**SECURITIES & EXCHANGE COMMISSION**
**WASHINGTON, D.C. 20549**

# FORM 20-F

**ANNUAL REPORT PURSUANT TO SECTION 13**
**OF THE SECURITIES EXCHANGE ACT OF 1934**
**(FOR FISCAL YEAR ENDED DECEMBER 31, 1997)**

## ABACUS MINERALS CORPORATION

______________________________________________________________________________
(Exact name of Registrant as specified in its charter)

| | |
|---|---|
| British Columbia | none |
| ___________________________________ | ______________________________ |
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer |

Suite 611, 675 West Hastings Street
Vancouver, British Columbia, Canada, V6B 1N2
______________________________________________________________________________
(Address of principal executive officers)

Registrant's Telephone Number: (604) 682 - 0301

Securities registered or to be registered under Section 12(b) of the Act:

<u>None</u>

Securities registered under Section 12(g) of the Act:

<u>Common shares, no par value</u>

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act

<u>None</u>

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Number of shares outstanding of each of the Issuer's classes of commonstock as of December 31, 1997.

| Class | Outstanding as of December 31, 1997 |
|---|---|
| Common shares without nominal or par value | 21,590,405 |

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

**YES: _____X_____** **NO: ______**

Indicate by check mark which financial statement item the registrant has elected to follow.

**Item 17 _____X_____** **Item 18 ______**

## ABACUS MINERALS CORPORATION

### Introduction

The Company was incorporated as a British Columbia company on October 17, 1983, under the name Hector Resources Inc. The Company changed its name to Abacus Minerals Corporation (hereafter, referred to alternatively as "the Company" or "Abacus") on March 12, 1993, at which time the share capital of the Company was consolidated on the basis of one new share for each four shares previously outstanding, and the authorized capital of the Company was increased to 50,000,000 shares. Effective July 18, 1996, the authorized share capital of the Company was increased to 100,000,000 shares. Unless otherwise specified, all references in this Report to Common Shares shall mean the post-consolidated shares of the Company.

The Company's head office address is Suite 611, 675 West Hastings Street, Vancouver, British Columbia, V6B 1N2. The registered office of the Company is situated at Suite 1650, 999 West Hastings Street, Vancouver, British Columbia V6C 2W2. The Common Shares are listed and posted for trading on the Vancouver Stock Exchange. An application is pending for listing on the Toronto Stock Exchange.

The Company holds its interest in its Alaskan property interests through its wholly-owned subsidiary, Abacus Alaska, Inc. ("Abacus Alaska"), an Alaskan corporation. The Company does not have any other direct or indirect subsidiaries. Unless the context otherwise requires, references to "Abacus" or the "Company" in this Report, in relation to its Alaskan property interests, shall be deemed to include Abacus Alaska.

Unless otherwise indicated, all references to dollars ($) in this Report mean Canadian dollars. All references to "tons" shall mean "short" or imperial tons. A metric "tonne" is the equivalent of approximately 1.1023 short tons. Generally, the expression "g/t" means "grams per tonne," which is the equivalent of 0.0292 ounces per ton.

### Item 1. Description of Business Of Abacus

Abacus is engaged in the acquisition, exploration and development of natural resource properties. In 1995, Abacus purchased a 100% interest in 185 claims and a 38% interest in two claims, all known as the Niblack Property, located on Prince of Wales Island in southeastern Alaska. In 1997, Abacus acquired the remaining percentage interests in the latter two claims. During 1995 and 1996, Abacus completed Phases I through IV of a proposed multi-phase drilling program, drilling a total of 47,000 feet on the Niblack Property, in an effort to establish the continuity and extent of mineralization identified on the Niblack Property by previous owners.

In 1997, the Company concentrated its efforts on the Lookout Zone of the Niblack Property, which had produced the most promising assays in the Company's 1995 and 1996 drilling programs. During the year, the Company drilled an additional 33,000 feet, in 37 drill holes, at a cost of $3,540,530. The Company intends, beginning in the summer or early fall of 1998, to commence an advanced stage underground exploration program on the Niblack Property, which is described in more detail below.

In March 1997, the Company acquired the right to earn a 100% interest in each of six "Cateos", or exploration mining concessions, comprising what are referred to herein as the Argentina Properties, in Santa Cruz, Argentina. The Company commenced exploration activities on the properties in the fall of 1997, extending into the spring of 1998, as further described below.

In early 1998, the Company applied for two mineral exploration concessions from the Country of Portugal, covering 190.5 square kilometers located in southern Portugal, in what is known as the South Portuguese Zone of the Iberian Pyrite Belt; and the Company has entered into a Joint Venture agreement with Phelps Dodge Exploration Corporation for the exploration of these concessions

Prior to 1995, Abacus acquired interests in thirteen other mineral prospects in British Columbia and Alaska over which it carried out modest exploration work. It subsequently abandoned its interests in all of these properties (see “Management’s Discussion and Analysis of Financial Condition and Results of Operation”), with the exception of the Forrest Property in the Liard Mining Division of British Columbia and the Ruby Tuesday Property located in southeast Alaska. The Company has an option to acquire a 100% interest in the Forrest Property. Abacus owns a 100% interest in the Ruby Tuesday Property and has granted an option to a third party to earn a 100% interest in that Property. Abacus does not currently intend to incur any direct costs on either the Forrest Property or the Ruby Tuesday Property.

**Niblack Property, Alaska**

Pursuant to an agreement dated April 7, 1995, as amended by a supplemental agreement dated May 15, 1995 and an amending agreement dated October 19, 1995 (collectively, the "Lac Purchase and Option Agreement"), with Lac Minerals (USA) Inc. ("Lac"), a wholly-owned subsidiary of Barrick Gold Corporation ("Barrick Gold"), Abacus was granted an option to acquire 100% of Lac's interest in the Niblack Property, a volcanogenic massive sulphide project in southeastern Alaska. The Niblack Property consists of 187 claims, and was previously owned as to 70.49% by Lac and 29.51% by Noranda Exploration, Inc. ("Noranda"). On March 13, 1995, Abacus acquired Noranda's 29.51% interest for a payment of $50,000, the issuance of 100,000 Common Shares, and the agreement to issue a further 100,000 Common Shares upon a decision to place the Niblack Property into commercial production.

On May 25, 1995 (pursuant to extensions of time granted by Lac), Abacus exercised its option to acquire Lac's interest (bringing the Company's interest in the Niblack Property to 100%), by paying Lac $200,000, issuing Lac 400,000 Common Shares and granting to Lac an option to purchase 4,000,000 Common Shares on the following basis:

(a) 1,000,000 Common Shares at $1.00 per share, exercisable at any time up to December 31, 1995 (which option expired without being exercised);

(b) 1,000,000 Common Shares at $2.00 per share, exercisable at any time up to December 31, 1996 (which option expired without being exercised);

(c) 1,000,000 Common Shares at $3.00 per share, exercisable at any time up to December 31, 1997 (which option expired without being exercised); and

(d) 1,000,000 Common Shares at $4.00 per share, exercisable at any time up to December 31, 1998.

In addition, Abacus agreed to:

(a) complete 3,000 meters of diamond drilling on the Niblack Property by April 18, 1996, which drilling has been completed;

(b) deliver to Lac a further 600,000 Common Shares within 30 days of the completion of the 3,000 meter drill program referred to in (a), which Common Shares have been issued and delivered;

(c) expend a total of $2,000,000 on exploration on the Niblack Property, including the cost of the 3,000 meters of diamond drilling specified in (a) above, by April 18, 1998, which amount has been expended;

(d) deliver to Lac a further 400,000 Common Shares upon the making of a production decision, which Common Shares have not been delivered; and

(e) execute and deliver to Lac a sliding scale net smelter return royalty, providing for the payment to Lac of a royalty ranging between 1% and 3% based on the profitability of any portion of the Niblack Property.

In the event of a default by the Company in respect of any of the above conditions, Lac has the right, upon written notice of default to the Company and failure by the Company to remedy such default within the permitted period, to require the Company to return Lac's interest in the Niblack Property.

Lac has the right to place a representative on the Company's Board of Directors, and to participate (pro-rata to its share interest) in future share issuances, so long as Lac's shareholdings are not less than 10% of the outstanding shares of the Company. At the present time, Lac holds less than 10% of the outstanding shares of the Company.

By agreement dated May 3, 1996 (the “Royalty Purchase Agreement”), Abacus acquired from Pacific Northwest Resource Co. ("PNC") a 5% net profits interest in the Niblack Property held by PNC, in consideration for which Abacus paid US$20,000, issued 40,000 Common Shares and agreed to issue a further 60,000 Common Shares to PNC upon the making of a production decision on the Niblack Property.

Pursuant to a letter agreement dated November 2, 1995 (the "Teck Letter Agreement"), Teck Corporation ("Teck"), a Canadian public company listed on the Toronto and Vancouver stock exchanges, and which is one of the world's 30 largest mining companies, subscribed to 375,000 Common Shares of the Company at a price of $1.00 per share. Additionally, a formal agreement dated February 27, 1996 (the "Share Purchase and Option Agreement") was entered into between the Company, Abacus Alaska, Teck and Teck Resources Inc. ("TRI"), a subsidiary of Teck. Pursuant to the Share Purchase and Option Agreement, Teck subscribed to a further 1,600,000 Common Shares at a price of $1.50 per share, and the Company agreed to utilize at least 85% of the proceeds therefrom to complete further exploration on the Niblack Property. The Company fulfilled its obligations in said regard.

The Share Purchase and Option Agreement provides that Teck has the right to earn a 51% interest in the Niblack Property by funding and completing a final feasibility study and delivering to Abacus a commitment to place the Niblack Property into production within three years after the delivery by Abacus of a preliminary feasibility report, to be delivered by June 30, 1998. If the Company does not complete and deliver a preliminary feasibility report by that date, Teck is entitled to produce a preliminary feasibility report, to be funded by subscriptions, by Teck or TRI, for Common Shares of the Company at a price equal to 85% of the then market price of the Common Shares

The Company intends, at this time, to commence an advanced stage underground exploration program at the Lookout Zone on the Niblack Property, beginning in the summer of 1998, and does not presently intend to undertake a preliminary feasibility study prior to the completion of that program. Teck has indicated that it fully supports the intended underground program, and the Company, accordingly, is confident that Teck does not desire an earlier preliminary feasibility study.

The underground exploration program which the Company intends to commence in the summer of 1998 is estimated to cost in the range of $6,000,000. This program is anticipated to include 1,200 meters of road building; the upgrading of camp facilities; the construction of a main crosscut tunnel, approximately 9' in width and 9' in height, and approximately 3,000 meters in length, starting from an adit in the area of the Mammoth Showing to the north of the Lookout Zone, at an elevation of approximately 300 feet above sea level, and extending under the lowest level of the Company's drill intercepts (to date) in the Lookout Zone to just south of the southern extent (along east-west strike) of the Lookout Zone's mineralization defined to date; and drifts totalling approximately 2,000 feet in length angling off the western end of the tunnel in an east-west direction. It is the intention of the Company to conduct approximately 10,000 feet of core drilling downward from these drifts, to test for mineralization in the Lookout Zone at lower depths.

Permits from the federal and state governmental regulatory authorities, ito conduct the underground exploration program, have just been received.

The Share Purchase and Option Agreement between the Company and Teck, discussed above, provides for the right of Teck to participate in further equity financings by the Company (pursuant to which Teck purchased 500,000 Special Warrants in the offering of 3,550,000 Special Warrants by the Company in 1996, and another 500,000 Special Warrants in the offering of 3,500,000 Special Warrants by the Company in 1997, as described in more detail below); the right to nominate one director at such time as Teck has a 5% or greater interest in the Company (pursuant to which it has nominated Ken Thorsen, General Manager - Exploration, Teck Corporation, who currently sits on the Company's Board of directors); and a right of first refusal with respect to the Niblack Property should the Company elect to dispose of its interest.

The Company is conducting its current exploration activities on the Niblack Property in close coordination with Teck, which is maintaining a representative at the Niblack Property during the conduct of the Company's exploration there.

Management of the Company estimates that no less than $16,000,000 in total exploration expenses (exclusive of general and administrative expenditures) will be required on the Niblack Property before the Company is able to determine whether there are sufficient indicated and inferred resources on the Niblack Property to justify a preliminary feasibility study as to the feasibility of bringing a mine to production on the Property; and that the costs of such a preliminary feasibility study may cost an estimated one to two million dollars. To date, the Company has expended approximately $10,000,000 (exclusive of acquisition costs) in direct exploration costs on the Niblack Property. The underground program, which is anticipated will begin in July or August of 1998, may take approximately six to eight months to complete, at an estimated cost of $6,000,000.

**Argentina Properties**

Barrick Gold Corporation ("Barrick"), through its subsidiary Barrick Exploraciones Argentina S.A., and the Company have reached an agreement in principle (which is incorporated into a written letter agreement not yet executed, dated April, 1998 from Barrick Exploraciones Argentina S.A. to Abacus), modifying an earlier letter agreement dated March 5, 1997, pursuant to which Barrick has granted the Company the right to earn a 100% interest in each of six "Cateos," or exploration mining concessions, located in Santa Cruz, Argentina and referred to collectively as the Argentina Properties. Of the six cateos comprising the Argentina Properties, one is known as the La Manchuria Cateo and the other five are collectively referred to as the Patagonia Cateos.

To earn a 100% interest in each of the cateos comprising the Argentina Properties, the Company is required to:

(a) incur aggregate exploration expenditures of US$2,750,000 on the Argentina Properties, as follows:

  (i) US$500,000 by December 31, 1998 (the “Year I Option Period") of which US$350,000 must be spent on the La Manchuria Cateo;

  (ii) a further US$1,000,000 by December 31, 2000 (the "Year III Option Period ”); and

  (iii) a further US$750,000 by December 31, 1999 (the “Year II Option Period”);

  (iv) a further US$500,000 by December 31, 2001 (the "Year IV Option Period").

(b) issue to Barrick common shares of Abacus as follows:

  (i) 50,000 Common Shares upon execution of the written agreement.

  (ii) 100,000 shares in respect of the La Manchuria Property upon approval by the Vancouver Stock Exchange of such issuance, based upon a geotechnical report filed by Abacus recommending further work on the La Manchuria property.

  (iii) 50,000 shares in respect of the La Manchuria Property within 60 days after the end of each of the Year II and Year III Option Periods, conditional upon Abacus obtaining a geotechnical report recommending further exploration of the property and approval of the Vancouver Stock Exchange to such issuance.

  (iv) 200,000 shares in respect of the La Manchuria Property within 60 days after the end of the Year IV Option Period, conditional upon Abacus obtaining a geotechnical report recommending further exploration of the property and approval of the Vancouver Stock Exchange to such issuance.

  (v) 10,000 shares in respect of each of the five Patagonia Properties within 60 days of the end of each of the Year I, Year II, Year III Option Periods.

  (vi) 200,000 shares in respect of each of the five Patagonia Properties within 60 days of any decision to put such property into production.

The agreement in principle provides that if Abacus fails to make the minimum exploration expenditures as above provided, it shall forfeit its option rights with respect to the Argentina Properties. If it fails to make option payments (i.e. issuance of shares) with respect to any of the Argentina Properties, the Company's option rights with respect to that property shall terminate.

The agreement in principle provides that after Abacus has made the total cumulative minimum exploration expenditures provided above, Barrick has the right to elect to retain a 50% interest in the Argentina Properties by contributing $3,750,000 to a Joint Venture Company in which Barrick and the Company will each have a 50% interest. After the funds contributed by Barrick have been spent, each party shall share in future expenditures of the Joint Venture proportionately to its interest, and in the event of its failure to do so, its interest in the Joint Venture shall be reduced proportionately. The Board of Directors of the Joint Venture shall be comprised of two persons nominated by each party, provided that if a party's interest in the Joint Venture is reduced to 25% or less, that party shall only be entitled to nominate one person to the Board of Directors. If a party's interest is reduced to 10% or less, that party's remaining interest in the Joint Venture shall be redeemed in exchange for a 1% net smelter royalty.

The agreement in principle further provides that Abacus shall be the Operator of each of the Argentina Properties, on behalf of the Joint Venture, until a decision to commence commercial production in respect of that property has been made; and that thereafter Barrick shall be the Operator with respect to such property.

If Barrick does not elect to retain a 50% interest in the Argentina Properties, by contributing $3,750,000 to a Joint Venture, it will be entitled to retain a net smelter royalty of 3% in the properties.

In the fall of 1997, the Company conducted geophysical surveys, mapping, soil sampling, rock sampling, trench sampling and LandSat imagery on the La Manchuria cateo, which is the most promising of the six Argentina properties. In the spring of 1998, the Company conducted two phases of drilling on the La Manchuria cateo. The results of the foregoing exploratory activities are described in Item 2 hereof.

To date, the Company has expended approximately $900,000 in exploration (exclusive of administrative expenditures) on the Argentina properties. The Company is very encouraged by the results of its drilling to date, and expects to conduct further exploratory drilling in the late summer or early fall of 1998.

## Portugal Properties

In early 1998, the Company applied for two mineral exploration concessions from the Country of Portugal, covering 190.5 square kilometers located in southern Portugal, in what is known as the South Portuguese Zone of the Iberian Pyrite Belt.

The Iberian Pyrite Belt is regarded as one of the largest known areas of massive sulphide mineralization in the world, and hosts more than ninety known base-metal deposits. The concessions are adjacent to the Neves Corvo Mine, a significant copper mine owned by Rio Tinto Mining Company and the government of Portugal. The Company's application to the Portuguese government is still pending, but management expects approval.

The Company's application was supported by Phelps Dodge Exploration Corporation of Delaware, U.S.A., and the Company has entered into a Joint Venture Agreement with Phelps Dodge whereby Phelps Dodge has the right to earn a 70% interest in the above-described Portuguese concessions by funding the first $7,000,000 U.S. of exploration and/or development expenditures over a six-year period.

Once Phelps Dodge has earned its 70% interest, the Joint Venture Company will be owned 70% by Phelps Dodge and 30% by Abacus, and expenditures incurred thereafter are to be funded by the parties proportionately to their respective interests in the Joint Venture Company. To the extent Abacus is not able or willing to fund its proportionate share, its interest will be reduced. The Board of Directors of the Joint Venture Company will be comprised of 3 members chosen by Phelps Dodge and 2 members chosen by Abacus.

## Forrest Property, British Columbia

Pursuant to an agreement dated April 12, 1993 (the "Forrest Agreement") between Steve Todoruk, Douglas Fulcher, Robert Darney, Charles Kendall Ikona and Kevin Milledge (collectively, the "Forrest Syndicate") and the Company, the Company has an option to acquire a 100% interest in 15 mineral claims (the "Forrest Property"), located in the Liard Mining Division of British Columbia.

Steve Todoruk is the President and Chief Executive Officer of Abacus and Douglas Fulcher is a director of Abacus. The five members of the Forrest Syndicate are also the owners of Pamicon Developments Ltd. ("Pamicon"), an exploration services contractor through which the Company has contracted, and continues to contract, for its exploration activities.

