

**ABACUS MINING & EXPLORATION CORP.**  
**Management Discussion & Analysis**

**FORM 51-102F1**

**For the Period Ending**

**December 31, 2005**

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 audited financial statements including the notes thereto for the years ending December 31, 2005 and December 31, 2004.

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 April 26, 2006 ("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. These statements are subject to known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those implied by the forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statements were made, and readers are advised to consider such forward-looking statements in light of the risks as set forth below.

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 junior mining and exploration company actively engaged in the acquisition, exploration and development of mineral resource properties. The Company trades on the TSX Venture Exchange under the symbol AME. As at the date hereof, the Company presently holds options on mineral resource properties in the Afton Mine Camp near Kamloops, British Columbia.

During the twelve month period ending December 31, 2005, the Company received shareholder and court approval for the arrangement to transfer the Company's wholly owned subsidiary, Abacus Alaska Inc. which includes the Niblack property into Niblack Mining Corp. The transfer was recommended to provide greater market awareness and financing opportunities of the Niblack property. Management believes this will be a significant opportunity to increase shareholder value. In addition, the separation of the Niblack property from the Afton property will provide both organizations increased flexibility to utilize and advance their respective assets. Management also feels that by separating its assets into two companies and providing shareholders with proportionate interests in those companies, shareholder value will be further increased.

Under the terms of the arrangement Abacus shareholders retained their shareholdings in Abacus and received one Niblack Mining share for every four shares of Abacus held. The effective date for which the new shares were issued was April 15, 2005. The Company has also loaned \$300,000 to Niblack Mining Corp. As consideration for the loan, the Company received 1,000,000 shares (escrowed) of Niblack Mining Corp.

On November 2, 2005, Niblack Mining began trading on the TSX Venture Exchange under the symbol NIB, having completed a \$1.69 million private placement.

Also in November, the Company signed 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 near Kamloops, B.C. Under the terms of the

## Overall Performance (continued)

agreement with Teck Cominco, the Company will acquire aforementioned assets for a total price of \$28.5-million by issuing 18.5 million shares and paying \$10-million cash. The Company has issued 8.5 million shares to Teck Cominco and will issue five million shares and pay \$5-million cash (\$3.0-million already paid) on or before the first anniversary, and issue an additional five million shares and pay \$5-million cash on or before the second anniversary. 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 acquisition of the mill and infrastructure will provide the Company with a significant competitive advantage in the Afton Mine camp. This includes a significant reduction in the timeline to develop the Rainbow and DM/Audra areas as well as reduce costs to develop any new infrastructure.

During the twelve month period ending December 31, 2005, the Company completed one non-brokered private placement. The Company issued two million flow-through units at a price of \$0.45 per unit to raise gross proceeds of \$900,000. Each unit consists of one flow through share and one half of one share purchase warrant. Each whole warrant can be exercised into one common share at price of \$0.55 for a one year period. The Company also negotiated private loans for the amount of \$450,000. The terms of the loan agreements are for a period of one year bearing an interest rate of 12% per annum, compounded monthly. The Company has also agreed to pay the lenders 450,000 shares at a deemed price of \$0.20 per share as consideration of the loans. Subsequent to the period ending December 31, 2005, the Company repaid all of its outstanding loans.

Administrative expenses before income tax recoveries and excluding stock-based compensation costs, a non cash charge, total \$650,027. Exploration expenditures on the Afton properties during the period total \$563,325. Including exploration amounts from previous periods, the Company has spent over \$4,364,549 on the Afton properties. The plan for 2006 is to complete up to 50,000 metres of diamond drilling program. The scope of the drilling program will be based on the results and recommendations from recent drilling in the Ajax area and the resource study.

