 8 and 13.

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 of \$980,683 (December 31, 2010 - deficit of \$3,964,476), an accumulated deficit of \$52,657,071 (December 31, 2010 - \$52,546,193), 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 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 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 - refer to note 8. On April 8, 2011, the Company issued 20,751,176 common shares to Teck in satisfaction of the price adjustment clause noted above.

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

Transactions with Related Parties

The Company acts as the operator for the Project on behalf of KGHM Ajax and is reimbursed for direct costs it incurs. The Company offsets amounts recovered against the respective expense item. As at June 30, 2011, there was \$1,248,642 (December 31, 2010: \$1,980,694) receivable from KGHM Ajax and for the six month periods ended June 30, 2011 and 2010, the Company was reimbursed the following amounts from KGHM Ajax:

| | 2011 | 2010 |
|---|--------------|------|
| Exploration and feasibility study costs | \$ 4,752,263 | \$ 0 |
| Office and administrative costs | \$ 1,179,294 | \$ 0 |
| Equipment and vehicle | \$ 139,715 | \$ 0 |
| Contract wages | \$ 518,687 | \$ 0 |

The Company conducts the majority of its exploration activities through an exploration services contractor in which a former director and officer is a shareholder. Included in the accounts payable and accrued liabilities, as at June 30, 2011 was \$353,223 (December 31, 2010: \$3,022,046) payable to the contractor. For the six month period ended June 30, 2011 and 2010, the Company paid that contractor amounts as follows:



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| | 2011 | 2010 |
|---|--------------|--------------|
| Exploration and feasibility study costs | \$ 1,161,320 | \$ 1,414,038 |
| Office and administrative costs | \$ 251,690 | \$ 262,695 |
| Equipment | \$ 36,371 | \$ 25,291 |
| Contract wages | \$ 303,017 | \$ 208,880 |

For the six month period ended June 30, 2011, consulting fees of \$90,000 (six month period ended June 30, 2010 - \$nil) were charged by former directors of the Company, \$60,000 of which was recovered from KGHM Ajax. As at June 30, 2011 \$10,000 (December 31, 2010: \$17,240) was payable to the former directors.

All advances to and amounts due from (to) related parties have repayment terms similar to the Company's other accounts receivable (payable) and are without interest. All of the above transactions and balances are in the normal course of operations.

Outstanding Share Data

As at August 15, 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 |

Proposed Transactions

As is typical of the mineral exploration and development industry, the Company is continually reviewing potential merger, acquisition, investment and joint venture transactions and opportunities that could enhance shareholder value. At present there are no transactions being contemplated by management or the board that would affect the financial condition, results of operations and cash flows of any asset of the Company.

Financial Instruments

The Company has classified its cash and cash equivalents and contractual obligations as fair value through profit and loss ("FVLPL"); marketable securities as available-for-sale; amounts receivable as loans and receivables; reclamation deposits as held-to-maturity; and accounts payable, accrued liabilities and loan payable as other financial liabilities.

The carrying values of cash and cash equivalents, amounts receivable (excluding due from related parties), 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:

(a) Fair value

The Company's measurement of fair value of financial instruments in accordance with the fair value hierarchy is as follows:

| As at June 30, 2011 | | Total | Level 1 | Level 2 | Level 3 |
|------------------------|----|--------------|----------|--------------|---------|
| Assets | | | | | |
| Marketable securities | \$ | 3,167 \$ | 3,167 \$ | - \$ | - |
| Liabilities | | | | | |
| Contractual obligation | \$ | 5,000,000 \$ | - \$ | 5,000,000 \$ | - |

| As at December 31, 2010 | | Total | Level 1 | Level 2 | Level 3 |
|-------------------------|----|---------------|----------|---------------|---------|
| Assets | | | | | |
| Marketable securities | \$ | 2,250 \$ | 2,250 \$ | - \$ | - |
| Liabilities | | | | | |
| Contractual obligation | \$ | 10,706,574 \$ | - \$ | 10,706,574 \$ | - |

(b) Credit risk

The Company manages credit risk, in respect of cash and cash equivalents, by purchasing highly liquid, short-term investment-grade securities held at major Canadian financial institutions. The Company is exposed to credit risk from related party balances.