To earn its interest in the Forrest Property, the Company is required to:

(a) pay $25,000 to the Forrest Syndicate upon execution of the Forrest Agreement, which has been paid;

(b) issue 50,000 Common Shares to the Forrest Syndicate, which have been issued;

(c) pay to the Forrest Syndicate $25,000 per annum, commencing July 15, 1994, until a feasibility study has been prepared and thereafter pay $50,000 per annum. The July 15, 1994 payment was postponed to January 15, 1995, and paid. The Forrest Syndicate has agreed to defer further payments until further notice;

(d) issue to the Forrest Syndicate 150,000 Common Shares in tranches of 50,000 Common Shares each, upon completion of each phase of a three-phase exploration program, all of which Common Shares have been issued;

(e) incur $500,000 in exploration or development expenditures on the Forrest Property by December 31, 1997, which amount has been incurred through the expenditures of Meridian Peak Resources, Inc. to whom the Company granted an option, as described below;

(f) upon the commencement of commercial production issue a further 200,000 Common Shares to the Forrest Syndicate and pay a 2% net smelter royalty, reducing to a 1% net smelter royalty after an aggregate of $1,000,000 has been paid; and

(g) pay to the Forrest Syndicate 80% of any initial consideration and 50% of subsequent consideration from any options to third parties, to a maximum of $250,000.

During 1994, the Company granted to Meridian Peak Resources, Inc. ("Meridian") an option to acquire 50% of the Company's interest in the Forrest Property. To earn its interest, Meridian was required to make cash payments to the Company of $15,000 initially (which was paid) and $60,000 in subsequent payments to the Company over three years ($40,000 of which was paid); issue 50,000 of its common shares to the Company initially (which were issued), and 150,000 additional shares to the Company, in stages related to work carried out on the Forrest Property (100,000 of which were issued); and incur a total of $1,150,000 in exploration expenditures on the Forrest Property ($450,000 by December 31, 1996, $750,000 prior to December 31, 1997, and the remainder prior to December 31, 1998). Meridian reports that it spent in excess of $500,000 in exploration on the property prior to December 31, 1996. In June of 1997, Meridian relinquished its option.

The payments of cash and issuance of stock by Meridian to the Company, as described in the previous paragraph, were subject to the obligation, described above, to pay percentages thereof to the Forrest Syndicate. Accordingly, Abacus paid $32,000 and delivered 90,000 Meridian shares to the Forrest Syndicate, from the above-stated payments and shares received from Meridian.

A director and the senior officer of Meridian, Lawrence D. Barr, is also a director of Abacus. Meridian is a public company, incorporated in the Province of Quebec, and reports its principal activity to be the acquisition, exploration and development of mineral properties.

**Ruby Tuesday Property, Alaska**

Abacus has acquired a 100% interest in 110 unpatented lode mining claims (the "Ruby Tuesday Property"), located on the west side of South Arm Cholmondeley Sound, Prince of Wales Island, Alaska. It acquired its interest in these claims from Lac and Noranda under the same agreements whereby the Company acquired its interest in the Niblack Property. No additional consideration is payable by the Company. Pursuant to an agreement dated August 10, 1995 (the "Ruby Tuesday Option Agreement") between the Company and Island-Arc Resources Corporation ("Island-Arc"), Island-Arc was granted the right to earn all of Abacus' interest in the Ruby Tuesday Property by:

(a) making total cash payments of $175,000 to the Company over the four years following the date of the Ruby Tuesday Option Agreement;

(b) incurring $3,000,000 in exploration expenditures on the Ruby Tuesday Property by December 31, 1999;

(c) providing to the Company the option, after such exploration expenditures have been made, to either participate as to 20% in a joint venture to develop the property (by paying 20% of future costs) or to retain a 12.5% net profits royalty interest in the property; and

(d) accepting 400,000 common shares of any third party which farms in on the property.

Island Arc is currently in default in makings its required cash payments to the Company, as provided in (a) above; and Island-Arc is in negotiation with the Company as to a possible extension of the time for completing that obligation.

A director and the senior officer of Island-Arc, Lawrence D. Barr, is also a director of Abacus. Island-Arc is a public company, incorporated in British Columbia, and reports its principal activity to be the acquisition, exploration and development of mineral properties.

Island-Arc has granted to another Canadian public company, Warner Ventures Ltd., an option to earn 50% of Island-Arc's interest in the property by fulfilling Island Arc's exploration obligations set forth above. It was reported to the Company that Warner Ventures, Inc. expended approximately $180,000 on exploration as of June, 1997, and desired to continue with further exploration, subject to obtaining necessary funding to do so. During the last year, no further exploration has been conducted on the property, to the knowledge of the Company.

## Item 2. Properties

Abacus currently has interests in the following mineral properties: the Niblack Property located on Prince of Wales Island in southeast Alaska; the La Manchuria, La Sarita, Sarita Sur, Cerro Negro, Cerro Moro and Rio Oro Properties in Santa Cruz Province, Argentina; the Forrest Property located in the Liard Mining Division of British Columbia; and the Ruby Tuesday Property located in southeast Alaska. Abacus has also applied for two mineral exploration concessions from the Country of Portugal, covering 190.5 square kilometers located in southern Portugal, in what is known as the South Portuguese Zone of the Iberian Pyrite Belt.

### Niblack Property

#### *Location and Access*

The Niblack Property comprises 150 federal lode claims, 19 tideland claims, and 18 patented claims, for a total of 3,500 acres, located in the geographic region referred to as Southeast Alaska. The Niblack Property is situated in typical glaciated coastal rainforest, adjacent to the deep tide water Niblack Anchorage, on Prince of Wales Island about thirty miles southwest of Ketchikan, Alaska. Access to the Niblack Property from the supply centre at Ketchikan is via float plane, boat or helicopter. Within the Niblack Property, access from the camp at Niblack Mine to much of the property may be by foot, while the remainder of the property is best reached by helicopter.

#### *Ownership*

Abacus owns a 100% interest in 187 claims comprising the Niblack Property. Teck holds an option to earn a 51% interest in the Niblack Property from Abacus, by completing and funding a feasibility study, after delivery by Abacus of a preliminary feasibility study, and bringing the Niblack Property into commercial production. See "Business of Abacus".

Lac retains a sliding scale net smelter return royalty, providing for the payment to Lac of a royalty ranging between 1% and 3% based on the profitability of any portion of the Niblack Property. A 15% net profits interest exists on the Niblack Property, to Cook Inlet Regional Inc., an Alaskan Native Corporation.

***Geology***

The Niblack Property appears to be underlain with volcanic rock of the late Precambrian age. This rock is comprised of structurally complex folds of "mafic" and "felsic" rock. Sulphide mineralization is found within the felsic rock.

At various locations on the Niblack Property, significant indications of copper and/or zinc sulphide mineralization, as well as significant indications of gold mineralization, have been found within felsic host rock of the "rhyolite volcaniclastic" type. These locations include the Lookout Mountain, Niblack Mine, Dama and Lindsay areas, as well as the Mammoth showing, where exploratory activity has been undertaken by the Company.

Exploration to date by the Company in the Lookout Mountain area of the Niblack Property indicates that the rock in this area contains significant massive-sulphide mineralization (i.e. 50% or greater concentration of sulfides) and semi-massive sulphide mineralization (i.e. 30% to 50% concentration of sulfides), which in turn is comprised of significant indications of copper and/or zinc sulphide mineralization, on three different levels (zones). These zones have been denominated the "C", "A" and "M" zones. In these zones, there are also significant indications of gold mineralization. The Company's exploration has also indicated that closer to surface, there is a zone, which has been denominated the "Gold" zone, which does not contain significant massive or semi-massive sulfides mineralization, but which contains significant indications of gold mineralization, together with lesser indications of copper and zinc sulphide mineralization.

To date, the Company's exploration drill holes at Lookout Mountain have been along a strike length (east to west) of approximately 1200 feet (spanning a width of approximately 600 feet), and have intersected copper and zinc mineralization over a vertical extent (from the highest level above sea-level to the lowest) of 800 feet. Geological reports issued to the Company indicate that sulphide mineralization is "open" down dip and in both directions along strike, meaning that there is no indication in the holes drilled by the Company that there is not a continuation of mineralization to the east or west, along strike, and that there is no indication, in the holes drilled by the Company, that mineralization does not extend to lower levels above sea level than established through holes drilled to date.

Exploration of the Lookout Mountain area, together with the "Trio" zone approximately 300 metres to the east, has enabled an independent consulting geologist, G. R. Peatfield, Ph.D., P. Eng., retained by the Company to prepare a report in support of the Company's application for listing on the Toronto Stock Exchange, to calculate (as of November, 1997) a drill "indicated", i.e. "probable", resource at these areas of 487,000 metric tonnes (or 536,820 (short) tons), containing an average of 0.1085 oz. of gold and 1.54 oz. of silver per ton, and containing an average of 1.3% copper and 2.25% zinc, as well as a substantially larger "inferred" resource within larger perimeters from the drill holes than the "indicated" resource.

The foregoing report is an update, integrating the 1997 drilling results of the Company's exploration program, of a report prepared by Georginia Price, MSc, PGeo., in March of 1997 (based on the Company's drilling results through 1996), which calculated a drill "indicated", i.e. "probable" resource at the Lookout Mountain area of 415,000 metric tonnes (or 457,455 (short) tons) containing an average of 0.117 oz. of gold and 1.51 oz. of silver per ton, and containing an average of 1.1% copper and 1.7% zinc., as well as an "inferred" resource within larger perimeters from the drill holes than the "indicated" resource. The resources calculated by Ms. Price were outlined in a preliminary prospectus dated April 30, 1997, filed by the Company with the Superintendants of Brokers of British Columbia, Ontario, and Manitoba Provinces, in order to qualify for trading various common shares and share purchase warrants sold to investors in Canada on March 13, 1997.

Mr. Peatfield stated the following in his reports, with respect to his calculation of the "indicated", i.e. probable, and "inferred", i.e. possible, resource: "It must be emphasized that the 1996 and 1997 estimates cannot be regarded as reserves, because there is no positive feasibility study in place. The material would best be called "mineralization" under the terms of National Policy 2-A or "Mineral Resources" under guidelines recently published by the Canadian Institute of Mining Metallurgy and Petroleum's Ad Hoc Committee on Reserve Definitions (CIM, 1996)." A substantially identical statement was contained in Ms. Price's report, together with the statement that "The mineralized material in the estimate would be best translated as probable and possible mineralization as defined by National Policy 2-A, or as "Indicated Resource" and "Inferred Resource" as defined by CIM."

It is management's objective to define a drill indicated <u>and</u> inferred resource, at the Lookout Zone, of 5,000,000 tons of ore with gold, silver, copper and zinc content approximating $100/tonne at current market prices, at which point it would likely conduct a pre-feasibility study of the economics of putting a mine into production. Management is hopeful that the underground program to be commenced in the summer of 1998 can result in the definition of such quantification of resources.

A preliminary feasibility study, when and as conducted by the Company, will study the economics of mining the reported resources, in terms of factors such as accessibility of the minerals, the recovery percentages of the various minerals, the methodology of extracting minerals from the ore, and the feasibility of removing any contaminants from the ore. Although preliminary metallurgical testwork, as to recovery rates for base and precious metals, has been encouraging, it must be emphasized that such testwork has been preliminary only, and substantial further work remains to be done.

Although the current focus of the Company's exploration efforts are on the Lookout Mountain area, other areas on the Niblack Property constitute intended targets for future exploration. Surface expressions and preliminary drilling at the Mammoth showing, approximately 2,000 feet north-east of the Lookout Mountain area, indicate similarities to the stratigraphy of the host rock found at the Lookout Mountain area, and suggest that the Mammoth location and the Lookout Mountain area may be on different limbs of the same syncline (the i.e. the same deposit when originally laid down or formed). Likewise, preliminary drilling below the Lindsy/88 showing, approximately 2,000 feet southeast of the Lookout Mountain area, suggests that the host rock there may also be of the same syncline as the Lookout Mountain area of the Property. The Company has also found surface expressions of boulders containing significant copper and zinc content at the Lindsy/88 showing. Accordingly, the Mammoth and Lindsy/88 areas constitute targets of the Company for future exploration.

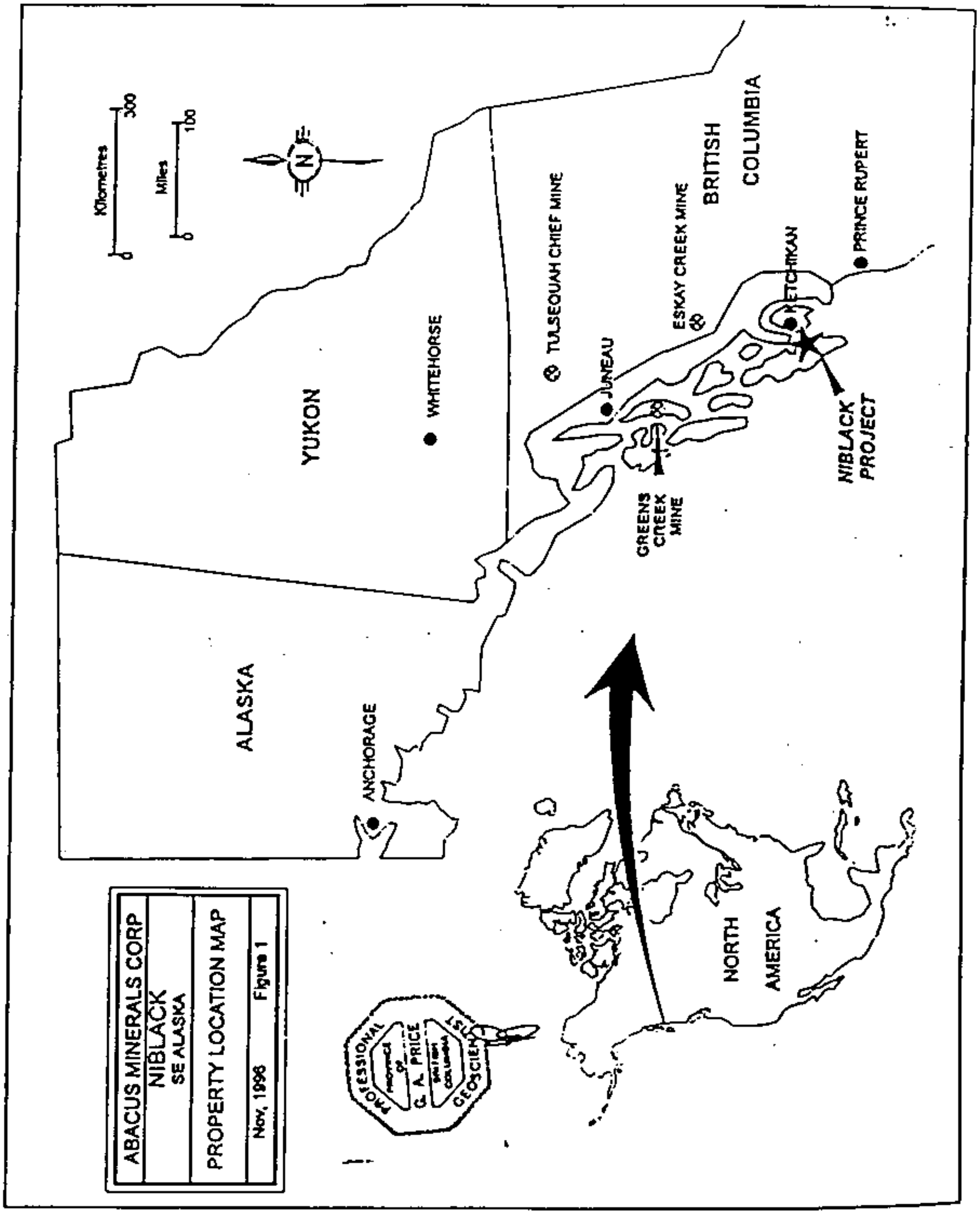
The results of drilling at the "Niblack Mine" area of the Property in Phases I and II, undertaken by the Company during 1995, were also encouraging to the Company, although results in 1996 were less successful. Although the drilling accomplished by the Company at the Niblack Mine area has not indicated whether there is continuity of mineralization, the Company believes that further drilling is definitely warranted in order to properly test for such continuity. At the "Dama" area, the Company has found the stratigraphy to be very complex; and therefore, the results of drilling inconsistent, with several holes intersecting no significant mineralization. However, certain intersections encountered in a hole drilled by the Company in 1995, as well as a previously reported hole, were highly encouraging, including one hole that assayed at an average of 6.99% copper, 7.50% zinc, 0.014 oz./ton gold, and 1.7 oz./ton silver over a 48.5 foot core sample. Accordingly, the Company intends to conduct future exploratory activities at the Dama area of the Property.

The Company will also likely conduct further drilling from surface at the Lookout Area, either coincidentally with, or following, the underground program to be conducted in 1998. Such additional drilling could either be further along strike or down dip, or could constitute in-fill drilling to elevate "inferred" resources to the "indicated" or probable category.

Were a mine to be developed to production, after the completion of preliminary feasibility and final feasibility studies, the costs thereof could be in the range of 75 to 100 million dollars. Teck Corporation, as above described, has the right to earn a 51% share in the Property by funding and completing a final feasibility study and delivering to Abacus a commitment to place the Niblack Property into production, within three years after the delivery by Abacus of a preliminary feasibility report. However, Teck has no obligation to fund such a project.

The following pages depict the location of the Niblack Property, the location of principal drilling areas on the Niblack Property, cross-sections of the Lookout Area, where the Company is concentrating its efforts, and a Drill Plan Map with respect to the Lookout Area.