## Selected Annual Information

The selected consolidated information set out below has been gathered from annual financial statements for the previous three annual periods:

	Revenues	\$ Net Income/ (Loss)	Earnings (Loss) per share \$	Total Assets \$	Long term debt \$	Cash Dividends \$
<b>2005</b>	-	<b>(1,090,602)</b>	<b>(0.03)</b>	<b>15,219,132</b>	-	-
2004	-	(1,083,598)	(0.03)	5,470,797	-	-
2003	-	(456,578)	(0.03)	2,315,428	-	-
2002	-	(280,428)	(0.02)	597,183	-	-

Since the acquisition of the Afton property in 2001, the activity of the Company with respect to operational expenses and exploration costs, has significantly increased. The increase is primarily due to the favourable market conditions which have afforded the Company the ability to raise a significant amount of funds. For the fiscal periods ending 2002, 2003 and 2004, the Company raised \$782,565, \$2,028,929, and \$3,673,861 through private placements, warrant exercises, and exercise of stock

### **Selected Annual Information (con't.)**

options, respectively. While only \$900,000 was raised in 2005, approximately \$14,500,000 has been raised thus far in 2006. As a result, the monies raised will have a significant impact on the growth of the Company's mineral based assets. Increased exploration expenses on the Afton property has also transpired into a significant increase in operational expenses for management support, consulting services and promotional costs.

As the demand for precious and base metal commodities is expected to remain strong through 2006, management of the Company expects the growth of the Company to continue in a similar manner. While exploration expenditures are expected to be significantly greater in 2006, management will attempt to maintain greater control over its operational expenses.

### **Results of Operations**

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Administrative expenses for the period ending December 31, 2005, including stock-based compensation, total \$1,119,262. Significant expenditures include stock-based compensation charges of \$469,235, a non-cash charge representing approximately 42% of the Company's administrative cost. Consulting and management \$131,379 fees represent a 52.3% decrease from the previous fiscal period as the Company's exploration activity was significantly smaller in 2005. In addition, expenses such as legal and travel also declined given the overall lower level of corporate activity. However, salaries and benefit costs of \$78,310 were approximately 31% greater as the company hired additional administrative staff during the year. While overall administrative costs were lower in 2005, it is anticipated that corporate activity costs stemming from the Company's exploration program will be significantly higher in 2006. Consulting and management fees are expected to be higher over 2004 and 2005 levels and travel costs will increase as the Company's plans to attend investment conferences in both North America and Europe. It is probable that legal fees will increase over 2005 levels given the considerable amount of legal work involved to transfer the Afton assets from Teck Cominco to the Company.

Exploration expenditures during the year totalled \$563,325, most of which was spent on the Iron Mask portion (Ajax) (\$552,237) of the Afton properties. Of that amount, most of the costs were associated with wages (\$273,169), and drilling (\$219,442). Combined with previous periods, \$4,364,549 has been spent on the Afton area properties.

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

The Company held an agreement with Afton Operating Corporation and Teck Cominco to acquire a 100% interest in all of Teck Cominco's interests in 289 mineral claims and 31 Crown grants in the vicinity of the past producing Afton mine. The Company also signed an agreement with Discovery-Corp. Enterprises Inc. ("Discovery") to earn all of Discovery's interest on the Rainbow portion of the claims. In July 2004, the Company met the terms and conditions of the Agreements signed between the company, Teck Cominco Ltd. and Afton Operating Corporation and earned a 100-per-cent interest in Teck Cominco's interests in the Afton properties near Kamloops.

In July 2005, the Company released resource estimates which were completed by Mr. Gary Giroux, a Qualified Person under NI 43-101 guidelines. The resource estimates are based on exploration work completed at the Rainbow and the DM/Audra area. The resource calculations are as follows:

**Results of Operations (continued)**

## RAINBOW RESOURCE MODEL

## Indicated Resource

Cut off (% copper)	Tonnes > cutoff	Copper (%)	Gold (g/t)	Million pounds of copper	Million ounces of gold
0.10	100,600,000	0.237	0.066	525.721	0.2135
0.20	47,100,000	0.345	0.084	358.301	0.1272
0.25	31,600,000	0.405	0.094	282.196	0.0955
0.30	21,900,000	0.464	0.106	224.063	0.0746
0.35	14,800,000	0.532	0.119	173.613	0.0566

## Inferred Resource

Cut off (% copper)	Tonnes > cutoff	Copper (%)	Gold (g/t)	Million pounds of copper	Million ounces of gold
0.10	10,600,000	0.176	0.051	41.136	0.0174
0.20	3,000,000	0.245	0.064	16.207	0.0062
0.25	1,100,000	0.288	0.071	6.985	0.0025
0.30	300,000	0.335	0.096	2.216	0.0009
0.35	100,000	0.374	0.104	0.825	0.0003