Concentration of credit risk exists with respect to the Company's cash and cash equivalents as all amounts are held at a single major Canadian financial institution. The Company's concentration of credit risk and maximum exposure thereto are as follows:

| | June 30, 2011 | December 31, 2010 |
|---------------------------------------|---------------|-------------------|
| Bank accounts & temporary investments | \$ 213,170 | \$ 2,372,507 |
| Due from KGHM Ajax | 1,248,642 | 1,980,694 |
| Total | \$ 1,461,812 | \$ 4,353,201 |

(c) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty meeting obligations associated with financial liabilities. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. Accounts payable and accrued liabilities of \$926,632 (December 31, 2010: \$4,237,971) are due in the third quarter of 2011. The Company requires significant additional funding to meet its financial obligations and administrative overhead costs beyond 2011.



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- (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 three types of risk: interest rate risk, foreign currency risk and other price risk.
- (i) *Interest rate risk*
- (a) To the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk.
- (b) To the extent that changes in prevailing market rates differ from the interest rate in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.
- The Company is not exposed to significant interest rate risk.
- (ii) *Foreign currency risk*
The Company is not exposed to significant foreign currency risk.
- (iii) *Other price risk*
Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk. At December 31, 2010 the Company was exposed to other price risk for its contractual obligation as then of \$10,706,574 the portion of this obligation subject to market prices which was settled on April 8, 2011 (note 8 and 10(b)(iii)).

Changes in accounting policies including initial adoption

Conversion to International Financial Reporting Standards and correction of errors

We prepare our financial statements in accordance with Canadian generally accepted accounting principles ("GAAP") as set out in the Handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook"). In 2010, the CICA Handbook was revised to incorporate International Financial Reporting Standards ("IFRS") as issued by the International Account Standards Board, and require publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, we have commenced reporting on January 1, 2011 under this basis.

The June 30, 2011 condensed interim financial statements have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting* ("IAS 34") and IFRS 1, *First-Time Adoption of IFRS* ("IFRS 1"). Subject to certain transition elections disclosed in Note 13 to the condensed interim financial statements, we have consistently applied the same accounting policies in our opening IFRS balance sheet as at January 1, 2010 and throughout all periods presented, as if these policies had always been in effect. Note 13 discloses the impact of the transition to IFRS, and the impact of the correction of errors on our reported balance sheets, comprehensive loss, and changes in equity and cash flows, including the nature and effect of significant changes in accounting policies from those used in our financial statements for the year ended December 31, 2010.

Management performed a detailed review of the Company's books and records in order to identify differences between GAAP and IFRS that affect the Company. After completing the review, no material adjustments were deemed necessary to convert the Company's financial reporting to IFRS. No changes in the Company's system of internal controls over financial reporting are required in the adoption of IFRS.



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New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the June 30, 2011 reporting period:

- IFRS 9, *Financial Instruments*, addresses classification and measurement of financial instruments and replaces the multiple category and measurement models in IAS 39, *Financial Instruments - Recognition and Measurement*, for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments, and such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income (loss). IFRS 9 is required to be applied for accounting periods beginning on or after January 1, 2013, with earlier adoption permitted. The Company has not yet assessed the impact of the standard or determined whether it will adopt the standard.
- On January 1, 2013, Abacus will be required to adopt IFRS 11, *Joint Arrangements*, which applies to accounting for interests in joint arrangements where there is joint control. The Company has not yet assessed the impact of the standard or determined whether it will adopt the standard early.
- On January 1, 2013, Abacus will be required to adopt IFRS 12, *Disclosure of Interest in Other Entities*, which includes disclosure requirements about subsidiaries, joint ventures, and associates, as well as unconsolidated structured entities and replaces existing disclosure requirements. The Company has not yet assessed the impact of the standard or determined whether it will adopt the standard early.
- On January 1, 2013, Abacus will be required to adopt IFRS 13, *Fair Value Measurement*. Upon adoption, the Company will provide a single framework for measuring fair value while requiring enhanced disclosures when fair value is applied. IFRS 13 is required to be applied for accounting periods beginning on or after January 1, 2013, with earlier adoption permitted. The Company has not yet assessed the impact of the standard or determined whether it will adopt the standard early.
- On January 1, 2013, Abacus will be required to adopt IAS 28 (2011), *Investments in Associates and Joint Ventures*. As a consequence of the issue of IFRS 10, IFRS 11 and IFRS 12, IAS 28 has been amended and will further provide the accounting guidance for investments in associates and will set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. This standard will be applied by the Company when there is joint control, or significant influence over an investee. The Company has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

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.



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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