Niblack Property Location Map



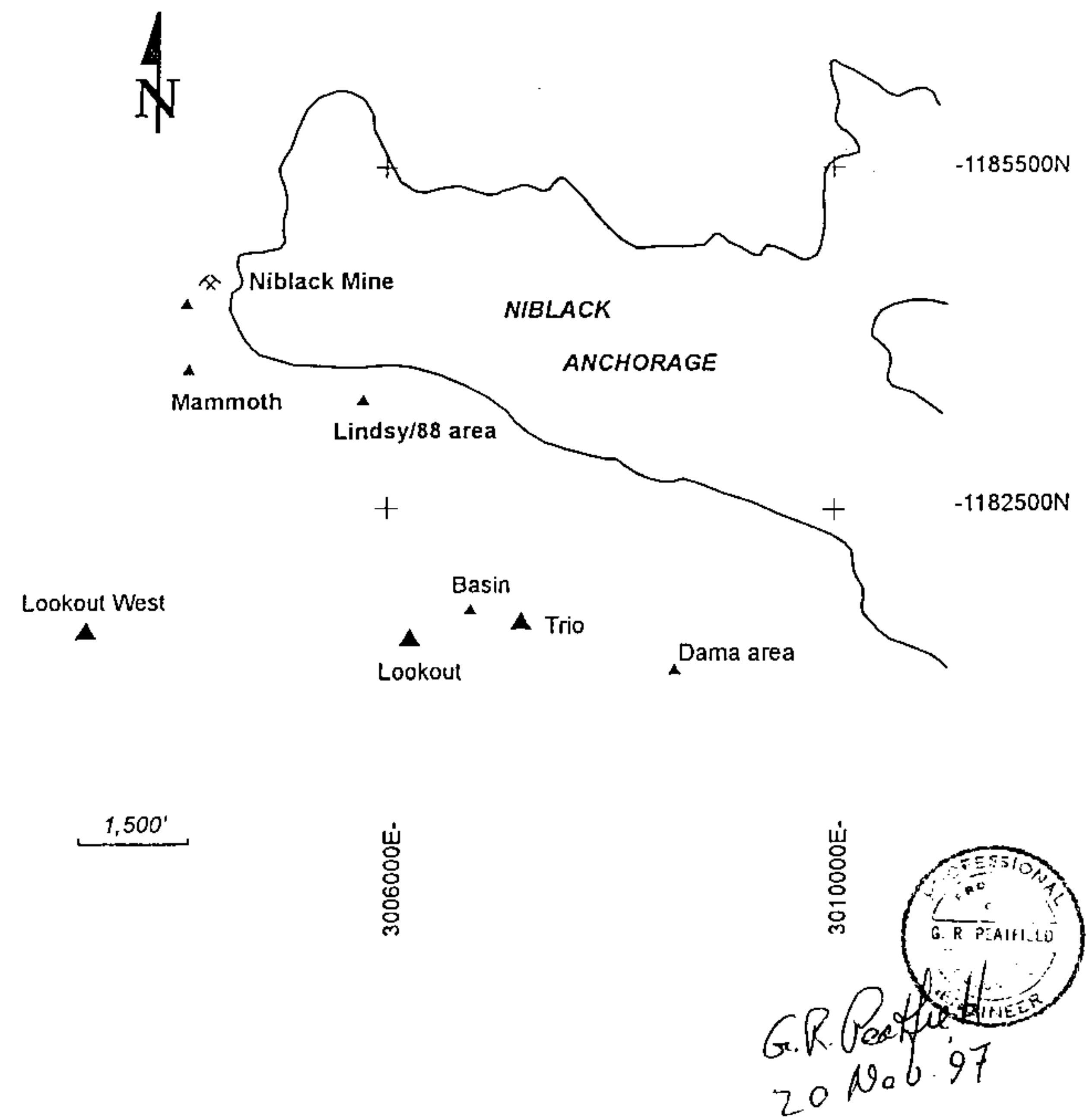
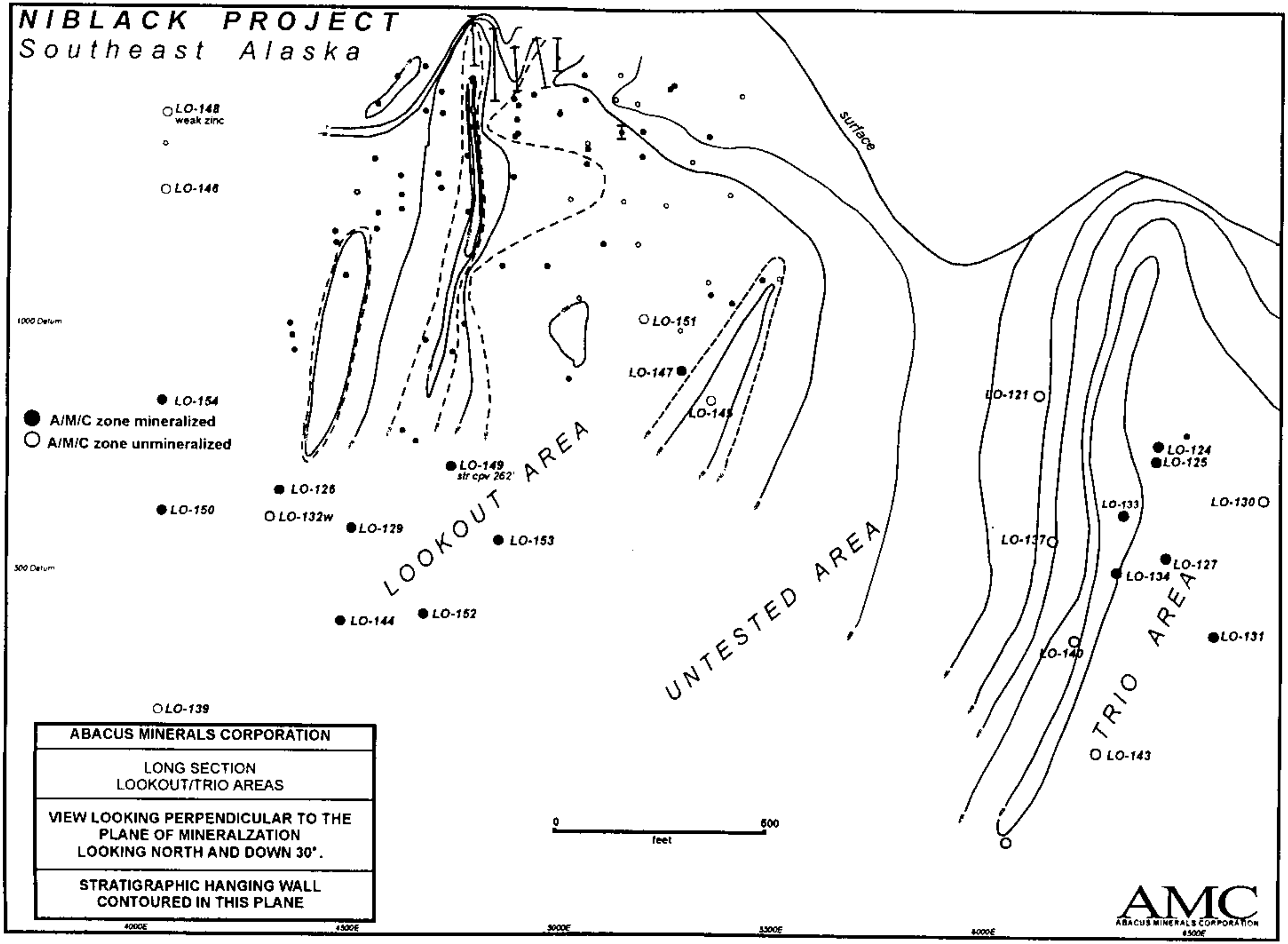



*Figure 7: Location of principal diamond drilling areas, Niblack property. Scale 1 inch = 1,500 feet (1:18,000).*


NIBLACK PROJECT
Southeast Alaska
LO-148
weak zinc
LO-146
LO-154
A/M/C zone mineralized
A/M/C zone unmineralized
LO-150
LO-126
LO-132w
LO-129
LO-149
str cpv 262'
LO-153
LO-144
LO-152
LO-139
LO-151
LO-147
LO-145
LOOKOUT AREA
UNTESTED AREA
TRIO AREA
surface
LO-121
LO-137
LO-140
LO-133
LO-134
LO-127
LO-124
LO-125
LO-130
LO-131
LO-143
1000 Datum
500 Datum
0
600
feet
4000E
4500E
5000E
5500E
6000E
6500E
ABACUS MINERALS CORPORATION
LONG SECTION
LOOKOUT/TRIO AREAS
VIEW LOOKING PERPENDICULAR TO THE
PLANE OF MINERALZATION
LOOKING NORTH AND DOWN 30°.
STRATIGRAPHIC HANGING WALL
CONTOURED IN THIS PLANE
AMC
ABACUS MINERALS CORPORATION

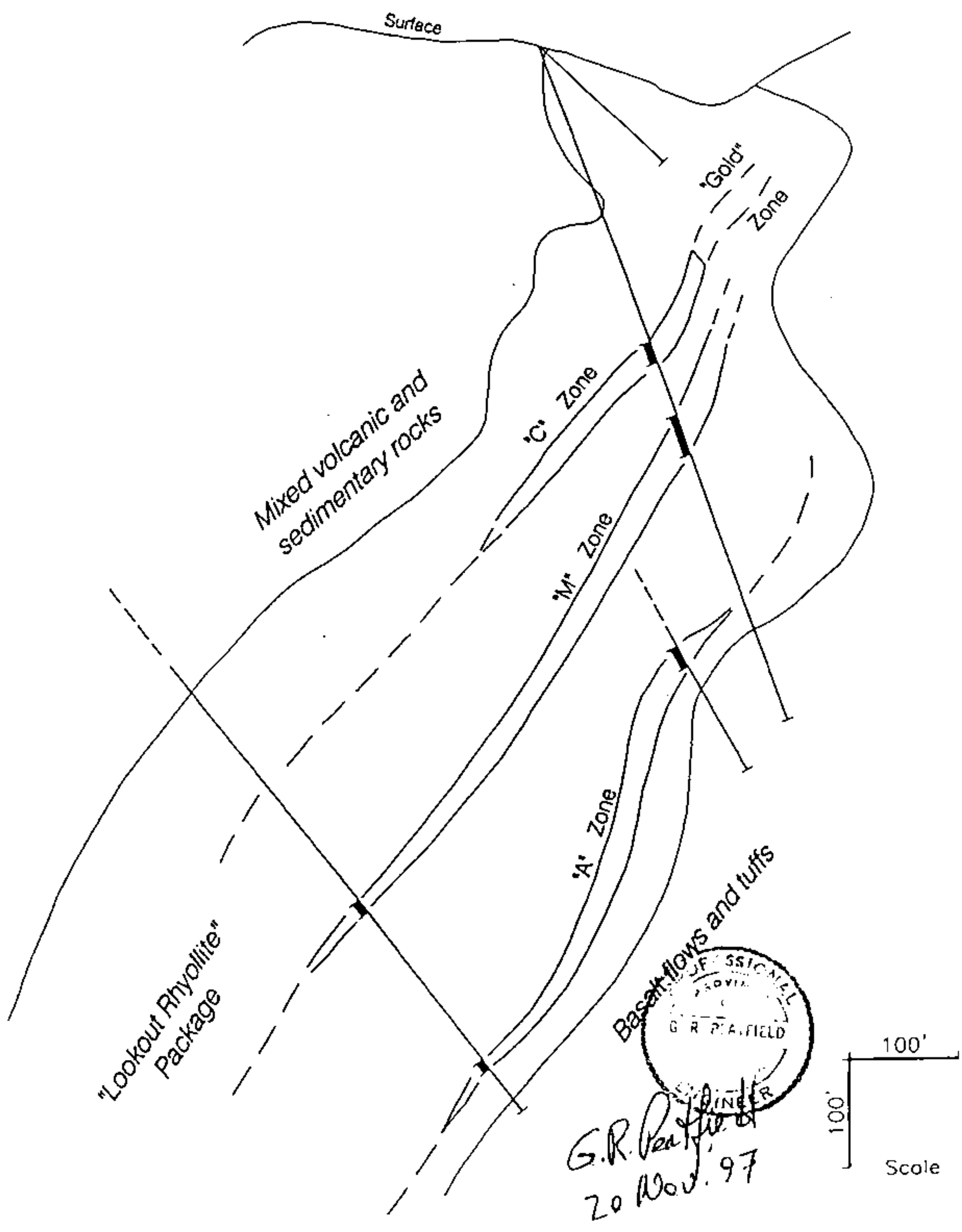
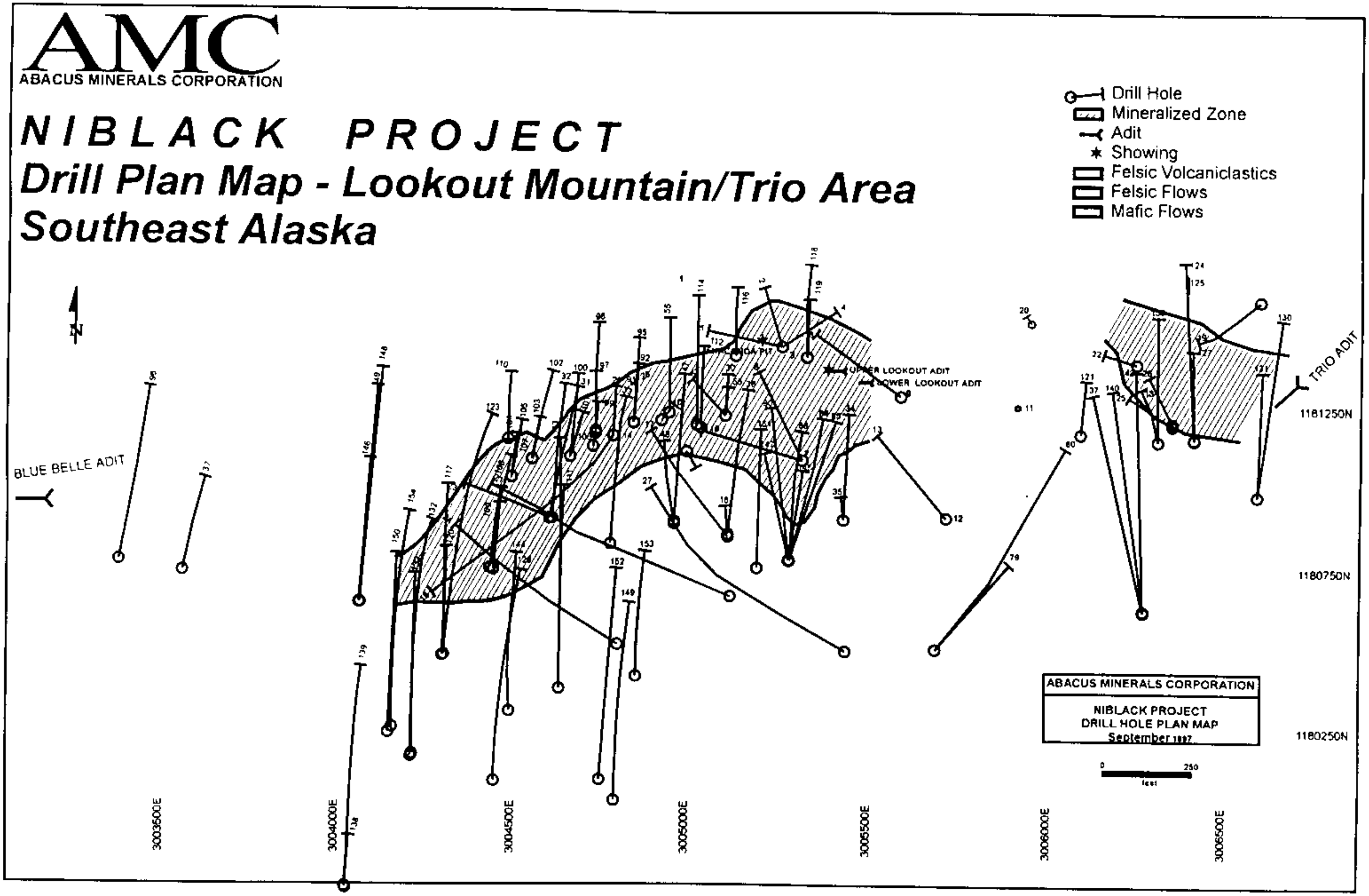



*Figure 8: Schematic cross-section, Lookout area, Niblack property, showing distribution of mineralized zones. Based on Section 4750E. Scale 1 inch = 150 feet (1:1,800).*


AMC
ABACUS MINERALS CORPORATION
NIBLACK PROJECT
Drill Plan Map - Lookout Mountain/Trio Area
Southeast Alaska
Drill Hole
Mineralized Zone
Adit
Showing
Felsic Volcaniclastics
Felsic Flows
Mafic Flows
N
BLUE BELLE ADIT
TRIO ADIT
UPPER LOOKOUT ADIT
LOWER LOOKOUT ADIT
1181250N
1180750N
1180250N
3003500E
3004000E
3004500E
3005000E
3005500E
3006000E
3006500E
ABACUS MINERALS CORPORATION
NIBLACK PROJECT
DRILL HOLE PLAN MAP
September 1997
0
250
feet

**Previous Exploration**

In 1899, copper mineralization was discovered at the head of Niblack Anchorage in an outcrop now designated the "discovery outcrop". In 1902, the property was purchased by the Wakefield Mineral Land Company, which subsequently leased it to the Niblack Copper Company, formed in 1903. The Niblack Mine was operated from 1903 to 1908 and reported a total production of 20,000 tons of ore at an average grade of 4.9% copper, 0.067 ounces of gold and 1.0 ounce of silver per ton. Values for zinc were not provided as zinc was not deemed of interest and not recovered. Ore was developed on five levels to a depth of about 230 feet below sea level, accessed from a -70° shaft inclined to the west. At present the shaft is caved in. From original mine plans, one may observe that ore was developed in several lenses that dipped steeply to the south at approximately 70°. Lenses that were mined varied in thickness from two to thirty feet.

During the period 1974 to 1976, Cominco American Incorporated ("Cominco") completed an initial program of mapping, sampling and surveying, followed by diamond drilling six holes near the Niblack Mine, intersecting copper mineralization. After Cominco abandoned the project, Anaconda Copper Inc. ("Anaconda") commenced exploration in 1977. Anaconda discovered significant gold-rich limonitic mineralization on surface at Lookout Mountain (now called "Anaconda Pit") and drilled one hole which did not penetrate a mineralized horizon.

A diamond drill program of 18 holes conducted during 1982 and 1983 by Noranda was done in joint venture with Occidental Minerals. Many of these holes were drilled to insufficient depth and failed to cut the mineralized horizon. Noranda and Lac entered into a joint venture pursuant to which they carried out two drilling programs, covering a total of 35 diamond drill holes over 26,624 feet. Abacus acquired the Niblack Property from Noranda and Lac after Lac was acquired by Barrick Gold.

***Exploration by Abacus***

<u>Phases I and II (1995)</u>

During the late summer and fall of 1995, Abacus carried out an exploration program that consisted mainly of diamond drilling (19 holes over 12,755 feet). Drilling was concentrated in the Lookout Mountain, Dama, and Niblack Mine areas.

<u>Phases III and IV (1996)</u>

In the first part of 1996, in the Phase III drilling program, the Company continued to explore various zones and targets on the Niblack Property, including testing the Lindsy/88 target. However, by early summer of 1996, the Company was finding that its most consistent results were being received from the Lookout Mountain area, and as a result, the Company has focused its drilling activities in that area since that time. During 1996, the Company drilled 36 holes at Lookout Mountain.

Phases III and IV consisted of diamond drilling (49 holes, totalling 34,612 feet), downhole geophysics, relogging of diamond drill core, prospecting, and mapping and surface geophysics. The Lookout Mountain area was explored methodically, where drilling was done on specific sections at consistent orientations.

Phases V and VI (1997)

Phases V and VI consisted of 33,000 feet of diamond drilling in 37 holes concentrated almost entirely at Lookout Mountain, with a few holes also drilled at the "Trio" zone approximately 300 metres to the east.

Following are a tabulation of the results of drilling conducted by the Company in 1996 and 1997. (In the tabulations, "opt" means ounces per ton):

Table 6f: Summary of significant diamond drilling intercepts, Niblack property - Abacus drilling - 1996.

| Hole No. | From Feet | To Feet | Interval Feet | Approx. Tr. Th. | Zone | Cu (%) | Pb (%) | Zn (%) | Au (opt) | Ag (opt) | Drill Area |
|---|---|---|---|---|---|---|---|---|---|---|---|
| LO-73 to LO-75 | | | | Only very low grade mineralization | | | | | | | N. Mine |
| LO-76 | 46.5 | 64.5 | 18.0 | n/a | n/a | 0.31 | 0.06 | 3.64 | 0.01 | 0.24 | Lindsy |
| incl. | 60.0 | 64.5 | 4.5 | n/a | n/a | 0.59 | 0.07 | 9.12 | 0.02 | 0.52 | - " - |
| LO-77 | | | | Only very low grade mineralization | | | | | | | Lindsy |
| LO-78 | 25.0 | 30.0 | 5.0 | n/a | n/a | 4.17 | 2.30 | 4.63 | <0.01 | 0.01 | N. Mine |
| | 667.5 | 669.25 | 1.75 | n/a | n/a | 5.62 | 0.11 | 1.62 | 0.06 | 2.30 | - " - |
| LO-79 | | | | Only very low grade mineralization | | | | | | | Lo. basin |
| LO-80 | 295.0 | 300.0 | 5.0 | n/a | n/a | 2.90 | 0.01 | 0.01 | <0.01 | 0.17 | Lo. basin |
| LO-81 | | | | Only very low grade mineralization | | | | | | | N. Mine |
| LO-82 & LO-83 | | | | Only very low grade mineralization | | | | | | | Dama |
| LO-84 | 257.0 | 263.0 | 6.0 | n/a | C? | 1.67 | <0.01 | 0.03 | <0.01 | 0.08 | Lo. basin |
| | 468.0 | 477.25 | 9.25 | n/a | A | 0.94 | 0.13 | 3.84 | 0.07 | 1.43 | - " - |

Cont'd on following page.

