



Form 51-102F1

Management's Discussion & Analysis for the three months ended March 31, 2013

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**ABACUS MINING & EXPLORATION CORPORATION**  
(An exploration stage company)

Management's discussion & analysis

For the three months ended March 31, 2013

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May 28, 2013

The following Management's Discussion and Analysis ("MD&A") of the financial condition of Abacus Mining & Exploration Corporation (an exploration stage company) ("Abacus" or the "Company") and results of operations of the Company, should be read in conjunction with the unaudited condensed financial statements including the notes thereto for the three months ended March 31, 2013 and 2012 and the audited financial statements including the notes thereto for the years ended December 31, 2012 and 2011. (the "Financial Statements").

The Financial Statements are presented in accordance with International Financial Reporting Standards ("IFRS"). Abacus' accounting policies are described in Note 3 of the Financial Statements. These Financial Statements, together with this MD&A dated May 28, 2013, 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 potential future performance. All dollar amounts are in Canadian dollars unless otherwise noted.

### **Special Note Regarding Forward-Looking Information**

The Company's condensed financial statements including the notes thereto for the three months ended March 31, 2013 and 2012, and the audited financial statements including the notes thereto for the years ended December 31, 2012 and 2011, 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.

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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](http://www.sedar.com).

### **Background and overall performance**

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Abacus is engaged in the acquisition, exploration, and development of mineral resource properties. The Company is a Tier 1 Issuer that trades on the TSX Venture Exchange under the symbol AME. As at the date hereof, the Company holds a 20% interest in KGHM Ajax Mining Inc. ("KGHM Ajax") a British Columbia corporation; KGHM Ajax holds a 100% interest in the Ajax Mine Camp near Kamloops, British Columbia (the "Ajax Project") which is in post feasibility study/permitting phase of development.

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 Project through the bankable feasibility study ("BFS") and into production. KGHM is one of the world's largest copper and silver producers. On October 12, 2010 the parties executed the definitive joint venture shareholders' agreement ("Joint Venture Agreement"). These agreements included the following highlights:

- KGHM and the Company completed a \$4.5-million private placement involving the purchase of 15 million common shares 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 were used for: (a) the completion of the BFS and certain other obligations which occurred during 2010 and 2011; and (b) the acquisition of additional land areas and exploration of other targets in the Ajax Project area. By December 31, 2011 substantially all of these funds had been used to fund the planned activity.
- Abacus, initially was the Operator of the Ajax Project. KGHM had the option to become the Operator of the Ajax Project, as described below.

KGHM's development Option (the "Development Option"):

- Following the completion of the BFS, KGHM had 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. After acquiring the additional 29%, KGHM can elect to become the Operator of the Ajax Project.
- KGHM is responsible for arranging the financing for its proportionate share of 80% of the Ajax 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.

In accordance with the provisions of the Agreement, in December 2011 the Company delivered the Ajax Project's BFS to KGHM which was followed by the filing of the BFS on SEDAR on January 6, 2012. This NI 43-101 compliant independent study supports a 60,000 tonne per day conventional milling plant producing a copper-gold concentrate containing 25% Cu and 18 g/t Au. The BFS was led by Tetra Tech WEI (formally Wardrop) in conjunction with a team of globally recognized independent consultants.

The base case highlights of the Ajax Project include (all economic figures in US\$):

- Total proven and probable mineral reserves of 3 billion lbs Cu and 2.7 million ozs Au at 0.27% Cu and 0.17 g/t Au based on \$2.50 Cu and \$1,085 Au
- 23 year mine life at a processing rate of 60,000 t/d or 21.9 million t/a at a LOM stripping ratio of 2.4:1

- Life of mine production of 2.5 billion lbs Cu and 2.28 million ozs Au in concentrate
- Initial capital costs of \$795 million, including contingency of \$87 million
- Cash cost per lb of copper of \$1.28 net of gold credits
- The pre-tax economic model has an internal rate of return (IRR) of 14.5% and a net present value (NPV) of US\$416 million at an 8% discount rate, with payback of the initial capital of 7.8 years.

The base case pre-tax net present value of US\$416 million, almost quadruples to US\$1.6 billion with a 2.2 year payback of the initial capital when assuming a scenario of US\$3.50/lb Cu and US\$1,700/oz Au, which is more reflective of current prices.