## DM/AUDRA RESOURCE MODEL

## Drill Indicated Resource

Cut off (% copper)	Tonnes > cutoff	Copper (%)	Gold (g/t)	Million pounds of copper	Million ounces of gold
0.10	59,900,000	0.217	0.116	286.613	0.2234
0.20	28,500,000	0.295	0.153	185.385	0.1402
0.25	16,200,000	0.350	0.188	125.024	0.0979
0.30	10,100,000	0.396	0.219	88.191	0.0711
0.35	6,300,000	0.437	0.246	60.706	0.0498

## Results of Operations (continued)

### Inferred Resource

Cut off (% copper)	Tonnes > cutoff	Copper (%)	Gold (g/t)	Million pounds of copper	Million ounces of gold
0.10	48,900,000	0.186	0.081	200.554	0.1273
0.20	15,800,000	0.281	0.124	97.898	0.0630
0.25	9,400,000	0.322	0.153	66.741	0.0462
0.30	5,400,000	0.359	0.174	42.746	0.0302
0.35	2,789,000	0.393	0.180	24.168	0.0161

As previously mentioned, the Company signed 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 in November 2005. Under the terms of the agreement with Teck Cominco, the Company will acquire the aforementioned assets for a total price of \$28.5-million by issuing 18.5 million shares and paying \$10-million cash. The Company has issued 8.5 million shares to Teck Cominco and will issue five million shares and pay \$5-million cash (\$3.0-million already paid) on or before the first anniversary, and issue an additional five million shares and pay \$5-million cash on or before the second anniversary. 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. Upon termination of its back-in rights on the Rainbow and DM/Audra properties, Teck Cominco will retain a 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. To date, 8.5 million shares have been issued and \$3.0 million cash has been paid.

### Niblack Project, Alaska

Subject to a 65% back-in right with Teck Cominco Ltd., 1-3% sliding scale NSR with Barrick Gold, and a 15% NPI with Cook Inlet Region Inc., the Company owns a 100% interest in 47 mineral claims on Prince of Wales Island in southeast Alaska.

In December 2004, the Company agreed to a plan of arrangement to a proposal to transfer Abacus Alaska Inc. and the Niblack property into Niblack Mining Corp. On March 15, 2005, the Company received shareholder approval of the proposal and subsequently received approval from the Supreme Court of British Columbia and the TSX Venture Exchange. The transfer was recommended to provide greater market awareness and financing opportunities of the Niblack property. Management believes this will be a significant opportunity to increase shareholder value. In addition, the separation of the Niblack property from the Afton property will provide both organizations increased flexibility to utilize and advance their respective assets. Management also feels that by separating its assets into two companies and providing shareholders with proportionate interests in those companies, shareholder value will be further increased.

In April 2005, the property was transferred into Niblack Mining. In November 2005, Niblack Mining began trading on the TSX Venture Exchange under the symbol NIB. At the year end, the \$1 value attributed to the Niblack property has been written off.

## Summary of Quarterly Results

The selected consolidated information set out below has been gathered from quarterly financial statements for the previous eight quarterly periods:

	Revenue \$	Income (Loss) \$	Income (Loss) per share \$
<b>December 31, 2005</b>	<b>Nil</b>	<b>(\$121,628)</b>	<b>(0.00)</b>
September 30, 2005	Nil	(\$300,286)	(0.01)
June 30, 2005	Nil	(369,391)	(0.01)
March 31, 2005	Nil	(299,298)	(0.01)
December 31, 2004	Nil	(474,189)	(0.01)
September 30, 2004	Nil	(235,834)	(0.01)
June 30, 2004	Nil	(283,213)	(0.01)
March 31, 2004	Nil	(90,362)	0.00

Fluctuations in the Company's expenditures reflect the seasonal variations of exploration and the ability of the Company to raise capital for its projects. In June/September of 2004 and 2005, the Company had significant diamond drilling programs on the Afton property which in turn, raises costs associated with promotion, travel and general expenses. The loss during the most recent period is considerably higher due to the size of the Afton exploration program and stock-based compensation expenses. The drill program in 2006 is expected to be considerably larger therefore expenses are expected to be larger.