**Table 6f: Summary of significant diamond drilling intercepts, Niblack property - Abacus drilling - 1996 - cont'd.**

| Hole No. | From Feet | To Feet | Interval Feet | Approx. Tr. Th. | Zone | Cu (%) | Pb (%) | Zn (%) | Au (opt) | Ag (opt) | Drill Area |
|---|---|---|---|---|---|---|---|---|---|---|---|
| LO-85 | 478.0 | 482.2 | 4.2 | 4.0 | A | 1.65 | 0.03 | 4.46 | 0.03 | 0.85 | Lookout |
| LO-86 | 591.8 | 595.6 | 3.8 | n/a | n/a | 2.76 | <0.01 | 0.01 | 0.04 | 1.29 | Dama |
| LO-87 | | | Only very low grade mineralization | | | | | | | | Dama |
| LO-88 | 167.7 | 172.0 | 4.3 | 4.2 | C? | 0.25 | <0.01 | 0.01 | 0.30 | 0.09 | Lo. basin |
| | 435.2 | 447.5 | 12.3 | 11.9 | A? | 1.13 | 0.03 | 0.87 | 0.03 | 0.64 | - " - |
| LO-89 | | | Only very low grade mineralization | | | | | | | | Dama |
| LO-90 | 300.0 | 304.0 | 4.0 | 3.9 | M? | 2.85 | <0.01 | 0.01 | <0.01 | 0.21 | Lookout |
| LO-91 | 0.0 | 58.0 | 58.0 | n/a | G | 0.12 | 0.08 | 0.03 | 0.13 | 0.94 | Lookout |
| | 211.0 | 224.0 | 13.0 | 11.2 | C | 2.42 | 0.04 | 1.56 | 0.12 | 1.35 | - " - |
| | 327.0 | 341.2 | 14.2 | 13.3 | M | 1.64 | 0.04 | 4.82 | 0.08 | 1.41 | - " - |
| | 441.0 | 447.0 | 6.0 | 3.8 | A | 0.12 | 0.05 | 6.06 | 0.02 | 0.73 | - " - |
| LO-92 | 0.0 | 201.0 | 201.0 | n/a | G | 0.28 | 0.20 | 0.20 | 0.17 | 5.42 | Lookout |
| | 346.0 | 359.0 | 13.0 | 12.9 | M | 0.54 | 0.05 | 0.43 | 0.14 | 1.11 | - " - |
| | 383.0 | 388.0 | 5.0 | 5.0 | A | 1.19 | 0.06 | 0.27 | 2.74 | 3.47 | - " - |
| | 401.5 | 406.0 | 4.5 | 4.5 | A | 2.91 | 1.36 | 24.26 | 0.02 | 1.11 | - " - |
| LO-93 & LO-94 | | | Only very low grade mineralization | | | | | | | | Wasca! |
| LO-95 | 6.0 | 136.0 | 130.0 | n/a | G | 0.21 | 0.12 | 0.16 | 0.15 | 2.33 | Lookout |
| | 251.0 | 256.0 | 5.0 | 4.9 | C | 0.50 | 0.04 | 3.76 | 0.07 | 0.98 | - " - |
| | 303.0 | 317.0 | 14.0 | 11.4 | M | 4.04 | 0.10 | 2.46 | 0.03 | 0.78 | - " - |
| | 387.0 | 389.0 | 2.0 | 1.9 | A | 0.27 | 0.13 | 3.54 | 0.05 | 0.81 | - " - |
| LO-96 | | | Only very low grade mineralization | | | | | | | | Lkt. W. |
| LO-97 | 233.0 | 243.0 | 10.0 | 8.9 | C | 0.50 | 0.06 | 2.24 | 0.03 | 1.00 | Lookout |
| | 319.6 | 347.1 | 27.5 | 24.5 | M | 1.34 | 1.54 | 25.81 | 0.29 | 6.34 | - " - |
| LO-98 | 128.0 | 135.0 | 7.0 | 6.9 | C | 0.71 | 0.07 | 2.89 | 0.02 | 0.60 | Lookout |
| | 149.0 | 152.0 | 3.0 | 3.0 | C | 0.96 | 0.05 | 2.95 | 0.08 | 1.27 | - " - |
| LO-99 | 140.0 | 158.0 | 18.0 | n/a | G | 0.98 | 0.09 | 0.80 | 0.08 | 2.14 | Lookout |
| | 182.4 | 191.8 | 9.4 | 8.1 | C | 1.08 | 0.03 | 4.28 | 0.06 | 1.08 | - " - |
| | 208.0 | 300.0 | 92.0 | 82.1 | C | 1.31 | 0.88 | 7.28 | 0.23 | 7.43 | - " - |
| | 334.3 | 342.1 | 7.8 | 7.0 | M | 1.46 | 0.01 | 3.93 | 0.07 | 1.55 | - " - |
| | 365.1 | 393.0 | 27.9 | 24.9 | M | 0.85 | 0.04 | 2.40 | 0.09 | 1.68 | - " - |
| | 429.5 | 448.9 | 19.4 | 17.3 | M | 1.27 | 0.10 | 2.80 | 0.11 | 1.81 | - " - |
| | 489.5 | 502.8 | 13.3 | 11.9 | A | 0.31 | 0.85 | 4.21 | 0.14 | 3.00 | - " - |
| LO-100 | 387.5 | 428.0 | 40.5 | 23.1 | M | 1.72 | 0.76 | 6.97 | 0.15 | 4.26 | Lookout |
| LO-101 & LO-102 | | | Only very low grade mineralization | | | | | | | | Lookout |
| LO-103 | 79.2 | 94.4 | 15.2 | n/a | ? | <0.01 | <0.01 | <0.01 | 0.11 | <0.01 | Lookout |
| | 279.6 | 294.4 | 14.8 | 11.3 | C | 1.99 | 0.16 | 5.30 | 0.19 | 3.39 | - " - |
| | 327.5 | 348.6 | 21.1 | 16.1 | C | 1.20 | 0.07 | 1.43 | 0.08 | 0.96 | - " - |
| | 636.0 | 652.6 | 16.6 | 10.6 | M | 1.28 | 0.08 | 1.25 | 0.05 | 1.01 | - " - |
| | 674.0 | 697.0 | 23.0 | 14.7 | A | 1.58 | 0.08 | 1.49 | 0.08 | 1.44 | - " - |
| LO-104 | 412.0 | 419.0 | 7.0 | 5.7 | C? | 1.22 | 0.01 | 1.13 | 0.07 | 0.64 | Lookout |
| LO-105 | 530.0 | 532.8 | 2.8 | 1.4 | M | 2.01 | <0.01 | 6.54 | 1.59 | 14.85 | Lookout |
| | 690.9 | 705.9 | 15.0 | 8.5 | M | 2.07 | <0.01 | 0.92 | 0.12 | 1.72 | - " - |
| | 720.7 | 752.5 | 31.8 | 18.0 | A | 1.44 | 0.09 | 0.64 | 0.07 | 1.26 | - " - |
| LO-106 | 151.7 | 163.9 | 12.2 | n/a | G | 1.87 | 0.29 | 0.99 | 0.20 | 2.25 | Lookout |
| | 233.2 | 241.6 | 8.4 | 7.2 | C | 1.03 | 0.03 | 0.86 | 0.06 | 2.12 | - " - |
| | 255.0 | 273.0 | 18.0 | 15.4 | C | 2.25 | 0.02 | 4.77 | 0.35 | 4.39 | - " - |
| | 302.2 | 334.6 | 32.6 | 27.8 | C | 2.58 | 0.21 | 4.27 | 0.10 | 1.68 | - " - |
| | 417.5 | 429.8 | 12.3 | 9.9 | M | 2.13 | 0.01 | 7.15 | 0.15 | 2.50 | - " - |
| | 585.9 | 590.0 | 4.1 | 2.0 | A | 1.28 | 0.02 | 3.34 | 0.30 | 5.10 | - " - |
| LO-107 | 330.0 | 339.8 | 9.8 | n/a | G | 0.04 | <0.01 | <0.01 | 0.11 | 0.01 | Lookout |
| | 669.6 | 672.3 | 2.7 | 2.5 | C | 1.63 | <0.01 | 2.07 | 0.02 | 0.77 | - " - |
| | 707.0 | 717.0 | 10.0 | 9.3 | C | 2.47 | 0.09 | 6.83 | 0.11 | 1.57 | - " - |
| | 860.4 | 874.5 | 14.1 | 13.0 | M | 0.88 | 0.05 | 1.46 | 0.84 | 5.94 | - " - |
| LO-108 | 1178.5 | 1195.0 | 16.5 | 15.3 | A | 4.72 | 0.04 | 3.22 | 0.10 | 1.56 | Lookout |
| LO-109 & LO-110 | | | Only very low grade mineralization | | | | | | | | Lookout |
| LO-111 | 1021.5 | 1026.2 | 4.7 | 4.5 | A | 0.94 | 0.02 | 4.05 | 0.05 | 0.52 | Lookout |
| LO-112 | 173.0 | 205.0 | 32.0 | 31.5 | G | 0.23 | <0.01 | 0.14 | 0.14 | 0.20 | Lookout |
| | 295.0 | 307.0 | 12.0 | 11.5 | A? | 0.88 | <0.01 | 0.07 | 0.09 | 0.62 | - " - |
| | 317.0 | 327.0 | 10.0 | 9.5 | A? | 1.14 | <0.01 | <0.01 | 0.07 | 0.46 | - " - |

Cont'd on following page

Table 6f: Summary of significant diamond drilling intercepts, Niblack property - Abacus drilling - 1996 - cont'd.

| Hole No. | From Feet | To Feet | Interval Feet | Approx. Tr. Th. | Zone | Cu (%) | Pb (%) | Zn (%) | Au (opt) | Ag (opt) | Drill Area |
|---|---|---|---|---|---|---|---|---|---|---|---|
| LO-113 & LO-114 | | | Only very low grade mineralization | | | | | | | | Lookout |
| LO-115 | 189.0 | 235.5 | 46.5 | 46.3 | C | 4.21 | 0.01 | 1.27 | 0.09 | 1.07 | Lookout |
| | 310.0 | 335.0 | 25.0 | 24.8 | A | 0.90 | 0.01 | 0.18 | 0.12 | 0.36 | -"- |
| LO-116 | | | Only very low grade mineralization | | | | | | | | Lookout |
| LO-117 | 907.3 | 911.1 | 3.8 | 3.5 | C | 3.70 | 0.08 | 7.48 | 0.20 | 3.83 | Lookout |
| | 958.6 | 981.0 | 22.4 | 20.7 | C | 2.79 | 0.13 | 1.99 | 0.08 | 1.16 | -"- |
| | 999.6 | 1010.7 | 11.1 | 10.3 | C | 3.09 | 0.02 | 2.56 | 0.04 | 0.53 | -"- |
| | 1050.0 | 1074.5 | 24.5 | 22.7 | M | 1.53 | 0.04 | 2.66 | 0.13 | 0.66 | -"- |

Notes: "zone" designation is based on present interpretation and may change.
n/a = not applicable or no interpretation made; ? = zone designation not certain; "G" = near surface oxide zone.

Table 6g: Summary of significant diamond drilling intercepts, Niblack property - Abacus drilling - 1997.

| Hole No. | From Feet | To Feet | Interval Feet | Approx. Tr. Th. | Zone | Cu (%) | Pb (%) | Zn (%) | Au (opt) | Ag (opt) | Drill Area |
|---|---|---|---|---|---|---|---|---|---|---|---|
| LO-118 | 56.0 | 82.0 | 26.0 | 25.0 | G | 0.22 | 0.02 | 0.10 | 0.23 | 1.57 | Lookout |
| LO-119 | 69.0 | 89.0 | 20.0 | 14.0 | G | 0.15 | 0.06 | 0.07 | 0.12 | 0.44 | Lookout |
| LO-120 | lost hole | | | | | | | | | | Lookout |
| LO-121 | re-drill LO-120 | | Only very low grade mineralization | | | | | | | | Lookout |
| LO-122 | | | Only very low grade mineralization | | | | | | | | Mammoth |
| LO-123 | | | Only very low grade mineralization | | | | | | | | Lookout |
| LO-124 | 529.7 | 542.0 | 12.3 | 11.6 | n/a | 1.12 | 0.04 | 0.48 | 0.04 | 0.58 | Trio |
| LO-125 | 436.3 | 439.4 | 3.1 | 2.7 | n/a | 0.63 | 0.14 | 17.60 | 0.02 | 0.22 | Trio |
| | 445.9 | 461.9 | 16.0 | 13.9 | n/a | 3.14 | 0.03 | 3.75 | 0.04 | 0.35 | -"- |
| LO-126 | 1312.0 | 1338.1 | 26.1 | 23.7 | M | 1.78 | 0.03 | 2.23 | 0.05 | 0.54 | Lookout |
| LO-127 | 442.0 | 452.5 | 10.5 | 8.0 | n/a | 1.47 | 0.06 | 1.22 | 0.16 | 2.11 | Trio |
| | 602.6 | 621.0 | 18.4 | 14.1 | n/a | 1.20 | 0.01 | 0.38 | 0.07 | 0.21 | -"- |
| | 678.6 | 686.2 | 7.6 | 5.8 | n/a | 2.40 | 0.01 | 3.60 | 0.04 | 0.91 | -"- |
| | 692.0 | 702.0 | 10.0 | 7.7 | n/a | 1.09 | 0.04 | 4.02 | 0.08 | 1.04 | -"- |
| LO-128 | | | Only very low grade mineralization | | | | | | | | |
| LO-129 | 1217.9 | 1225.7 | 7.8 | 7.6 | M | 0.38 | <0.01 | 2.09 | 0.02 | 0.27 | Lookout |
| | 1340.7 | 1355.5 | 14.8 | 14.6 | A | 4.52 | 0.72 | 16.38 | 0.10 | 2.86 | -"- |
| LO-130 | 307.0 | 314.5 | 7.5 | 7.2 | n/a | 0.29 | 0.03 | 2.01 | 0.01 | 0.21 | Trio |
| LO-131 | 366.3 | 373.0 | 6.7 | 6.0 | n/a | 0.23 | <0.01 | 3.89 | 0.02 | 0.26 | Trio |
| LO-132 | | | Only very low grade mineralization | | | | | | | | Lookout |
| LO-133 | 617.0 | 636.0 | 19.0 | 14.6 | n/a | 1.60 | 0.06 | 5.83 | 0.03 | 0.71 | Trio |
| | 666.2 | 674.6 | 8.4 | 6.4 | n/a | 0.91 | 0.01 | 5.56 | 0.01 | 0.32 | -"- |
| LO-134 | 680.9 | 702.0 | 21.1 | 14.9 | n/a | 5.51 | 0.02 | 6.27 | 0.05 | 1.07 | Trio |
| LO-135 & LO-136 | | | Only very low grade mineralization | | | | | | | | Mammoth |
| LO-137 | | | Only very low grade mineralization | | | | | | | | Trio |
| LO-138 & LO-139 | | | No significant analytical results | | | | | | | | Lookout |
| LO-140 | | | Only very low grade mineralization | | | | | | | | Trio |
| LO-141 & LO-142 | | | Only very low grade mineralization | | | | | | | | Wascal |
| LO-143 | 731.0 | 733.6 | 2.6 | 1.5 | n/a | 1.07 | 0.01 | 0.35 | 0.05 | 0.57 | Trio |
| LO-144 | 1563.9 | 1575.0 | 11.1 | 9.6 | A | 0.17 | 0.01 | 4.75 | 0.03 | 0.24 | Lookout |
| | 1585.0 | 1597.9 | 12.9 | 11.2 | A | 2.24 | 0.08 | 6.17 | 0.06 | 0.80 | -"- |
| LO-145 | | | Only very low grade mineralization | | | | | | | | Lookout |
| LO-146 | | | Only very low grade mineralization | | | | | | | | Lookout |
| LO-147 | 498.0 | 502.0 | 4.0 | 3.3 | A | 1.80 | 0.01 | 0.33 | 0.04 | 0.70 | Lookout |
| | 506.0 | 527.0 | 21.0 | 17.6 | A | 2.79 | 0.21 | 4.22 | 0.14 | 2.58 | -"- |
| | 532.0 | 553.5 | 21.5 | 18.0 | A | 0.30 | 0.07 | 2.28 | 0.01 | 0.30 | -"- |

Cont'd on following page.

Table 6g: Summary of significant diamond drilling intercepts, Niblack property - Abacus drilling - 1997 - cont'd.

| Hole No. | From Feet | To Feet | Interval Feet | Approx. Tr. Th. | Zone | Cu (%) | Pb (%) | Zn (%) | Au (opt) | Ag (opt) | Drill Area |
|---|---|---|---|---|---|---|---|---|---|---|---|
| LO-148 | | | | Only very low grade mineralization | | | | | | | Lookout |
| LO-149 | 319.0 | 321.0 | 2.0 | 1.5 | ? | 2.16 | <0.01 | 0.46 | <0.01 | 0.15 | Lookout |
| | 974.0 | 1001.6 | 27.6 | 27.5 | M | 3.14 | <0.01 | 0.08 | 0.02 | 0.17 | -"- |
| | 1052.3 | 1074.0 | 21.7 | 21.6 | M | 1.29 | <0.01 | 0.02 | 0.01 | 0.07 | -"- |
| | 1209.0 | 1221.6 | 12.6 | 11.8 | A | 2.77 | 0.01 | 0.07 | 0.01 | 0.16 | -"- |
| LO-150 | 1500.0 | 1517.0 | 17.0 | 13.0? | ? | 1.59 | 0.12 | 2.34 | 0.09 | 1.84 | Lookout |
| LO-151 | 494.0 | 495.0 | 1.0 | 0.9 | A | 0.18 | 0.77 | 28.10 | <0.01 | 3.10 | Lookout |
| LO-152 | | | | Only very low grade mineralization | | | | | | | Lookout |
| LO-153 | 1005.0 | 1028.0 | 23.0 | 19.9 | A? | 1.28 | <0.01 | 0.04 | <0.01 | 0.16 | Lookout |
| LO-154 | | | | Only very low grade mineralization | | | | | | | Lookout |

Notes: "zone" designation is based on present interpretation and may change.
n/a = not applicable or no interpretation made; ? = zone designation not certain; "G" = near surface oxide zone.

## Argentina Properties

The Argentina Properties comprise six "cateos", or exploration mining concessions, in which the Company holds an option to earn a 100% interest (see "Business of Abacus"). They are located in north central Santa Cruz Province, Argentina, in the Cerro Vanguardia camp district where significant gold resources have recently been reported by Anglo American Gold Mines Inc. on its properties approximately 50 miles from the Company's properties.

To the Company's knowledge, little exploration work was carried out on any of the Argentina Properties, prior to the acquisition by the Company of its interest therein. A limited program, consisting of collection of samples and trenching, was carried out by Barrick in 1995 and 1996, the results of which were reported in the last Annual Report of the Company. Barrick reported that the La Manchuria Cateo contains a stockwork zone of quartz veining with a sequence of rhyolitic volcanic rocks; that there is limited outcrop exposure; that the stockwork zone has been identified to date over an area some 900 metres by 500 metres in size; and that possible extensions of the zone exist to the north, west and east where overburden and basaltic flows hinder exposure.