On April 2, 2012, KGHM exercised the Development Option and thus increased its ownership in KGHM Ajax to 80%. As a result, cash consideration of US\$29,907,881 was paid by KGHM on April 2, 2012, which under the terms of the Joint Venture Agreement, Abacus is required to place into trust with KGHM Ajax to fund Abacus' share of the future investment activities of KGHM Ajax.

On August 17, 2012, KGHM notified Abacus that it was exercising its option to appoint KGHM International Ltd. ("KGHMI") as the Operator of the Ajax Project effective September 1, 2012 and a representative from KGHMI was appointed to KGHM Ajax's board of directors increasing KGHM's representatives on the board to three members and Abacus' representatives remaining at two. In addition, each of Abacus and KGHM selected a new appointee for the Chief Financial Officer and the Chief Operating Officer roles of KGHM Ajax.

With the change in operatorship, the Company is now in a more passive role with the Ajax Project monitoring the progress and success of KGHMI as operator.

KGHMI, has committed significant resources to the project's development since assuming the operatorship on September 1, 2012, demonstrating a strong commitment to the community, environment and to the long term sustainability of the Ajax project.

With a strategy of engaging the community with a strong local presence, KGHMI has expanded the Ajax project team which currently numbers 23 employees, and plans to hire additional personnel throughout the year. Community, external affairs and outreach specialists have recently joined the KGHM Ajax Kamloops team. A successful open house was hosted in January 2013 involving local government and about 600 members from the community.

Agreements have been signed with the Stk'emlupsemc te Secwepemc ("STS"), represented by the Tk'emlups and Skeetchestn First Nations bands for a Cultural Heritage Study and a Memorandum of Understanding ("MoU"). Consultations continue with the STS on a Capacity Funding Agreement to assist them in the review of the Environmental Assessment and towards aligning an Impacts Benefits Project Agreement ("IBA"). The IBA would define the mutual responsibilities between KGHM-Ajax and the STS in connection with the benefits, construction, operations, and closure of the Ajax project.

An extensive review was performed by KGHMI staff and outside consultants in late 2012 to optimize the Ajax mine plan including validation of the proposed capital and operating expenditures. Pilot plant testwork of the tailings storage facility was successfully conducted and a sample has been forwarded to Golder Associates for further test work. A metallurgical pilot plant test is also being planned for the Ajax ore. These and other technical considerations are continuing to be assessed to improve project economics and mine life.

The 2013 budget for KGHM Ajax is \$58 million of which Abacus' 20% would be funded by its monies, currently \$25 million, held in trust for development of the Ajax project.

The formal Environmental Assessment Application is expected to be submitted to the federal and provincial agencies in September 2013. The following phase is the submission of the permit application under the joint Mines Act and Environmental Management Act in the first quarter of 2014. KGHMI is currently pursuing a permitting and development schedule that envisions production start-up at Ajax in the autumn of 2016. This represents a one year delay compared with the BFS, but encompasses increased detailed engineering, and technical and environmental assurances. The possibility exists for further delays in the estimated development timeline due to the inherent nature of the permitting process and negotiations with interested stakeholders in the area (also refer to section: Risks and uncertainties).

The Ajax Project's project description and current information with respect to the permitting process is available at the British Columbia Environmental Assessment Office website at [www.eao.gov.bc.ca](http://www.eao.gov.bc.ca).

### **Results of operations**

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Activities of the Company for the three months ended March 31, 2013 continued to focus on monitoring the environmental and permitting activities being performed by KGHM International now acting as operator of the Ajax Project. The Ajax Project and the status thereof are discussed in the section above titled *Overall performance*.

#### **Analysis of the results of operations for the three months ended March 31, 2013 and 2012**

Total expenditures on the Ajax Project's mineral interests, including exploration, evaluation, and acquisition costs, during the three months ended March 31, 2013 were \$3,696 of which 100% were recovered from KGHM Ajax, a decrease of 99% as compared to the \$869,745 incurred during the same period in 2012. The decrease in expenditures is attributable to the shift away from exploration and BFS evaluation activities to the current focus on environmental and permitting activities. Commencing September 1, 2012, KGHMI became the operator of the Ajax project and the Company's involvement in day to day operations has decreased significantly. There were no expenditures deferred on Abacus' mineral interests during the three months ended March 31, 2013 and 2012 because in 2010 Abacus transferred 100% of its mineral interests to KGHM Ajax. As at March 31, 2013 and December 31, 2012 Abacus owned 20% of KGHM Ajax (March 31, 2011: 49%), and all reimbursements of Abacus's activities as operator of the Ajax Project are recorded by KGHM Ajax as its mineral interests.