## Liquidity

The consolidated financial statements are prepared on a 'going concern' basis, which contemplates that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. As at December 31, 2005, the Company has working capital \$1,040,144 and an accumulated deficit of \$22,183,105. The Company's ability to continue as a going concern is dependent on the ability of the Company to raise equity financing and the attainment of profitable operations.

The Company also had the following share purchase warrants and incentive stock options at the period ending September 30, 2005 available for exercise:

### Warrants

Outstanding as at December 31, 2004	Exercise Price	Expiry Date	Issued	Exercised	Expired	Outstanding as at December 31, 2005
394,744	\$0.24	October 29, 2005	0	(394,744)	0	0
2,903,666	\$0.60	March 30, 2005	0	0	(2,903,666)	0
560,000	\$0.65	March 30, 2005	0	0	(560,000)	0
0	\$0.55	January 13, 2007	1,000,000	0	0	1,000,000
<b>3,858,410</b>			<b>1,000,000</b>	<b>(394,744)</b>	<b>(3,463,666)</b>	<b>1,000,000</b>

## Liquidity (continued)

### Options

Number of Shares	Exercise Price	Expiry Date
225,000	\$ 0.112	June 1, 2006
462,500	\$ 0.16	April 16, 2007
775,000	\$ 0.08	April 4, 2008
750,000	\$ 0.152	September 4, 2008
300,000	\$ 0.288	October 9, 2008
1,500,000	\$ 0.16	September 17, 2009
1,500,000	\$ 0.32	October 23, 2009
200,000	\$ 0.30	December 23, 2009
800,000	\$ 0.28	March 4, 2010
500,000	\$ 0.34	May 20, 2010
7,012,500		

The Company has no long-term liabilities. Outstanding obligations include rent of office space, which is in the second year of a six-year lease.

### 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 8,500,000 shares and paid \$3,000,000.

### 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. The Company paid that contractor \$689,586 (2004 - \$2,907,845) for exploration costs and \$167,796 (2004 - \$279,251) to reimburse office and administrative costs that include management fees of \$78,310 (2004 - \$53,475). As at December 31, 2005 there was \$24,862 advanced to that company.
- (b) A management fee of \$18,000 (2004 - \$29,000) and rent of \$27,147 (2004 - \$29,018) was paid or was owed to a company in which a director is a principal. As at December 31, 2005 there was \$4,067 due to that company.
- (c) The Company shares office and administrative costs with a company with two directors in common. As at December 31, 2005, \$2,146 was due from this company.
- (d) Legal fees in the amount of \$46,297 (2004 - \$42,292) were paid to a firm in which an officer of the Company is a partner.

(d) A director of the Company was paid \$60,000 for consulting services.

### **Proposed Transactions**

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

### **Changes in Accounting Policies including Initial Adoption**

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Effective January 1, 2002, the Company adopted CICA Handbook Section 3870 "Stock-Based Compensation and Other Stock-Based Payments" which originally encouraged, but now requires, the fair value-based method for measuring all stock options granted. The fair value of stock options granted is measured using the Black-Scholes option pricing model and amortized over any applicable vesting periods. Consideration received for the exercise of stock options is recorded as share capital.

During the fourth quarter of 2003, the Company adopted the November 2003 amendments to CICA Handbook Section 3870 "Stock-Based Compensation and Other Stock-Based Payments" which now requires the fair value-based method for measuring all stock options granted. The Company elected for an earlier adoption of these amendments and has prospectively applied the amendments effective January 1, 2003. Accordingly, compensation cost has been recognized for all stock options granted in 2003.

The Company previously elected to apply the intrinsic value method of accounting for stock options granted to employees including directors, whereby no compensation expense is recognized if the exercise price of the stock options equals or is greater than market value, provided the effects of applying the fair value based method are disclosed in the notes as pro-forma information. Under this election, the fair value based method was applied only to stock options granted to non-employees.

### **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

**Risks and Uncertainties (continued)**

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.

On Behalf of the Board,  
ABACUS MINING EXPLORATION CORP.

Doug Fulcher,  
President