In the fall of 1997, the Company conducted geophysical surveys, mapping, soil sampling, rock sampling, trench sampling and LandSat imagery on the La Manchuria cateo, which is the most promising of the six Argentina properties. Trenching results included an impressive 110 metres of .043 oz. per ton gold and 1.68 oz. per ton silver in trench #1 and .04 oz. per tonne gold and .43 oz. silver per ton in trench #2.

In the spring of 1998, the Company conducted two phases of drilling on the La Manchuria cateo. The first was comprised of seven widely spaced holes, encountering mineralization in six of these holes. One of the holes, LM98-2, graded 0.19 oz gold and .65 oz silver over 58.05 meters. The second phase consisted of seven additional drill holes, five of which were step-outs in both directions from LM98-2, along a 250 foot strike length. Four of these five holes encountered significant mineralization.

Following are copies of press releases issued by the Company in May and June, 1998, which summarize and tabulate the results of the first 14 drill holes of the Company on the La Manchuria cateo. (The tablulations are expressed in g/t, namely grams per tonne).

*ABACUS MINERALS CORPORATION*

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**May 11, 1998** **VSE SYMBOL: AMC**

**NEWS RELEASE- *PHASE I DRILLING RESULTS***

Abacus Minerals Corporation announces the remaining assay results from Phase I diamond drilling project on its La Machuria gold-silver property in Santa-Cruz Province, Argentina.

The Phase I drilling was designed as a reconnaissance program and consisted of seven widely spaced holes over an area of approximately 400 metres by 700 metres. This drilling was within a larger area of high resistivity as indicated by geophysical surveys.

Most holes confirmed the presence of a large silicified system and contained highly elevated gold and silver values throughout their length.

Results from drill hole LM98-2 were previously released and reported a 58.05 metre intersection grading 6.53 g/T gold and 22.3 g/T silver.

The hole location and more significant assay results from the Phase I program are summarized below:

| Drill Hole # | From (m) | To (m) | Interval (m) | Gold (g/t) | Silver (g/t) | Remarks - distance from LM98-2 |
|---|---|---|---|---|---|---|
| LM98-1 | 106.2 | 117.7 | 11.5 | 1.22 | 136.6 | 110 m NW |
| **LM98-2** | **45.05** | **103.07** | **58.05** | **6.53** | **22.3** | |
| LM98-3 | 10.70 | 34.80 | 24.10 | 0.69 | 131.3 | 400 m S |
| incl. | 10.701 | 12.20 | 1.50 | 1.64 | 1876.0 | |
| and | 32.20 | 33.3 | 1.10 | 9.54 | 222.1 | |
| LM98-4 | 79.85 | 82.85 | 3.00 | 0.83 | 17.7 | 330 m E |
| LM98-5 | 19.54 | 21.04 | 1.50 | 2.18 | 15.2 | 470 m E |
| and | 64.54 | 66.04 | 1.50 | 1.59 | 2.9 | |
| and | 85.94 | EOH | 13.12 | 0.28 | 11.0 | |
| LM98-6 | 7.54 | 95.20 | 87.66 | 0.29 | 16.3 | 15 m SE |
| incl | 7.54 | 31.60 | 24.06 | 0.33 | 25.72 | |
| LM98-7 | No significant assays reported | | | | | 330 m SW |

Management is extremely pleased with the Phase I drilling results at La Manchuria. Initial drill testing of several widely spaced areas has resulted in the discovery of a very significant intersection and several other zones of interest which warrant immediate follow-up.

With gold-silver mineralization intersected in six of the first seven holes drilled, the La Manchuria prospect appears to represent a very significant gold-silver mineralized system.

A Phase II drilling program commenced May 11 and is designed to immediately begin stepping out on hole LM98-2 as well as begin more thoroughly evaluating the other Phase I drill hole intersections. A drill hole plan map is available upon request.

**ABACUS MINERALS CORPORATION**

*"Steve Todoruk"*

Steve L. Todoruk, P.Geo. President

The Vancouver Stock Exchange has not reviewed and does not accept the responsibility for the adequacy or accuracy of this release.

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**June 17, 1998** **VSE SYMBOL:  "AMC"**

NEWS RELEASE

**Drilling Encounters Further High Grade Results at La Manchuria**

Abacus Minerals Corporation is pleased to announce additional high grade interceptions from the second stage drilling at La Manchuria.  All holes continue to be highly anomalous throughout their length confirming the presence of a large system enriched in both gold and silver.

The majority of the second stage drill holes targeted the portion of the system indicated by drill hole LM98-2 (58.5 metres grading 6.53 g/t gold, 22.3 g/t silver) as reported on April 29, 1998.  Significant results from these holes are summarized below.

| Drill Hole | From (m) | To (m) | Interval (m) | Au (g/t) | Ag (g/t) | Au Equiv. (50:1 conv.) |
|---|---|---|---|---|---|---|
| 98-8 | 33.05 | 36.55 | 3.5 | 0.73 | 137.07 | 3.47 |
| 98-9 | 34.0 | 88.6 | **54.6** | **4.46** | **12.14** | **4.70** |
| incl. | 79.9 | 88.6 | **8.7** | **24.88** | **11.30** | **25.08** |
| 98-10 | 3.04 | 97.5 | 94.46 | 0.74 | 104.56 | 2.83 |
| incl. | 3.04 | 13.54 | 10.5 | 1.33 | 2.94 | 1.39 |
| incl. | 45.04 | 57.04 | 12.0 | 1.45 | 418.54 | 9.82 |
| incl. | 87.85 | 97.5 | **9.65** | **1.82** | **449.84** | **10.81** |
| 98-11 | 106.0 | 120.5 | **14.5** | **5.10** | **56.67** | **6.23** |
| 98-12 | 4.5 | 9.0 | 4.5 | 0.25 | 354.30 | 7.33a |
| and | 24.0 | 67.5 | 43.5 | 1.27 | 22.75 | 1.72 |
| incl. | 39.0 | 57.0 | 15.0 | 2.28 | 26.14 | 2.77 |

*Au and Ag values are uncut

Results are variable throughout these intersections (with individual assays up to 159.98 g/t gold/1.30 metres  and 5281.8 g/t silver/ 0.65 metres)  reflecting the apparent multi-stage mineralizing sequence and type  of mineralization.  Due to the early stage and limited understanding of the deposit, results have been averaged over widths indicated by geological interpretation and values. No values have been cut nor have economic cut-off grades been applied.

Geologically, mineralization is hosted in a large epithermal sheeted vein and/or stockwork system contained within rhyolitic and andesitic volcanic units. High grade shoots are typical of epithermal deposits. The majority of mineralization is hosted within the upper sequence of rhyolitic volcanics. However, the latest drilling has confirmed the continuation of mineralization and veining into the underlying andesitic volcanics. Drill hole LM98-10 ended in veined and altered andesite grading 0.81 g/t gold and 374.3 g/t silver over 1.03 metres and drill hole LM98-8 yielded an interval within andesite 7.5 g/t gold and 70.5 g/t silver over 1.50 metres. Company geologists believe that mineralized feeders may underlie the mineralization encountered in drilling. Preliminary petrographic work shows the presence of native gold, native silver and pyrargyrite (Ruby Silver) contained within the veins and veinlets of the stockwork. The system contains minimal sulphides with the pyrite content estimated to range from trace to 2%.

Drill holes LM98-1 and 2 and the results reported above represent a 250 metre strike length to a depth of 100 metres open in both directions on strike and to depth. Geochemical and geophysical anomalies indicate excellent potential to expand the zone.

In the Phase II drill program, only LM98-13 tested an outside target (500 metres east of LM98-2). Results were very encouraging with 4.80 g/t gold, 1.45 g/t silver over 3.0 metres, as well as other highly anomalous values. In addition, numerous other geochemical and geophysical targets elsewhere on the property have yet to be tested.

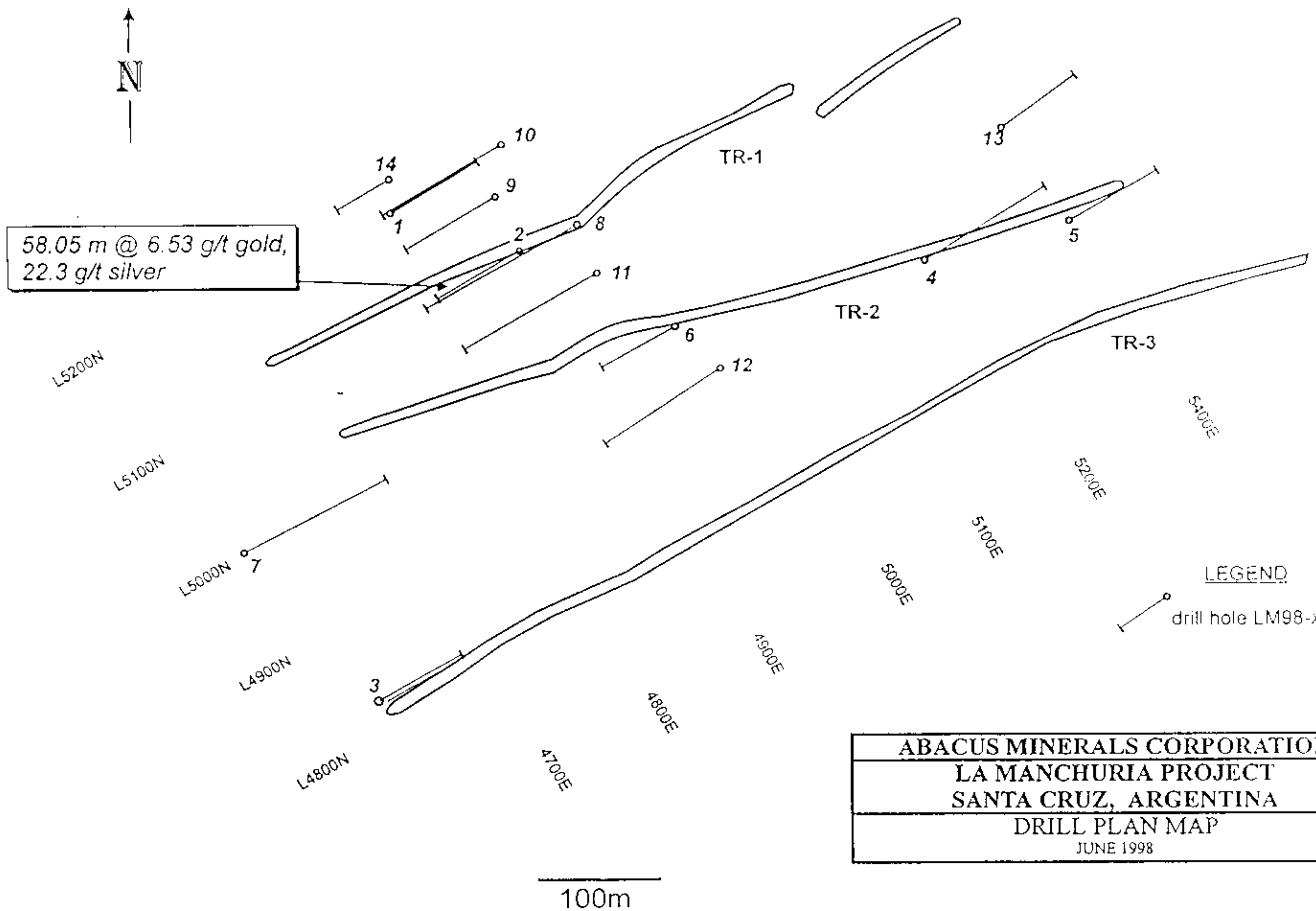
In conjunction with ongoing evaluation of the La Manchuria prospect, a magnetometer geophysical survey was recently carried out in an attempt to help delineate possible structural controls to mineralization. As well, an extensive clay alteration study is in progress which could potentially locate prospective precious metal mineralization.

Abacus is extremely pleased with these results at this stage of the project’s development. Numerous examples of large epithermal deposits are known worldwide. The closest of these to La Manchuria is Anglo American’s Cerro Vanguardia Mine. Cerro Vanguardia is located 80 kilometres to the east of La Manchuria and hosts 3.80 million ounces of gold and 35.0 million ounces of silver.

Upon completion of the above data evaluation, a decision will be made as to the timing of resumption of drilling at La Manchuria.

**ABACUS MINERALS CORPORATION**

*”Steve Todoruk”*
Steve L. Todoruk, P.Geo.
President




ABACUS MINERALS CORPORATION
LA MANCHURIA PROJECT
SANTA CRUZ, ARGENTINA
DRILL PLAN MAP
JUNE 1998

AMC

Management believes that the Argentina Properties, and in particular the La Manchuria Cateos, are prospective for a sizable bulk tonnage mine, in which relatively low-grade ore is mined at relatively high volume and relatively low cost through surface-mining techniques.

**Portugal Properties**

In early 1998, the Company applied for two mineral exploration concessions from the Country of Portugal, covering 190.5 square kilometers located in southern Portugal, in what is known as the South Portuguese Zone of the Iberian Pyrite Belt. The application was supported by Phelps Dodge Exploration Corporation, with whom the Company has entered a Joint Venture arrangement, as described in more detail in Item 1 above. Although the government has not yet granted the concessions, management believes that the concessions will be granted. The properties are prospective principally for copper, and are also prospective for other base metals.

**Other Properties**

Abacus also holds interests in the Ruby Tuesday Property and the Forrest Property. As at the date hereof, Abacus has incurred total acquisition and exploration expenditures of $211,839 on the Forrest Property, and has not incurred any costs on the Ruby Tuesday Property. See "Business of Abacus". Abacus does not currently intend to incur any direct exploration expenditures on these properties.

**Environmental or Other Governmental Regulatory Concerns**

Management is not aware of any environmental concerns or other environmental regulations which would have a material effect on its future financial performance.

Massive sulfides, which characterize the mineralization of various of its property interests, including the Niblack Property, are prone to acid drainage; and consequently, in conducting mining operations, it would be necessary to treat tailings so as to prevent contamination to the soil and water table. Additionally, on properties in the United States which are subject to regulation by the Bureau of Land Management (including the Niblack Property), reclamation of the surface by the Company would be necessary once mining operations were completed. Present indications are that any mining operations which might be conducted in the future by the Company on these lands would be through underground mining; and in such event, reclamation efforts would be primarily directed to restoring surface disturbances such as roads.

Management does not believe that there are any regulations or environmental concerns of materiality which pertain to its current exploration activities. In regard to the above-mentioned concerns which pertain to mining operations themselves (i.e. treatment of tailings, and reclamation), such costs are a normal aspect of the conduct of mining operations, and therefore will not, in the opinion of management, adversely impact on financial results.

**Expenditures Attendant to Commencement of Mining Operations**

In order to commence mining operations on any of the Properties, if justified by the results of exploration and subsequent feasibility study conducted by the Company, capital expenditures in the order of $50,000,000 to $100,000,000 could be required to develop and bring to production an underground or surface mine. Access to the property for equipment, employees, and the transportation of ore, attendant to the conduct of mining operations, would require construction of roads which could cost in the order of $1,000,000 to $2,000,000. Until a feasibility study were done with respect to developing and bring to production a mine on any of the properties, a true calculation of such costs cannot be made.

**Item 3. Legal Proceedings**

There are no material pending legal proceedings to which the Company or any of its subsidiaries is a party or of which any of their property is subject.

**Item 4. Control of Registrant.**

The following persons, to the knowledge of the Company, are beneficial owners of the indicated percentage of the Company's voting stock. No other person, to the knowledge of the Company, is a 10% or greater beneficial owner.

| Title or Class | Identity of Person | Shares | Percent |
|---|---|---|---|
| Common | Dakona Holdings, Ltd.* | 1,757,555** | 7.6 |
| Common | Pamicon Developments Limited* | 402,745 | 1.8 |
| Common | Officers and Directors as a group | 2,497,932*** | 10.4 |
| Common | Teck Corporation | 3,725,000**** | 16.6 |
| Common | Lac Minerals (USA) Inc. | 2,000,000***** | 8.6 |

* Dakona Holdings, Ltd. and Pamicon Developments Limited are owned, equally, by five individuals, two of whom (Steve Todoruk and Douglas Fulcher) are Directors of the Company.

** Includes 757,555 common shares; 500,000 common shares into which special warrants, held by Dakona, are convertible without further consideration; and 500,000 shares which may be acquired upon exercise of share purchase warrants, which share purchase warrants will be acquired by Dakona without further consideration upon conversion of the special warrants held by Dakona.

*** Includes 308,812 common shares held by officers and directors, and options to acquire 1,325,000 shares granted to officers and directors. Also includes 2/5 of the ownership interests (including unsubscribed shares for which warrants are held) of Dakona Holdings, Ltd. and Pamicon Developments Limited, listed in the table above. Steve Todoruk, President and a Director of the Company, and Douglas Fulcher, a Director, each own a 20% interest in Dakona Holdings, Ltd. and Pamicon Developments Limited.

**** Includes 250,000 Share Purchase Warrants, issued in 1996, entitling Teck to purchase 250,000 common shares at $1.20 per share at any time on or before August 29, 1998.

***** Includes options to acquire 1,000,000 shares from the Company at $4.00 per share, exercisable at any time up to December 31, 1998.

**Item 5. Nature of Trading Market.**

The common stock of the Company is traded on the Vancouver Stock Exchange.

At June 30, 1998, there were 22,140,405 shares outstanding. As of that time, there were 89 registered U.S. holders of the Company's stock (including U.S. depositories holding for an undetermined number of U.S. beneficial owners), holding 4,250,754 shares (1,000,000 of which were owned by Lac Minerals USA Inc.). The following constitute the high and low sales prices for the stock of the Company for each full quarterly period during 1996 and 1997, and the first quarter of 1998.

| Year | Qtr | High Cdn. $'s | Low Cdn $'s |
|---|---|---|---|
| 1996 | 1st | 1.45 | 0.70 |
| | 2nd | 1.66 | 1.00 |
| | 3rd | 1.35 | 0.85 |
| | 4th | 1.03 | 0.67 |
| 1997 | 1st | 1.45 | 0.76 |
| | 2nd | 1.05 | 0.60 |
| | 3rd | 0.67 | 0.32 |
| | 4th | 0.48 | 0.20 |
| 1998 | 1st | 0.45 | 0.25 |

**Item 6. Exchange Controls and Other Limitations Affecting Security Holders.**

To the knowledge of the Company, there are no governmental laws, decrees or regulations in Canada which restrict the export or import of capital, or that affect the remittance of dividends, interest or other payments to non-resident holders of the Company's securities, except for withholding tax provisions discussed in the following section. Nor are there limitations on the right of non-resident or foreign owners to vote their stock, imposed by foreign law or by the memorandum or articles of the Company.

**Item 7. Taxation.**

Dividends paid on the common stock of the Company, to United States residents, are subject to a 25% withholding tax in Canada, under current tax laws of Canada. However, unless the holder conducts business through a permanent establishment in Canada, such withholding is limited to 15% by the Canada-United States Income Tax Convention of 1980 ("Treaty") as amended.

Under the Treaty, it is provided that the United States shall allow a citizen or resident of the United States, or to a domestic corporation, as a credit against United States tax on income, the amount of income tax paid to Canada on dividends or interest. Such a credit is also specified by Section 901(b) of the United States Internal Revenue Code.