Net general and administrative expenses during the three months ended March 31, 2013 were \$392,311, which represented a 23% decrease over the same period in 2012 (\$511,236). Of the \$392,311 in gross general and administrative expenses \$19,670 were recovered from KGHM Ajax as compared to the prior year when \$401,525 of gross expenses were recovered. Significant differences in the general and administrative expenses for the three month period ended March 31, 2013 as compared to the same period in 2012 include:

- Salaries and contract wages in 2013 of \$190,120 decreased 42% as compared to \$325,233 in 2012, which is primarily attributable to the reduced number of employees effective with the change in operator of the Ajax Project on September 1, 2012.
- Consulting and director's fees in 2013 of \$64,985 decreased by 12% as compared to \$73,710 in 2012.
- Share-based payments expense (non-cash) in 2013 of \$18,835 decreased by 92% as compared to \$222,127 in 2012, due to stock option grants made and vesting in 2012 compared to the 2012 stock option grants that continue to vest in 2013.

Other items that impact the Company's net income (loss) totalled \$91,350 during the three month period ended March 31, 2013 as compared to \$281,049 in 2012 and consisted primarily of the following:

- During the period ended March 31, 2013, Abacus recorded its share of the losses incurred by KGHM Ajax in its equity investment in KGHM Ajax of \$72,439 versus \$282,107 in 2012 as administrative expenditures in KGHM Ajax were reduced in 2013.

**Analysis of the changes to the financial position of the Company**

Cash and cash equivalents as at March 31, 2013 totalled \$1,291,906, a decrease of \$62,000 from December 31, 2012 (\$1,353,626). Significant items during the period impacting the company's cash position were as follows:

- For the period ended March 31, 2013, \$20,000 was provided by financing activities as compared to (\$nil) in the prior year. The cash provided by financing activities in 2013 resulted from \$20,000 of net proceeds being received from an option exercise by a holder of stock options of the Company.

Other current assets (excluding cash and cash equivalents) of \$66,547 at March 31, 2013 decreased by \$320,104 from December 31, 2012 primarily due to the continuing slowdown in activities the Company undertakes with KGHMI.

Non-current assets as at March 31, 2013 (\$45,790,786) and from December 31, 2012 (\$46,059,597) remained essentially unchanged.

Current liabilities of \$147,573 as at March 31, 2013 remained in line with December 31, 2012 total of \$154,258.

**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 are presented in accordance with IFRS.

	Revenue	Income (Loss)	Income (Loss) per share
	\$	\$	\$
March 31, 2013	Nil	(300,961)	0.00
December 31, 2012	Nil	(626,683)	0.05
September 30, 2012	Nil	(739,701)	0.00
June 30, 2012	Nil	13,200,726	0.06
March 31, 2012	Nil	(792,285)	0.00
December 31, 2011	Nil	(696,362)	0.00
September 30, 2011	Nil	(505,619)	0.00
June 30, 2011	Nil	(488,100)	0.00

A number of significant one-time and non-cash transactions occurred during the periods presented in the table above which also give rise to the fluctuations in the income (loss) per share. These transactions include:

- During the second quarter of 2012, significant non-cash gains of \$9,236,552 and \$5,000,000 were recognized from the Company's partial disposition of its investment in KGHM Ajax and from a debt extinguishment respectively, both of which occurred pursuant to KGHM exercising its Development Option.
- During the first half of 2011, a significant non-cash gain of \$1,348,827 was recognized with respect to the partial settlement of the Company's contractual obligation to Teck.

## **Liquidity**

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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 is debt free.

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 development partner and shareholders. As of the date of this MD&A, the Company has sufficient resources to fund its anticipated operations and working capital needs for the upcoming twelve months.

Outstanding commitments of the Company includes a three-year lease agreement for office space in Toronto, terminating January 31, 2014 and office lease payments for a Vancouver office which expired on March 31, 2013. The Company's proportionate share of minimum annual rental payments under these office lease arrangements are as follows: Remaining commitments in 2013 - \$38,526; 2014 - \$4,186.

