ABACUS MINING & EXPLORATION CORP.

Management Discussion & Analysis

FORM 51-102F1

For the Period Ending

June 30, 2006

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 period ending June 30, 2006 and the year ending December 31, 2005.

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 August 27, 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*.

Overall Performance

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 six month period ending June 30, 2006, the Company raised a significant amount of capital through a private placement with a syndicate of agents. The Company issued 20 million units at a price of 60 cents and 3,571,430 flow-through units at a price of 70 cents per unit to raise gross proceeds of $14.5-million. Each unit consists of one common share and one-half of one common share purchase warrant. Each flow-through unit consists of one common share issued on a flow-through basis and one-half of one common share purchase warrant. Each whole warrant will entitle the holder to purchase one additional common share for a period of two years from the closing date at a price of 85 cents.

In March, the Company announced that drilling commenced on the wholly owned copper-gold Afton project located near Kamloops, in south-central British Columbia. Two diamond drill rigs have been commissioned to complete up to 50,000 metres of drilling. The drill program is designed to explore on a property-wide scale that will test deep targets below the Ajax pits and expand the preliminary resources below and on strike at the Rainbow and DM zones. The program is expected to run through to December.

Administrative expenses before stock-based compensation costs, a non cash charge, total $460,479. Exploration expenditures on the Afton properties during the period total $1,605,561 of which $1,013,976 was spent on diamond drilling. Including exploration amounts from previous periods, the Company has spent $18,172,523 on the Afton properties of which $12,179,613 has been spent on the Afton infrastructure and $5,990,436 has been spent in exploration.

Results of Operations

Expenses for the period ending June 30, 2006 total $460,479. Significant expenditures include stock-based compensation charges of $348,325 a non-cash charge representing approximately 61% of the Company's general and administrative costs. Actual expenditures for the period total $178,949. When compared to last year's general and administrative expenditures of $213,561 management has been successful at making a concerted effort to reduce overall administrative costs. Interest income is derived from funds invested in Guaranteed Investment Certificates (GICs).

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.

The Company has an asset purchase agreement with Teck Cominco Limited ("Teck Cominco") to acquire the mill buildings, shop facilities, tailings dam, associated land, permits and back-in rights at the past producing Afton mine. Under the terms of the agreement with Teck Cominco, the Company will acquire the 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.

As previously mentioned, the Company announced that drilling commenced on the wholly owned copper-gold Afton project located near Kamloops, in south-central British Columbia. Two diamond drill rigs have been commissioned to complete up to 50,000 metres of drilling. The drill program is designed to explore on a property-wide scale that will test deep targets below the Ajax pits and expand the preliminary resources below and on strike at the Rainbow and DM zones.

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 $
June 30, 2006	Nil	(460,479)	0.00
March 31, 2006	Nil	(270,623)	0.00
December 31, 2005	Nil	(121,628)	0.00
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)

Fluctuations in the Company's expenditures reflect the seasonal variations of exploration and the ability of the Company to raise capital for its projects. This year the Company will have a 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 stock based compensation expenses.

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. At June 30, 2006, the Company has working capital $9,697,915 and an accumulated deficit of $22,915,467. 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 June 30, 2006 available for exercise:

Warrants

Outstanding as at December 31, 2005	Exercise Price	Expiry Date	Issued	Exercised	Expired	Outstanding as at March 31, 2006
1,000,000	$0.55	January 13, 2007	0	0	0	1,000,000
	$0.75	February 17,2008	2,357,143			2,357,143
	$0.85	February 17, 2008	11,785,715			11,785,715
1,000,000			14,142,858			15,142,858

Options

Options Outstanding

Number of Shares	Exercise Price	Expiry Date
15,000	$0.11	June 1, 2006
102,500	$0.16	April 16, 2007
720,000	$0.08	April 4, 2008
475,000	$0.15	September 4, 2008
300,000	$0.29	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
1,800,000	$0.90	April 7, 2011
7,912,500		

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 $1,611,935,348 (2005 - $207,996) for exploration costs and $167,625 (2005 - $76,379) to reimburse office and administrative costs. As at June 30, 2006, there was $48,671 due to that company.

(b) A management fee of $9,000 (2005 - $9,000) and rent of $15,400 (2005 - $12,436) was paid or was owed to a company in which a director is a principal. As at June 30, 2006, there was $4,066 due to that company.

(c) The Company shares office and administrative costs with a company with two directors in common. As at June 30, 2006, $2,146 was due from this company.

(d) Legal fees in the amount of $51,242 (2004 - $6,063) were paid to a firm in which an officer of the Company5 is a partner.

Proposed Transactions

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

Changes in Accounting Policies including Initial Adoption

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

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

Although the Company has taken steps to verify the title to mineral properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

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

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

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous material and other matters. The Company may also be held liable should environmental problems be discovered that were caused by former owners and operators of its properties and properties in which it has previously had an interest. The Company conducts its mineral exploration activities in compliance with applicable environmental protection legislation. The Company is not aware of any existing environmental problems related to any of its current or former properties that may result in material liability to the Company.

On Behalf of the Board,
ABACUS MINING EXPLORATION CORP.

Doug Fulcher,
President