**Item 8. Selected Financial Data.**

All references in this item are to Canadian dollars. The following table sets forth the exchange rates for Canadian dollars per United States dollar for the past five years.

| | **Average*** | **Low - High****Low | **Year-End** |
|---|---|---|---|
| 1993 | 1.2939 | 1.3443 - 1.2428 | 1.3255 |
| 1994 | 1.3699 | 1.4078 - 1.3103 | 1.4030 |
| 1995 | 1.3689 | 1.4238 - 1.3285 | 1.3655 |
| 1996 | 1.3638 | | 1.3697 |
| 1997 | 1.3849 | | 1.4288 |

* average of the rates for the last working days of the months

** high - highest value of the year against the U.S. dollar; low - lowest value of the year against the U.S. dollar.

The exchange rates are based upon the noon buying rate in New York City for cable transfers in foreign currencies as certified for customs purposes by the Federal Reserve Bank of New York.

The following constitutes selected financial data for the Registrant for the last five fiscal years prepared according to Generally Accepted Accounting Principles in Canada.

| | CDN $ Year End December 31 | | | | |
|---|---|---|---|---|---|
| | 1997 | 1996 | 1995 | 1994 | 1993 |
| Operating Revenue | - 0 - | - 0 - | - 0 - | - 0 - | - 0 - |
| Income (loss) from continuing operations | (777,155) | (1,009,492) | (624,521) | (226,371) | (164,912) |
| Income (loss) per common share | (0.04)* | (0.07) | (0.08) | (0.06) | (0.07) |
| Total Assets | 11,938,896 | 9,358,805 | 4,341,535 | 611,577 | 497,900 |
| Long-term debt | - 0 - | - 0 - | - 0 - | - 0 - | - 0 - |
| Share Capital | 16,356,546 | 12,976,399 | 6,991,077 | 2,483,596 | 2,290,970 |
| Deficit | 4,444,560 | 3,667,405 | 2,657,913 | 2,033,392 | 1,807,021 |

* Loss per share has been restated to retroactively reflect share consolidation (1:4) which occurred in 1993.

The above selected financial data for 1997, 1996, 1995 and 1994 conform as well to Generally Accepted Accounting Principles in the United States, except for Income (loss) from continuing operations and Income (loss) per common share in 1995. According to U.S. GAPP, these figures for 1995 are as follows:

| | CDN $ Year Ended December 31 |
|---|---|
| Income (loss) from continuing operations | ($800,396) |
| Income (loss) per share | ($0.10) |

*increase of $175,875 in loss stated in financial statements, deriving from increase in executive compensation. Under U.S. GAPP, executive compensation would be increased by the fair market value of shares at the time of release from escrow to officers, directors and employees over their cost to acquire them.

**Item 9. Management's Discussion and Analysis of Financial Condition and Results of Operation.**

**Introduction**

This discussion should be read in conjunction with the consolidated financial statements of the Company and the related notes thereto included in this prospectus.

**Overview**

Abacus is engaged in the exploration and development of natural resource properties. Prior to 1995, Abacus held interests, or options to acquire interests, in thirteen mineral prospects located in British Columbia, Nova Scotia and Alaska on which it carried out modest exploration work. It has abandoned its interest in all of these properties and written off related acquisition and exploration costs totalling $1,048,284, with the exception of the Forrest and Ruby Tuesday properties. The Ruby Tuesday property is subject to an option to a third party. The Company is not actively conducting exploration on either of the Forrest or Ruby Tuesday properties.

In 1995, Abacus acquired a 100% interest in the Niblack Property. Since that time, Abacus has dedicated its efforts to establishing the continuity and extent of mineralization identified on that Property. During 1995, Abacus carried out Phases I and II of a multi-phase program on the Niblack Property at a cost of $2,200,000, drilling 19 holes over 12,755 feet to test various targets. During 1996, Abacus carried out Phases III and IV drilling programs on the Niblack Property, drilling an additional 49 holes over 34,612 feet at a cost of $3,665,212. Commencing in mid-1996, Abacus focused its efforts on the Lookout Mountain area of the Niblack Property, after drilling other targets as well during the first part of that year. In the Company's Phase V and Phase VI drilling programs, conducted in 1997, the Company continued its focus on the Lookout Mountain area of the Niblack Property, with a step out in a few holes to the Trio zone, approximately 300 meters to the east. In the Phase V and VI programs, the Company drilled a total of 33,000 feet in 37 holes, at a cost of $3,540,530.

In late 1995, Abacus granted to Teck Corporation an option to acquire a 51% interest in the Niblack Property. To exercise its option, Teck is required to fund and prepare a feasibility report on the property after delivery by the Company of a preliminary feasibility report, and commit to bring the Niblack Property into production. In consideration for the option, Teck subscribed for a total of 1,975,000 Common Shares for an aggregate consideration of $2,775,000, proceeds of which were used by Abacus to fund Phase III on the Niblack Property. Further, Teck subscribed for 500,000 Special Warrants of a placement of 3,550,000 such warrants in August, 1996, for $1.00 per Special Warrant (each being converted for no additional consideration into one common share and one-half common share purchase warrant upon qualification of a prospectus in various Canadian jurisdictions); and Teck further subscribed for 500,000 Special Warrants of a placement of 3,500,000 such warrants in March, 1997, for $1.05 per Special Warrant (each being converted for no additional consideration into one common share and one common share purchase warrant upon qualification of a prospectus in various Canadian jurisdictions). Teck has converted its 500,000 share purchase warrants subscribed in the March, 1997 placement, for common shares at $0.42 per share (a reduced option exercise price approved by the Vancouver Stock Exchange), or a total of $210,000. As a result of the foregoing, Teck is the largest beneficial holder of common shares. (See Item 4 above).

**Abandoned Mineral Property Interests**

During the past five years, Abacus acquired an interest in a total of approximately twenty mineral prospects. Abacus has abandoned its interest in these properties, with the exception of the Niblack Property, the Forrest Property, the Ruby Tuesday Property, the Argentina Properties, and its pending interests in Portugal.

Pursuant to an agreement dated August 10, 1995 (the "Thumb Peak Agreement") with the Hardscrabble Syndicate, the Company was granted the right to earn a 100% interest in five mineral claims (the "Thumb Peak Project") located in the Skeena Mining Division of British Columbia. The Company subsequently terminated its option and as a result the Company's balance sheet for 1996 reflects a write-off of $246,257 of acquisition and exploration costs incurred on the Thumb Peak Project.

Pursuant to an agreement dated June 1, 1993 (the "Brookfield Agreement") with Tri-Explorations Ltd., the Company was granted the right to earn a 60% interest in 106 mineral claims (the "Brookfield Property"), located in Queen's County, Nova Scotia. The Company subsequently terminated its option and as a result the Company's balance sheet for 1996 reflects a write-off of $388,606 of acquisition and exploration costs incurred on the Brookfield Property.

The Company held a 50% interest in 8 mineral claims, being the Stu, Spray and Sky, and NWG claims, all located in the Liard Mining Division of British Columbia; a 100% interest in four mineral claims, being the Lake claims, located in the Liard Mining Division of British Columbia; and held options to acquire a 21%, 25% and 49% interest in the Candle Lake, Toban Lake and Pasquia Hills properties, respectively, all located in Saskatchewan. The Company has abandoned its interest in all of these properties, and as a result the Company's balance sheet for the year ended December 31, 1995 reflects total write-offs of $128,686 of acquisition and exploration costs incurred on these properties.

The Company held an option to acquire a 100% interest in 462 minerals claims, being the Pinchgut and Rawdon Hills claims, located in Halifax County, Nova Scotia. The Company has abandoned its interest in these claims and as a result, during the year ended December 31, 1994, $19,846 in acquisition and exploration costs were written off.

The Company held options to acquire a 100% interest in 20 mineral claims, known as the Casa Berardi claims, a 50% interest in 22 mineral claims known as the Beauchamp claims, all located in Joutel Township, Quebec; and a mineral lease on four unpatented claims and a 100% interest in 3 unpatented claims, known as the American Flag claims and located in Mohave County, Arizona. The Company has abandoned its interest in these claims and as a result, during the year ended December 31, 1992, $264,969 in acquisition and exploration costs were written off.

**Operations**

*Year Ended December 31, 1997 compared to*
*Year Ended December 31, 1996*

Deferred exploration expenditures increased from $3,781,026 incurred in 1996 to $3,995,096 incurred in 1997, and acquisition costs associated with minerals properties were $58,675 incurred in 1997, compared with $175,960 incurred in 1996. Expenditures during both periods related mostly to the Niblack Property, which Abacus acquired during 1995.

The loss for the year ended December 31, 1997 was $771,155, compared with 1,009,482 for the year ended December 31, 1996. The decreased loss reflected $196,839 from mineral properties written off during 1997, compared to $634,863 for the year ended December 31, 1996. General and administrative expenses of $621,961 for 1997 increased from $416,609 of such expenses in the prior year. The major reason for such increase was that travel, investor relations and legal expenses were substantially higher in 1997 than in 1996. Investor relations activities during both periods include direct costs incurred by the Company in attending and participating in trade shows and investor conferences, and in producing and distributing additional disclosure documents as a result of: increased activity of the Company; increased investor interest in the Company’s Niblack Property, which was acquired during 1995; more frequent disclosure to inform investors and shareholders of ongoing drilling activities and results from the Niblack Property; and a larger and broader shareholder base.

*Year Ended December 31, 1996 compared to*
*Year Ended December 31, 1995*

Deferred exploration expenditures increased from $2,223,931 incurred in 1995 to $3,781,026 incurred in 1996, and acquisition costs associated with mineral properties decreased from $1,335,375 incurred in 1995 to $175,960 incurred in 1996. Most of the expenditures in both periods related to the Niblack Property.

The loss for the year ended December 31, 1996 was $1,009,482, compared with $624,521 for the year ended December 31, 1995. The increased loss reflected $634,863 from mineral properties written off during 1996, compared to $131,376 for the year ended December 31, 1995. General and administrative expenses of $416,609 for 1996 decreased from $524,562 of such expenses in the prior year. While most general and administrative expenses were similar in the two periods, there was a decrease in legal fees and investor relations expenses during 1996, and a modest increase in telephone expenses and in salaries and benefits. Investor relations activities during both periods include direct costs incurred by the Company in attending and participating in trade shows and investor conferences, and in producing and distributing additional disclosure documents as a result of: increased activity of the Company; increased investor interest in the Company’s Niblack Property, which was acquired during 1995; more frequent disclosure to inform investors and shareholders of ongoing drilling activities and results from the Niblack Property; and a larger and broader shareholder base.

*Year ended December 31, 1995 compared to*
*Year ended December 31, 1994*

Deferred exploration expenditures increased from $168,886 incurred in 1994 to $2,223,931 incurred in 1995, and mineral property acquisition costs increased from $93,973 incurred in 1994 to $1,335,375 incurred in 1995. 1994 acquisition and exploration expenditures related primarily to properties which the Company has subsequently abandoned and written off. During 1995, the Company acquired and commenced exploration on the Niblack Property, accounting for most of its acquisition and exploration costs.

The loss for 1995 was $624,521 compared with a $226,371 loss for 1994. The 1995 loss represents an increase in general and administrative expenses, from $110,728 in 1994 to $524,562 in 1995. Increased general and administrative expenses relate primarily to expenses associated with acquiring the Niblack Property, including legal, regulatory and audit fees, and expenses associated with conducting exploration activities on the Niblack Property, including travel, telephone, office expenses and salaries. In addition, investor relations expenses increased from $12,099 in 1994 to $139,740 in 1995, reflecting direct costs incurred by the Company in attending and participating in trade shows and investor conferences, and in producing and distributing additional disclosure documents as a result of: increased activity of the Company; investor interest in the Company's Niblack Property, which was acquired during 1995; more frequent disclosure to inform investors and shareholders of ongoing drilling activities and results from the Niblack Property; and a larger and broader shareholder base. Prior to acquiring the Niblack Property, the Company was relatively inactive.

**Capital Resources and Liquidity**

Abacus owns a 100% interest in the Niblack Property, with no outstanding acquisition commitments relating thereto, other than the issuance of an aggregate of 400,000 Common Shares to Lac Minerals (USA) Inc. and 100,000 shares to Noranda Exploration, Inc. upon the making of a production decision.

To earn a 100% interest in the Argentina Properties, under the agreement in principle between the Company and Barrick (which has been incorporated in a written document which the Company anticipates will be executed by the Company and Barrick in the near future), the Company is required to issue a total of 700,000 Common Shares, in stages, and to incur aggregate exploration expenditures of US$2,750,000, of which US$500,000 must be spent in the Year I Option Period (May 1, 1998 - April 30, 1999) and a cumulative total (including amounts previously spent) of $1,250,000, $2,250,000 and $2,750,000 by the ends of the Year II, Year III and Year IV Option Periods, respectively. The Company has, as of this date, incurred approximately $900,000 of exploration expenditures on the Argentina Properties.

The Company has funded its activities to date through the issuance of stock in Canada. During 1992, it issued no stock. In 1993, it received $430,000 through the private placement of stock, and issued $34,000 in stock for properties and $223,932 in stock in settlement of debt and finders' fees. In 1994, the Company received $28,375 through the private placement of stock, $70,000 through the exercise of outstanding warrants, and issued $44,250 in stock for minerals properties. During 1995, the Company received $910,580 through the private placement of stock, $570,005 from the exercise of outstanding warrants and employee options, and issued $974,000 in stock for properties and $100,707 in stock for settlement of debt. In addition, it completed a public offering in Canada, to Canadian persons only, from which it raised net proceeds of $1,997,659.

During 1996, the Company raised $5,849,322, net of agents' commissions and offering costs. $3,182,401 of net proceeds were from the placement of 3,550,000 "Special Warrants" to residents of Canada, each of which was exchanged (without further consideration), on January 2, 1997, upon the filing by the Company and acceptance of a prospectus in various Canadian provinces, into one common share and one-half common share purchase warrant. (The holder of each full common share purchase warrant is entitled to purchase one common share from the Company at a price of $1.20 per share up to and including August 29, 1998). Additionally, $2,377,357 was raised through the placement of 1,600,000 shares with Teck Corporation. The remainder of the funds raised by the Company in 1996 were from the exercise of outstanding warrants (from pre-1996 placements) to the extent of $170,150 and from the exercise of employee stock options to the extent of $119,414.

Management anticipates that it will likely apply to the Vancouver Stock Exchange to reduce the exercise price of the 3,550,000 Special Warrants described in the previous paragraph to reflect a price closer to the current trading price of the Company's common stock. However, management may delay such application in order to ascertain whether the current price of the stock ($0.35 at June 28, 1998) first recovers to a higher level. In approving such reductions, the Vancouver Stock Exchange normally accepts an option price that is no lower than the average of the ten days trading price of the stock prior to the date of application to the Exchange.

In March of 1997, the Company raised $3,303,397, net of agents' commissions and offering costs, from the placement of an additional 3,500,000 Special Warrants to residents of Canada, each of which was exchanged (without further consideration), upon the acceptance of a prospectus filed by the Company in Ontario, British Columbia and Manitoba provinces, into one common share and one common share purchase warrant. The holder of each common share purchase warrant was entitled to purchase one common share from the Company at a price of $1.30 per share, which was later reduced to $0.42 per share pursuant to approval of the Vancouver Stock Exchange, up to and including March 13, 1998. Prior to the expiration date of the options, 500,000 share purchase warrants were exercised by Teck Corporation. The remainder expired without being exercised. In the first quarter of 1997, the Company also raised $51,750 from the exercise of outstanding warrants (from pre-1996 placements).

In April of 1998, the Company completed the private placement of 500,000 special warrants, at $0.50 per special warrant, to Dakona Holdings, Ltd., a private corporation owned equally by five individuals, two of whom (Steve Todoruk and Douglas Fulcher) are Directors of the Company, and all five of whom are the owners of Pamicon Developments Limited which manages the exploration programs of the Company. Under the terms of the private placement, the special warrants are convertible into one common share and one common share purchase warrant, without further consideration, upon the acceptance by the British Columbia Securities Commission of a prospectus filed by the Company. Each share purchase warrant entitles the holder to purchase one additional share at $O.50 per share during the first year from the issuance of the special warrants, and at $O.55 during the second year.

As of December 31, 1997, the Company's current assets were $665,074, offset by current liabilities of $26,910, for a working capital position of $638,164. This working capital position compares with working capital of $1,934,844 as of December 31, 1996. The reduction in working capital reflects the expenditure of funds by the Company, as above described, in the conduct of the Company's exploration activities. In particular, the capitalized exploration costs (including acquisition costs and deferred exploration expenditures) increased from $7,339,111 as of December 31, 1996 to 11,196,043 as of December 31, 1997. Additionally, general and administrative expenses during that period, less income from interest and option payments, together with exploration costs which were incurred during the period and written off, and capitalized expenditures other than deferred exploration expenditures, totalled $806,719. Amounts raised, during that period, from the placement of special warrants and the exercise of outstanding warrants, totalled $3,365,147.

As of March 31, 1998, the Company's current assets were $495,815, offset by current liabilities of $16,945, for a working capital position of $478,870. This working capital position compares with working capital of $5,169,237 as of March 31, 1997. (The substantial increase in working capital between December 31, 1996 and March 31, 1997 reflects the private placement of 3,500,000 special warrants by the Company in March of 1997). The substantial reduction in working capital between March 31, 1997 and March 31, 1998 reflects the expenditure of funds by the Company in the conduct of the Company's exploration activities. In particular, the capitalized exploration costs (including acquisition costs and deferred exploration expenditures) increased from $7,432,581 as of March 31, 1997 to $11,436,325 as of March 31, 1998. Additionally, general and administrative expenses during that period, less income from interest and option payments, together with exploration costs which were incurred during the period and written off, and capitalized expenditures other than deferred exploration costs, totalled $863,222. Amounts raised, during that period, from the exercise of outstanding warrants, totalled $210,000.

In April of 1998, the Company raised $250,000, as above described, from a private placement to Dakona Holdings, Ltd. However, as the result of its continuing exploration activities in the second quarter of 1998, together with ongoing general and administrative expenditures, its current working capital position is approximately $250,000 as of June 30, 1998.

The Company's current plans for its underground program at the Niblack Property, require, as stated above, an estimated $6,000,000. Additionally, the Company would like to commence a new phase of exploration on its Argentina properties in the fall of 1998, funds permitting.

At the present time, management is negotiating a private placement of $3,000,000 U.S. (approximately $4.2 million dollars Canadian) with an investment fund in New York City, under the following terms: interest at 9% per annum and maturity three years from date of closing. The holder will have the right to convert the principal into common stock at $0.50 (Cdn.) per share during the second year, and at $0.60 (Cdn.) during the third year. Upon receipt of a notice of intent to convert, the Company will have thirty days to elect to either issue the appropriate number of shares of common stock, and pay any interest in arrears, or retract the debenture by a) giving the holder two million two-year warrants exercisable into two million common shares at $0.50 (Cdn.) during the first year and $0.575 (Cdn.) during the second year, and 2) paying in fall all outstanding principal and interest owing on the debenture. The Company also will have the right to retract the debenture, on its own initiative, after the first anniversary date, on the same terms and condition as its retraction rights upon notification by the holder of an intent to convert, provided that at the time the Company initiates a retraction of the debenture the Company's shares are trading at a minimum of $0.50 (Cdn.).