## **Capital resources**

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The Company's primary capital asset is its 20% interest in KGHM Ajax: KGHM Ajax holds 100% of the mineral interests of the Ajax Project. There were no expenditures deferred on mineral interests by Abacus during the three months ended March 31, 2013 and 2012 and also for the years ended December 31, 2012 and December 31, 2011.

On April 2, 2012, as a result of KGHM exercising its Development Option, cash consideration of \$30,159,107 was paid by KGHM to Abacus for 29% of its interest in KGHM Ajax and placed into trust. Under the terms of the Joint Venture Agreement, these funds are required to be held in trust by KGHM Ajax and can only be used to fund Abacus' share of the development activities of KGHM Ajax. Accordingly, these funds of Abacus are presented as restricted cash. As at March 31, 2013, \$25,041,110 remains of the restricted cash held in trust. Subsequent to the quarter end, the Company paid \$3,700,000 from its restricted cash holdings for its share of the expected first-half 2013 development costs of KGHM Ajax pursuant to cash calls received from KGHMI.

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

## **Transactions with related parties**

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Until September 1, 2012, the Company was the Operator of the Ajax Project and was reimbursed for direct costs it incurred as the Operator. The Company offsets amounts recovered against the respective expense item. The Company was reimbursed the following amounts from KGHM Ajax:

<b>Amounts reimbursed to Abacus as the Operator of the Ajax Project</b>	Three months ended March 31, 2013	Three months ended March 31, 2012
Exploration and evaluation, and acquisition expenditures for mineral interests	\$ 3,696	\$ 869,745
Contract wages	4,276	114,522
Office and administrative expenditures	15,394	616,666
Equipment	-	-
	<u>\$ 23,366</u>	<u>\$ 1,600,933</u>

As at March 31, 2013, \$28,857 (March 31, 2012: \$932,559) is due from KGHM Ajax all of which was received by May 13, 2013.

For the three months ended March 31, 2013, consulting fees totalling \$6,000 (March 31, 2012: \$15,000) were charged by a former director of the Company. As at March 31, 2013, included in accounts payable and accrued liabilities is \$nil (March 31, 2012: \$ 5,600) payable to the former director.

#### **Outstanding share data**

As at May 28, 2013, the Company had the following common shares, stock options and warrants outstanding:

Common shares	213,757,611
Stock options	9,510,000
Share purchase warrants	7,223,409

On January 17, 2013, pursuant to the exercise of 200,000 stock options, the Company issued 200,000 shares for cash proceeds of \$20,000.

On January 11, 2013 and February 1, 2013, 335,000 and 800,000 stock options respectively, expired unexercised.

On January 26, 2012, the Company granted 2,670,000 stock options to employees, directors, and officers of the Company. The options have an exercise price of \$0.235 and vest over an 18-month period, exercisable for five years from the date of the grant.

On March 15, 2012, the Company completed a non-brokered private placement for gross proceeds of \$3,178,300 which involved the issuance of 14,446,818 Units at price of \$0.22 per Unit. Each Unit is comprised of one common share and one-half common share purchase warrant. Each full warrant is exercisable to purchase one common share at a price of \$0.32 for twelve months from March 15, 2012. Cash issuance costs of \$215,080 were incurred by the Company in respect of this private placement, resulting in net cash proceeds of \$2,963,220. On March 13, 2013, the TSX Venture Exchange approved the extension of the term of the one-half common share purchase warrants to September 13, 2013. All other terms of the warrants remain the same.

On March 26, 2012, 14,700 agent options were exercised for cash proceeds of \$2,940, which resulted in the issuance of 14,700 common shares and the issuance of 14,700 share purchase warrants. On May 14, 2012, 754,000 agent options were exercised for cash proceeds of \$150,800, which resulted in the issuance of 754,000 common shares and the issuance of 754,000 share purchase warrants.

During the year ended December 31, 2012, pursuant to the exercises of 1,100,000 stock options, the Company issued 1,100,000 shares for cash proceeds of \$150,000.

On December 29, 2012, 1,011,362 agent options and 20,394,508 share purchase warrants expired unexercised.