The Vancouver Stock Exchange has approved, in principle, the proposed financing. Representatives of the New York investment fund have indicated to the Company verbally that it is likely the transaction will close, and the funds disbursed to the Company, within the month following the filing of this report. However, the letter of "commitment" to the Company, dated May 26, 1998, from the representative of the New York investment fund, is subject to the preparation of documents (including loan agreement, debenture, security agreements, and other associated documents) satisfactory to the investment fund, and to satisfactory opinions of the investment fund's counsel. The letter of "commitment" also provides that the terms and conditions of the commitment are subject to change based upon information acquired by the investment fund in the course of its due diligence investigation.

The Company will be required to pay a fee of 1% of the gross amount of the financing, upon closing; and the investment fund will have the right to designate a nominee to the Company's Board of Directors.

At the annual shareholders' meeting, held on June 30, 1998, the shareholders authorized the directors to enter into the above-described convertible debenture financing. (See attached Exhibit, constituting Supplemental Notice of Annual General Meeting of Members).

The Company has not secured other financing at this time for the provision of funds to continue its exploration activities. However, it is hopeful that such additional funds can be secured through the exercise of outstanding warrants and/or through additional private placements of stock, as necessary. In regard to the exercise of outstanding warrants, management anticipates, as stated above, that it will likely apply to the Vancouver Stock Exchange to reset the option price at which the 1,775,000 share purchase warrants, resulting from the Company's 1996 private placement, may be exercised, in order to reflect the substantially lower current price of the Company's stock. However, management may delay such application in order to ascertain whether the current trading price of the Company's shares first recovers to a higher level. With regard to the private placement of shares, management is hopeful that contingent upon the closing of the $3,000,000 debenture placement above described, Teck will subscribe for shares equal to 15% of that placement (namely $450,000), pursuant to Teck's right to do under its Share Purchase and Option Agreement with the Company, and in keeping with its past decisions to subscribe to 15% of the Company's placements of special warrants in 1996 and 1997. However, Teck has made no commitment in such regard.

The Company's ability to continue to raise necessary capital to continue its activities, as in the past, will depend upon continued positive results of its exploration activities. Failure to obtain additional funding in such amounts as sought by the Company would result, to such extent, in the inability of the Company to continue with, or the necessity of delaying, its development of the Niblack Property and/or the Argentina properties. Additionally, the failure to incur aggregate exploration expenditures on the Argentina properties, as required by the agreement between the Company and Barrick Gold Corp. would result in the loss by the Company of its interest in the Argentina properties.

Management also notes that the Canadian minerals exploraton and development industry, in general, at the present time, is in a depressed state, in terms of the level of share prices, and the ability of companies to secure financing. Additionally, metals prices are depressed, relative to levels in immediately preceding years. These factors impact unfavorably both upon the ability of the Company, and other mining companies, to raise funds and upon the prospective profitability of mining operations. Management is obviously not able to predict the period during which such conditions will continue (or, possibly worsen). At the same time, management has no plans for discontinuing or reducing the level of its activities, funds permitting.

The following table sets forth relative levels of relevant spot market prices, in world markets, for various metals, as of July 10, 1998, compared with a year eariler:

| | 7/10/97<br>US Dollars | 7/10/98<br>US Dollars |
|---|---|---|
| Copper (high grade, per pound, Cmx sp. price) | 1.08 | .72 |
| | | |
| Copper scrap (#2 wire NY lb.) | .82 | .59 |
| | | |
| Zinc, Special High grade, lb. | .71250 | .51472 |
| | | |
| Gold, troy oz., Englehard indust. bullion | 320.69 | 291.74 |
| | | |
| Silver, troy oz. Englehard indust. bullion | 4.350 | 5.290 |

**Outlook**

Management is excited about the potential of its Niblack Property, and in particular the Lookout Mountain area thereof, and the Argentina properties, as the result of its exploration activities to date. At the same time, management emphasizes that exploration of the Argentina Properties is still at an early stage; and that with respect to the Niblack Property, quantities of mineral resources have not yet been identified, nor a feasibility study conducted with respect to the minability of the resources which have been identified, warranting a determination that a mine should be brought to production on the property.

**Item 10. Directors and Officers.**

The names and municipalities of residence of the directors and officers of the Company, positions held by them with the Company, terms of office and periods during which they have served as such, and their principal occupations for the past five years are as set forth below:

| Name, Municipality of Residence | Current Principal Occupation |
|---|---|
| **Steve Todoruk**<br>White Rock, B.C.<br>President, Chief Executive Officer and Director since<br>December, 1992 | Geologist; President, Pamicon Developments Ltd., an exporation services company |
| **Lawrence D. Barr**<br>Vancouver, B.C.<br>Secretary, Chief Financial Officer and Director since<br>June, 1993 | Self-employed business consultant; director and president of a number of public companies including Island-Arc Resources Corporation |
| **Douglas Fulcher**<br>North Vancouver, B.C.<br>Director since April, 1993 | Project Manager, Pamicon Developments Ltd., an exploration services company |
| **Ken Thorsen**<br>Port Coquitlam, B.C.<br>Director since March, 1996 | General Manager - Exploration Teck Corporation |

All of the directors are serving terms which will expire at the next annual meeting of shareholders, which is expected to be held in June, 1999, or when their successors are chosen. Officers serve at the pleasure of the Board.

**Item 11. Executive Compensation**

The aggregate amount of compensation paid to all officers and directors of the Company, as a group, in fiscal year ended December 31, 1997, was $0. However, $3,641,643 was paid by the Company during fiscal year ended December 31, 1997 to Pamicon Developments Ltd. ("Pamicon"), an exploration services company through which Abacus conducts exploration activities. Steve Todoruk, an officer and director of Abacus, and Douglas Fulcher, a director of Abacus, are directors and/or officers of, and each holds a 20% equity position in, Pamicon. Of the amount paid to Pamicon, $3,366,839 was disbursed to independent subcontractors and as wages to employees of Pamicon other than Messrs. Todoruk or Fulcher, $49,440 was paid as wages to Steve Todoruk, and $225,364 constituted a management fee to Pamicon.

**Item 12. Options to Purchase Securities**

As at the date hereof, an aggregate of 2,575,000 incentive stock options to purchase Common Shares (one share per option) are outstanding, as follows:

| | Number of Options | Expiry Date | Exercise Price |
|---|---|---|---|
| Directors and Officers: | 675,000*<br>650,000** | March 26, 2001<br>January 14, 2002 | $0.42<br>$0.42 |
| Others: | 200,000<br>250,000<br>400,000<br>400,000 | March 6, 2000<br>May 8, 2000<br>August 23, 1998<br>November 1, 1998 | $0.42<br>$0.42<br>$0.42<br>$0.42 |

*525,000 of which are held by Steve Todoruk, President and Chief Executive Officer, and a director, and 50,000 of which are held by Douglas Fulcher, a director

**all of which are held by Douglas Fulcher, a director.

***reduced from previous exercise prices, pursuant to approval of the Vancouver Stock Exchange.

**Warrants**

As at the date hereof, an aggregate of 1,775,000 share purchase warrants are outstanding, entitling the holders thereof to purchase a total of 1,775,000 Common Shares at a price of $1.20 per share, at any time on or before August 29, 1998.

Of the 1,775,000 share purchase warrants, expiring August 29, 1998, which are currently outstanding, 250,000 are held by Teck Corporation and 325,000 are held by Dakona Holdings Ltd. (of which Steve Todoruk and Douglas Fulcher are each 20% owners).

Additionally, pursuant to the Company's agreement with Lac Minerals (USA) Inc. ("Lac"), described in Item 1, executed in connection with the purchase by the Company of Lac's interest in the Niblack property, Lac has a remaining option to acquire 1,000,000 common shares in the Company at $4.00 per share, exercisable at any time up to December 31, 1998.

Furthermore, an aggregate of 500,000 special share purchase warrants are held by Dakona Holdings Ltd., which is owned equally by five individuals, two of whom, Steve Todoruk and Douglas Fulcher, are directors of the Company. Each special share purchase warrant is convertible, without further consideration, into one common share and one share purchase warrant entitling the holder to purchase one additional share at $0.50 per share up to April, 1999, and at $0.55 per share thereafter up to April, 2000.

**Item 13. Interest of Management in Certain Transactions.**

1. The Company holds an option to acquire a 100% interest in the Forrest Property from the Forrest Syndicate, and has granted to Meridian Peak Resources, Inc. an option to earn a 50% interest therein (which Meridian has relinquished). See Item 1, "Description of Business." Messrs. Todoruk and Fulcher, officers or directors of the Company, are members of the Forrest Syndicate. Lawrence Barr, a director of the Company, is a director of Meridian.

2. The Company has granted to Island-Arc Resources Corporation an option to earn a 100% interest in the Ruby Tuesday Property. See Item 1, "Business of Abacus". Lawrence Barr, a director of the Company, is a director of Island-Arc.

3. The Company conducts exploration activities through Pamicon Developments Ltd. ("Pamicon"), an exploration services contractor. During the fiscal year ended December 31, 1997, the Company paid a total of $3,641,643 to Pamicon. Steve Todoruk, a director and officer of Abacus, and Douglas Fulcher, a director of Abacus, are officers and/or directors of, and each holds a 20% equity position in, Pamicon. Most of Pamicon's current work involves the management of Abacus' exploration programs. Of the amount paid to Pamicon, $3,366,839 was disbursed to independent subcontractors and as wages to employees of Pamicon other than Messrs. Todoruk or Fulcher, $49,440 was paid as wages to Steve Todoruk, and $225,364 constituted a management fee to Pamicon.

4. Dakona Holdings Ltd. ("Dakona"), which is owned equally by five persons (who are also the same persons who own Pamicon Developments Ltd.), two of whom are Steve Todoruk, an officer and director of Abacus, and Douglas Fulcher, a director of Abacus, purchased 650,000 of the 3,550,000 Special Warrants which were placed by the Company in 1996. Each Special Warrant was exchanged (without further consideration) into one common share and one-half common share purchase warrant on January 2, 1997. One full share-purchase warrant entitles the holder to purchase a common share from the Company at a price of $1.20 per share, at any time on or before August 29, 1998.

5. Pursuant to a Share Purchase and Option Agreement dated February 27, 1996, the Company granted to Teck Corporation an option to acquire a 51% interest in the Niblack Property and Teck purchased, by way of private placements, a total of 1,975,000 common shares. As the result of Teck's additional subscription to 500,000 common shares in each of the Company's private placements, in 1996 and 1997, and its exercise of stock purchase warrants acquired from the 1997 placement to acquire another 500,000 shares, Teck now owns 3,475,000 shares in the Company, in addition to its stock purchase warrants, acquired from the 1996 placement, entitling it to acquire another 250,000 shares at the established exercise price. As a result, Teck holds more than a 10% beneficial interest in the Company, and Ken Thorsen, an employee of Teck, has been appointed as a director of the Company.

**Items 14 - 16.**

Not Applicable.

**Item 17. Financial Statements.**

Following.

**ABACUS MINERALS CORPORATION**

**CONSOLIDATED FINANCIAL STATEMENTS**

**DECEMBER 31, 1997 AND 1996**

## AUDITOR'S REPORT

TO THE SHAREHOLDERS OF ABACUS MINERALS CORPORATION

I have audited the consolidated balance sheets of Abacus Minerals Corporation as at December 31, 1997 and 1996 and the statements of loss and deficit and changes in financial position for each of the years then ended. These financial statements are the responsibility of the Company's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audits in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 1997 and 1996 and the results of its operations and the changes in its financial position for each of the years then ended in accordance with generally accepted accounting principles. As required by the B.C. Company Act, I report that, in my opinion, these principles have been applied on a consistent basis.

G. Ross McDonald
Chartered Accountant

Vancouver, British Columbia
March 23, 1998

**ABACUS MINERALS CORPORATION**

**CONSOLIDATED BALANCE SHEETS**

**as at December 31, 1997 and 1996**

| | 1997 | 1996 |
|---|---|---|
| **ASSETS** | | |
| CURRENT ASSETS | | |
| Cash | $ 289,502 | $ 1,946,773 |
| Marketable securities | 12,200 | 18,000 |
| Accounts receivable | 29,516 | 19,882 |
| Advances to contractors | 325,000 | - |
| Prepaid expenses | 8,856 | - |
| | 665,074 | 1,984,655 |
| MINERAL PROPERTIES (Note 3) | 11,196,043 | 7,339,111 |
| CAPITAL ASSETS (Note 4) | 49,279 | 17,039 |
| RECLAMATION DEPOSITS | 28,500 | 18,000 |
| | $ 11,938,896 | $ 9,358,805 |
| **LIABILITIES** | | |
| CURRENT LIABILITIES | | |
| Accounts payable and accrued liabilities | $ 26,910 | $ 49,811 |
| **SHAREHOLDERS' EQUITY** | | |
| SHARE CAPITAL (Note 5) | 16,356,546 | 12,976,399 |
| DEFICIT | (4,444,560) | (3,667,405) |
| | 11,911,986 | 9,308,994 |
| | $ 11,938,896 | $ 9,358,805 |

COMMITMENTS (Note 8)

APPROVED BY THE BOARD

*"Steve L. Todoruck"*
Director – Steve L. Todoruck

*"Douglas A. Fulcher"*
Director – Douglas A. Fulcher

**ABACUS MINERALS CORPORATION**

**CONSOLIDATED STATEMENTS OF LOSS AND DEFICIT**

**For the Years Ended December 31, 1997 and 1996**

| | 1997 | 1996 |
|---|---|---|
| GENERAL AND ADMINISTRATIVE EXPENSES | | |
| Accounting and audit | $ 12,875 | $ 9,780 |
| Depreciation | 9,698 | 4,086 |
| Regulatory fees | 8,064 | 7,934 |
| Interest and bank charges | 1,429 | 1,266 |
| Investor relations | 146,316 | 105,457 |
| Legal | 100,584 | 52,510 |
| Financial consultants | 25,000 | - |
| Office and miscellaneous | 74,459 | 47,405 |
| Rent | 17,028 | 12,022 |
| Salaries and benefits | 59,440 | 81,795 |
| Telephone | 20,875 | 25,376 |
| Transfer agent fees | 12,798 | 11,559 |
| Travel | 133,395 | 57,419 |
| | 621,961 | 416,609 |
| Less: Interest income | (49,019) | (57,065) |
| Option payments | (5,000) | - |
| LOSS BEFORE THE FOLLOWING | 567,942 | 359,544 |
| General exploration costs | 1,574 | 15,085 |
| Mineral properties written off | 196,839 | 634,863 |
| Write-down of marketable securities | 10,800 | - |
| NET LOSS FOR THE YEAR | 777,155 | 1,009,492 |
| DEFICIT, BEGINNING OF YEAR | 3,667,405 | 2,657,913 |
| DEFICIT, END OF YEAR | $ 4,444,560 | $ 3,667,405 |
| LOSS PER SHARE | $ 0.04 | $ 0.07 |

**ABACUS MINERALS CORPORATION**

**CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION**

**For the Years Ended December 31, 1997 and 1996**

| | 1997 | 1996 |
|---|---|---|
| OPERATING ACTIVITIES | | |
| Net loss for the year | $ (777,155) | $ (1,009,492) |
| Less: non-cash charges | | |
| Mineral properties written off | 196,839 | 649,947 |
| Write-down of marketable securities | 10,800 | - |
| Depreciation | 9,698 | 4,086 |
| | (559,818) | (355,459) |
| Net changes in non-cash working capital balances | (371,391) | 123,883 |
| Cash applied to operating activities | (931,209) | (231,576) |
| INVESTING ACTIVITIES | | |
| Mineral properties | (4,053,771) | (3,972,070) |
| Purchase of capital assets | (41,938) | (12,915) |
| Reclamation bonds | (10,500) | 5,000 |
| Cash applied to investing activities | (4,106,209) | (3,979,985) |
| FINANCING ACTIVITIES | | |
| Issuance of share capital | 3,380,147 | 5,985,322 |
| Cash from financing activities | 3,380,147 | 5,985,322 |
| INCREASE (DECREASE) IN CASH DURING THE YEAR | (1,657,271) | 1,773,761 |
| CASH, BEGINNING OF YEAR | 1,946,773 | 173,012 |
| CASH, END OF YEAR | $ 289,502 | $ 1,946,773 |

## 1. NATURE OF OPERATIONS

The Company is an exploration stage company engaged principally in the acquisition, exploration and development of mineral properties. The recovery of the Company's investment in mineral properties is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain financing to complete development and the future proceeds from the disposition of those reserves.

## 2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with accounting policies generally accepted in Canada and reflect the following policies.

### (a) Principles of Consolidation

The consolidated financial statements as at December 31, 1997 and 1996 included the accounts of the Company and its wholly owned subsidiary, Abacus Alaska, Inc.

### (b) Mineral Properties

All direct costs related to mineral properties are deferred until either commercial production is established or a property is abandoned. At that time, such costs will either be amortized on a unit of production basis or charged to earnings. The amount shown for mineral properties represents costs incurred to date and does not reflect present or future values. The Company is in the process of exploring its mineral properties and has not yet determined whether those properties contain ore reserves that are economically recoverable. The recoverability of these deferred costs is dependent upon the existence of recoverable reserves, the ability of the company to obtain necessary financing to complete development and upon future profitable production.

### (c) Capital Assets

Capital assets are recorded at cost and are amortized using the declining-balance method, at an annual rate of 20% for office and field equipment and 30% for computer equipment.

### (d) Share Capital

Share capital issued for non-monetary consideration is recorded at fair market value on the dates of issuance pursuant to the agreement to issue shares as determined by the Board of Directors of the Company based on the trading price of the shares on the Vancouver Stock Exchange.

The proceeds from shares issued under flow-through share financing agreements are credited to share capital and the tax benefits of the exploration expenditures incurred under these agreements are transferred to the purchaser of the shares. Costs incurred for the issue of shares are deducted from share capital.

### (e) Basic Loss Per Share

Loss per share is calculated using the weighted average number of shares outstanding during the year. Fully diluted loss per share is not presented because it would be anti-dilutionary.

### (f) Foreign Currency Translation

The accounts of the Company's foreign operations have been translated into Canadian dollars, monetary items are translated at the exchange rate in effect at the balance sheet date; non-monetary items are translated at historical exchange rates; revenue and expenses and exploration and development items at the average rate of exchange for the period.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (g) Financial Instruments

The carrying value of current assets and current liabilities approximates their fair value due to the relatively short periods to maturity of these instruments.

## 3. MINERAL PROPERTIES

The Company has acquired or has an option to acquire mineral properties as follows:

### (a) Niblack Project, Alaska, U.S.A.

The Company has earned a 100% interest in 185 mineral claims and a 38% interest in 2 patented mineral claims subject to the issue of 500,000 common shares upon making a decision to place the property into production. The optionor of a 70.49% interest in the property has retained a variable, 1% to 3%, net smelter returns royalty based on the profitability of the property. Certain net profit interests are held by other parties with respect of a 29.51% interest in the property.

The company has also entered into an option to acquire the remaining 62% interest in the 2 patented mineral claims upon the issue of up to 100,000 common shares (50,000 shares issued) and making cash payments totalling US $20,000 (US $10,000 paid as at December 31, 1997).

The Company has granted to another company the right to earn a 51% interest in the Niblack Project upon carrying out a feasibility study and placing the property into commercial production.

The Company acquired a 5% net profits interest in consideration of US $20,000 and the issue, in stages, of 100,000 common shares.

### (b) Forrest Claims, Liard Mining Division, British Columbia

The Company held an option to acquire a 100% interest in 11 mineral claims. During the year ended December 31, 1997 the Company abandoned its interest in the property and $196,839 in acquisition and exploration costs were written off.