### 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. On April 17, 2012, Abacus appointed Stifel Nicolaus Canada Inc. ("Stifel") as financial advisor to explore and evaluate potential strategic alternatives to maximize the Company's current 20% interest in the Ajax Project. At present there are no specific transactions being contemplated by management or the Board of Directors 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, restricted cash and contractual obligations as fair value through profit and loss ("FVTPL"); marketable securities as available-for-sale; amounts receivable as loans and receivables; 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), restricted cash, 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 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 in accordance with the fair value hierarchy is as follows:

Fair value hierarchy	Total	Level 1	Level 2	Level 3
<b>As at December 31, 2012:</b>				
Assets				
Funds held in trust with KGHM Ajax	\$ 24,825,918	\$ 24,825,918	\$ -	\$ -
<b>As at March 31, 2013:</b>				
Assets				
Funds held in trust with KGHM Ajax	\$ 24,988,977	\$ 24,988,977	\$ -	\$ -

### Credit risk

The Company manages credit risk, in respect to its 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 is as follows:

Concentration of credit risk and maximum exposure	March 31, 2013	December 31, 2012
Bank accounts	\$ 91,906	\$ 153,626
Temporary investments	1,200,000	1,200,000
Due from KGHM Ajax (Notes 10(a))	28,857	314,032
Restricted cash (Note 7)	25,041,110	24,877,931
	\$ 26,361,873	\$ 1,667,658

### 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 financing and investing activities. As at March 31, 2013, accounts payable and accrued liabilities of \$147,573 (December 31, 2012: \$154,258) are due in the second quarter of 2013. As at March 31, 2013, the Company has sufficient cash and amounts receivable in order to meet these current liabilities and obligations.

### Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to 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.

The Company is not currently exposed to other price risk.

## **Changes in accounting policies**

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The Company's Financial Statements were prepared in accordance with IFRS effective January 1, 2011.

### **Accounting standards adopted during the period**

Effective January 1, 2013, the Company adopted the following new accounting standards and interpretations:

- As of January 1, 2013, Abacus is required to adopt IFRS 11, *Joint Arrangements*, which applies to accounting for interests in joint arrangements where there is joint control. There is no material impact to the company from the adoption of this standard.
- As of January 1, 2013, Abacus is required to adopt IFRS 12, *Disclosure of Interests in Other Entities*, which includes disclosure requirements about subsidiaries, joint ventures and associates, as well as unconsolidated structured entities and replaces existing disclosure requirements. There is no material impact to the company from the adoption of this standard.
- As of January 1, 2013, Abacus is required to adopt IFRS 13, *Fair Value Measurement*. Upon adoption, the Company will utilize 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. There is no material impact to the company from the adoption of this standard.
- As of January 1, 2013, Abacus is required to adopt IAS 28 (2011), *Investments in Associates*. As a consequence of the issuance of IFRS 10, IFRS 11 and IFRS 12, IAS 28 has been amended and will further provide the accounting and will set out the requirements for the application of the equity method. This standard will be applied by the Company when there is joint control or significant influence over an investee. There is no material impact to the company from the adoption of this standard.

### **Accounting standards issued for adoption in future periods**

Certain new accounting standards and interpretations have been published that are not mandatory for the March 31, 2013 reporting period:

- On January 1, 2015, Abacus will be required to adopt IFRS 9, *Financial Instruments*, which 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 FVTPL. IFRS 9 also replaces the models for measuring equity instruments, and such instruments are either recognized at FVTPL or at fair value through other comprehensive income. The Company has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

## **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, 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 currently in the exploration and evaluation 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 Ajax Project is located on the southwest side of Kamloops, BC and is progressing through the preliminary steps of the environmental assessment process administered jointly by the provincial Environmental Assessment Office and the federal Canadian Environmental Assessment Agency. As currently contemplated, some of the Ajax Project's mine components will be entirely or partially within Kamloops City limits, including the north and east waste rock management facilities and tailings storage facility. The proposed infrastructure will be located primarily on private land owned by KGHM Ajax, with some utilization of crown land. The Ajax Project has been designated as a Major Resource Project and constitutes a reviewable project under the Canadian Environmental Assessment Act, in addition to requiring a number of provincial permits before construction can begin. While KGHM Ajax has engaged environmental experts and consultants and is committed to working in consultation with the community, First Nations and government agencies to identify areas of environmental concern, and to developing local policies and procedures that minimize the impact of mining on surrounding areas, there can be no assurance that environmental approval will be granted in a timely manner.

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,

*"James D. Excell"*

James D. Excell, President, CEO & Director