### (c) Ruby Tuesday Project, Alaska, U.S.A.

The Company acquired a 100% interest in 110 mineral claims and has granted an option to sell the interest subject to maintaining the option to participate as to 20% in a joint venture to develop the property or accept a 12.5% net profits royalty interest.

As at December 31, 1997 the optionor was in default under the terms of the agreement and the Company has granted a one year extension to those terms.

### (d) Argentina Claims

The Company has agreed by letter of intent, subject to regulatory approval, to enter into an option to acquire a 100% interest in six mineral properties (the La Manchuria property and five Patagonia properties) in Santa Cruz Province, Argentina in consideration of 600,000 common shares to the optionor over a four year period and a further 200,000 common shares to the optionor if and when a commercial production decision is made on any of the Patagonia properties and incurring US $2,750,000 in exploration expenditure on the properties during a four year period. The optionor has the right to “back in” for a 50% interest in the properties by expending US $3,750,000 in development of the properties or accept a 3% net smelter royalty interest.

### (e) Portugal Project

The Company has made application for two mineral concessions located in southern Portugal. The Company has granted an option to another company to acquire a 70% interest in this project, if acquired, in consideration for funding the first US $7,000,000 of exploration expenditure.

## 3. MINERAL PROPERTIES (continued)

| | For the Years Ended December 31 1997 | 1996 |
|---|---|---|
| Expenditures made on those mineral properties by the Company were as follows: | | |
| Acquisition costs | $ 58,675 | $ 175,960 |
| Deferred exploration expenditures | | |
| Aircraft and helicopter | 465,780 | 580,769 |
| Assay | 154,172 | 113,912 |
| Camp and exploration support | 456,478 | 550,910 |
| Drilling | 1,261,745 | 1,198,805 |
| Geological consulting | 83,532 | 55,743 |
| Geophysical and other consulting | 142,149 | 48,909 |
| Project management | 232,300 | 225,364 |
| Recording fees | 37,767 | 36,196 |
| Reports, drafting and maps | 31,688 | 11,942 |
| Salaries, wages and benefits | 901,232 | 862,440 |
| Travel and accommodation | 228,253 | 111,036 |
| Recoveries | - | (15,000) |
| | 3,995,096 | 3,781,026 |
| | 4,053,771 | 3,956,986 |
| Balance, beginning of year | 7,339,111 | 4,016,988 |
| | 11,392,882 | 7,973,974 |
| Written-off during the year | (196,839) | (634,863) |
| Balance, end of year | $ 11,196,043 | $ 7,339,111 |
| Allocated to Properties as follows: | | |
| Niblack Property | $ 10,707,802 | $ 7,142,272 |
| Forrest Claims | - | 196,839 |
| Argentina Claims | 457,609 | - |
| Portugal Project | 30,632 | - |
| | $ 11,196,043 | $ 7,339,111 |

## 4. CAPITAL ASSETS

Capital assets are comprised of office, field and computer equipment and are recorded at cost net of accumulated depreciation of $15,192 as at December 31, 1997 (1996 - $5,494).

## 5. SHARE CAPITAL

| Authorized<br>100,000,000 common shares without par value | No. of Shares | Amount |
|---|---|---|
| Issued - | | |
| Balance as at December 31, 1995 | 11,659,468 | $ 6,991,077 |
| Issued for cash upon | | |
| Exercise of warrants | 547,500 | 170,150 |
| Exercise of options | 318,437 | 119,414 |
| Private placement (net of share issue costs) | 1,600,000 | 2,377,357 |
| Private placement (special warrants, net of share issue costs) | 3,550,000 | 3,182,401 |
| Issued for mineral properties | 140,000 | 136,000 |
| | 6,155,937 | 5,985,322 |
| Balance as at December 31, 1996 | 17,815,405 | 12,976,399 |
| Issued for cash upon | | |
| Exercise of warrants | 225,000 | 51,750 |
| Private placement (net of share issue costs) | 3,500,000 | 3,303,397 |
| Issued for mineral properties | 50,000 | 25,000 |
| | 3,775,000 | 3,380,147 |
| Balance as at December 31, 1997 | 21,590,405 | $ 16,356,546 |

(a) **Escrowed Shares**

The issued capital stock as at December 31, 1997 and 1996, includes 84,375 escrowed common shares. These shares may not be traded, transferred or released without the consent of the regulatory authorities.

(b) **Share Purchase Warrants**

The Company has warrants outstanding which entitle the holders to purchase common shares as follows:

(i) up to 1,775,000 common shares at $1.20 per share until August 29, 1998;

(ii) up to 3,500,000 common shares at $1.30 per share until March 31, 1998; (subsequent to the year end the exercise price, on receipt of regulatory approval was amended to $0.42 per share and the term extended to March 31, 1998);

(iii) up to 1,000,000 common shares at $4.00 per share until December 13, 1998.

(c) **Stock Options**

There are outstanding stock options to directors and employees as follows:

(i) 200,000 common shares exercisable at $0.45 per share on or before March 6, 2000;

(ii) 250,000 common shares exercisable at $0.67 per share on or before May 8, 2000;

(iii) 675,000 common shares exercisable at $1.14 per share on or before March 26, 2001;

(iv) 650,000 common shares exercisable at $0.85 per share on or before January 14, 2002;

5. **SHARE CAPITAL (continued)**

(v) 400,000 common shares exercisable at $0.42 per share on or before August 23, 1998.

Subsequent to the year end the Company, on receipt of regulatory approval, amended the price of all outstanding stock options to $0.42 per share.

6. **RELATED PARTY TRANSACTIONS**

(a) The Company conducts the majority of its exploration activities through an exploration services contractor in which two directors are principals. The Company paid that contractor $3,641,643 (1996 - $3,787,648) for exploration costs and $131,281 (1996 - $32,912) to reimburse office and administrative costs.

(b) The Forrest mineral claims were optioned from a prospecting syndicate of which two members are directors of the Company.

(c) The Ruby Tuesday claims (Note 2(c)) have been optioned to a company with one common director.

7. **INCOME TAXES**

(a) The Company has non-capital income tax loss carry-forwards of approximately $1,765,600 available to reduce income of future years, which expire in varying amounts to the year 2004 as follows:

| | |
|---|---|
| 1998 | $ 68,800 |
| 1999 | 95,600 |
| 2000 | 114,000 |
| 2001 | 109,100 |
| 2002 | 477,100 |
| 2003 | 355,400 |
| 2004 | 545,600 |

(b) The Company has also accumulated $857,000 in Canadian exploration expenses, $519,000 of Canadian development expenses and $3,865,000 of foreign exploration and development expenses which are available to reduce taxable income of future years.

8. **COMMITMENTS**

(a) The Company has entered into an agreement with a firm for the provision of public relations and consulting services at $5,000 per month until April 30, 1998.

(b) The Company has entered into an agreement for the provision of financial advisory services to the Company in consideration for $75,000, to be paid in quarterly instalments.

9. **SUBSEQUENT EVENTS**

(a) **Exercise of Warrants**

Subsequent to December 31, 1997, the date of these financial statements, warrants had been exercised and the Company received $210,000 on the issue of 500,000 common shares.

(b) The Company issued 50,000 common shares in connection with the acquisition of mineral claims in the Niblack Project (Note 3(a)).

ABACUS MINERALS CORPORATION

FINANCIAL STATEMENTS

DECEMBER 31, 1996

## AUDITOR'S REPORT

To the shareholders of ABACUS MINERALS CORPORATION:

I have audited the consolidated balance sheets of Abacus Minerals Corporation as at December 31, 1996 and 1995 and the statements of loss and deficit, changes in financial position and mineral properties for each of the years in the three year period ended December 31, 1996. These financial statements are the responsibility of the Company's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audits in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 1996 and 1995 and the results of its operations and the changes in its financial position for each of the years in the three year period ended December 31, 1996 in accordance with generally accepted accounting principles. As required by the B.C. Company Act, I report that, in my opinion, these principles have been applied on a consistent basis.

G. Ross McDonald
Chartered Accountant
Vancouver, British Columbia
April 21, 1997

## CONSOLIDATED BALANCE SHEETS
*December 31, 1996 and 1995*

| | 1996 | 1995 |
|---|---|---|
| **ASSETS** | | |
| CURRENT ASSETS | | |
| Cash | $ 1,946,773 | $ 173,012 |
| Marketable securities | 18,000 | 3,000 |
| Accounts receivable | 19,882 | 41,465 |
| Advances to contractors | - | 75,000 |
| Prepaid expenses | - | 860 |
| | 1,984,655 | 293,337 |
| MINERAL PROPERTIES (Note 3) | 7,339,111 | 4,016,988 |
| CAPITAL ASSETS (Note 4) | 17,039 | 8,210 |
| RECLAMATION DEPOSITS | 18,000 | 23,000 |
| | $ 9,358,805 | $ 4,341,535 |
| **LIABILITIES** | | |
| CURRENT LIABILITIES | | |
| Accounts payable and accrued liabilities | $ 49,811 | $ 8,371 |
| **SHAREHOLDERS' EQUITY** | | |
| SHARE CAPITAL (Note 5) | 12,976,399 | 6,991,077 |
| DEFICIT | (3,667,405) | (2,657,913) |
| | 9,308,994 | 4,333,164 |
| | $ 9,358,805 | $ 4,341,535 |

APPROVED BY THE BOARD

Director

Director

## CONSOLIDATED STATEMENTS OF LOSS AND DEFICIT
*Year Ended December 31, 1996, 1995, 1994, 1993 and 1992*

| | 1996 | 1995 | 1994 | 1993 | 1992 |
|---|---|---|---|---|---|
| GENERAL AND ADMIN. EXPENSES | | | | | |
| Accounting and audit | $ 9,780 | $ 14,044 | $ 9,066 | $ 10,43 | $ 10,500 |
| Administrative fees | - | - | 6,584 | 1,500 | 12,000 |
| Bad debts | - | - | 8,075 | - | 15,242 |
| Consulting fees | - | - | - | 32,373 | 9,802 |
| Depreciation | 4,086 | 1,408 | - | - | - |
| Regulatory fees | 7,934 | 17,419 | 2,832 | 10,368 | 2,515 |
| Interest and bank charges | 1,266 | 5,297 | 507 | 10,339 | 33,639 |
| Investor relations | 105,457 | 139,740 | 12,099 | 5,197 | 2,237 |
| Legal | 52,510 | 124,784 | 15,873 | 28,259 | 2,432 |
| Management fees | - | - | 26,000 | - | - |
| Office and miscellaneous | 47,405 | 51,494 | 17,047 | 1,153 | 7,921 |
| Rent | 12,022 | 9,575 | 4,747 | 4,800 | 5,337 |
| Salaries and benefits | 81,795 | 75,096 | - | - | 6,238 |
| Telephone | 25,376 | 14,562 | - | - | - |
| Transfer agent fees | 11,559 | 10,517 | 7,898 | 7,381 | 3,799 |
| Travel | 57,419 | 60,626 | - | - | - |
| | 416,609 | 524,562 | 110,728 | 112,113 | 111,662 |
| Less: Interest income | (57,065) | (17,170) | (708) | (1,030) | (531) |
| Option payments | - | (15,000) | - | - | - |
| LOSS BEFORE THE FOLLOWING | 359,544 | 492,392 | 110,020 | 111,083 | 111,131 |
| General exploration costs | 15,085 | 753 | 1,017 | 53,829 | - |
| Mineral properties written off | 634,863 | 131,376 | 115,334 | - | 531,406 |
| Loss on sale of resource property | - | - | - | - | 266,438 |
| NET LOSS FOR THE YEAR | 1,009,492 | 624,521 | 226,371 | 164,912 | 908,975 |
| DEFICIT, BEGINNING OF YEAR | 2,657,913 | 2,033,392 | 1,807,021 | 1,642,109 | 733,134 |
| DEFICIT, END OF YEAR | $ 3,667,405 | $ 2,657,913 | $ 2,033,392 | $ 1,807,021 | $ 1,642,109 |
| LOSS PER SHARE | $ 0.07 | $ 0.08 | $ 0.06 | $ 0.07 | $ 0.22 |

## Consolidated Statements of Changes in Financial Position
*Year Ended December 31, 1996, 1995, 1994, 1993 and 1992*

| | 1996 | 1995 | 1994 | 1993 | 1992 |
|---|---|---|---|---|---|
| OPERATING ACTIVITIES | | | | | |
| Net loss for the year | $ (1,009,492) | $ (624,521) | $ (226,371) | $ (164,912) | $ (908,975) |
| Less: non-cash charges | | | | | |
| Mineral properties written off | 649,947 | 131,376 | 115,334 | - | 531,406 |
| Loss on sale of mineral property | - | - | - | - | 266,438 |
| Advances written off | - | - | - | - | 15,242 |
| Depreciation | 4,086 | 1,408 | - | - | - |
| | (355,459) | (491,737) | (111,037) | (164,912) | (95,889) |
| Net changes in non-cash working capital balances | 123,883 | (262,286) | 169,894 | (245,357) | 3,448 |
| Cash from (applied to) operating activities | (231,576) | (754,023) | 58,857 | (410,269) | (92,441) |
| INVESTING ACTIVITIES | | | | | |
| Mineral properties | (3,972,070) | (3,559,306) | (262,859) | (258,545) | 89,455 |
| Share issue commitment | - | - | (1,875) | - | - |
| Purchase of capital assets | (12,915) | (9,618) | - | - | - |
| Reclamation bonds | 5,000 | (15,000) | - | - | - |
| Cash applied to investing activities | (3,979,985) | (3,583,924) | (264,734) | (258,545) | 89,455 |
| FINANCING ACTIVITIES | | | | | |
| Share subscriptions | - | (50,000) | 50,000 | - | - |
| Issuance of share capital | 5,985,322 | 4,557,481 | 142,626 | 687,932 | - |
| Loan proceeds (payments) | - | - | - | (2,500) | 2,500 |
| Cash from financing activities | 5,985,322 | 4,507,481 | 192,626 | 685,432 | 2,500 |
| INCREASE (DECREASE) IN CASH DURING THE YEAR | 1,773,761 | 169,534 | (13,251) | 16,618 | (486) |
| CASH, BEGINNING OF YEAR | 173,012 | 3,478 | 16,729 | 111 | 597 |
| CASH, END OF YEAR | $ 1,946,773 | $ 173,012 | $ 3,478 | $ 16,729 | $ 111 |

## CONSOLIDATED STATEMENTS OF MINERAL PROPERTIES
*Year Ended December 31, 1996, 1995, 1994, 1993 and 1992*

| | 1996 | 1995 | 1994 | 1993 | 1992 |
|---|---|---|---|---|---|
| **EXPENDITURES DURING THE YEAR** | | | | | |
| Acquisition costs | $ 175,960 | $ 1,335,375 | $ 93,973 | $ 72,155 | $ - |
| Deferred exploration expenditures | | | | | |
| Aircraft and helicopter | 580,769 | 267,020 | 6,305 | - | |
| Assay | 113,912 | 52,296 | 12,499 | 37,360 | - |
| Camp and exploration support | 550,910 | 226,855 | 5,830 | 7,240 | - |
| Drilling | 1,198,805 | 636,220 | 14,893 | - | - |
| Geological consulting | 55,743 | 155,115 | 21,919 | 92,295 | - |
| Geophysical and other consulting | 48,909 | 209,212 | 5,280 | - | - |
| Project management | 225,364 | 178,452 | 12,193 | 13,982 | - |
| Recording fees | 36,196 | 26,814 | 6,220 | 2,488 | - |
| Reports, drafting and maps | 11,942 | 17,640 | 10,631 | 300 | 545 |
| Salaries, wages and benefits | 862,438 | 385,134 | 48,077 | - | - |
| Travel and accommodation | 111,036 | 85,173 | 25,039 | 32,725 | - |
| Recoveries | (15,000) | (16,000) | - | - | - |
| | 3,781,026 | 2,223,931 | 168,886 | 186,390 | 545 |
| | 3,956,986 | 3,559,306 | 262,859 | 258,545 | 545 |
| Balance, beginning of year | 4,016,988 | 589,058 | 441,533 | 182,988 | 1,070,287 |
| | 7,973,974 | 4,148,364 | 704,392 | 441,533 | 1,070,832 |
| Written-off during the year | (634,863) | (131,376) | (115,334) | - | (887,844) |
| Balance, end of year | $ 7,339,111 | $4,016,988 | $ 589,058 | $ 441,533 | $ 182,988 |
| **ALLOCATION OF EXPENDITURES AND ACQUISITION COSTS** | | | | | |
| Brookfield Claims | $ - | $ 387,154 | $ 366,068 | $ 218,076 | $ - |
| Forrest Claims | 196,839 | 119,839 | 82,148 | 20,623 | - |
| Pinchgut, Rawden Hills Claims | - | - | - | 19,846 | - |
| Spray, Sky, Stu, NWG Claims | - | - | 88,126 | 90,001 | 90,001 |
| AVT Claims | - | - | - | 92,987 | 92,987 |
| Lake Claims | - | - | 3,458 | - | - |
| Candle Lake, Toban Lake, Pasquia Hills Claims | - | - | 37,102 | - | - |
| Niblack Property | 7,142,272 | 3,291,117 | 12,156 | - | - |
| Thumb Peak (Smaby) Claims | - | 218,878 | - | - | |
| | $ 7,339,111 | $ 4,016,988 | $ 589,058 | $ 441,533 | $ 182,988 |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
*December 31, 1996, 1995, 1994, 1993 and 1992*

1. NATURE OF OPERATIONS

The Company is an exploration stage company engaged principally in the acquisition, exploration and development of mineral properties. The recovery of the Company's investment in mineral properties is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain financing to complete development and the future proceeds from the disposition of those reserves.

The Company was incorporated under the name Hector Resources Inc. on October 17, 1983 and on March 12, 1993 change its name to Abacus Minerals Corporation.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with accounting policies generally accepted in Canada and reflect the following policies.

(a) **Principles of Consolidation**

The consolidated financial statements as at December 31, 1996 and 1995 included the accounts of the Company and its wholly owned subsidiary, Abacus Alaska, Inc. The financial statements at December 31, 1993 included the accounts of Hector Texas, Inc. whose charter has been allowed to lapse.

(b) **Mineral Properties**

All direct costs related to mineral properties are deferred until either commercial production is established or a property is abandoned. At that time, such costs will either be amortized on a unit of production basis or charged to earnings. The amount shown for mineral properties represents costs incurred to date and does not reflect present or future values. The Company is in the process of exploring its mineral properties and has not yet determined whether those properties contain ore reserves that are economically recoverable. The recoverability of these deferred costs is dependent upon the existence of recoverable reserves, the ability of the company to obtain necessary financing to complete development and upon future profitable production.

(c) **Capital Assets**

Capital assets are recorded at cost and are amortized using the declining-balance method, at an annual rate of 20% for office equipment and 30% for computer equipment.

(d) **Share Capital**

Share capital issued for non-monetary consideration is recorded at fair market value on the dates of income pursuant to the agreement to issue shares as determined by the Board of Directors of the Company based on the trading price of the shares on the Vancouver Stock Exchange.

The proceeds from shares issued under flow-through share financing agreements are credited to share capital and the tax benefits of the exploration expenditures incurred under these agreements are transferred to the purchaser of the shares. Costs incurred for the issue of shares are deducted from share capital.

(e) **Basic Loss Per Share**

Loss per share is calculated using the weighted average number of shares outstanding during the year. Fully diluted loss per share is not presented because it would be anti-dilutionary.

(f) **Foreign Currency Translation**

The accounts of the Company's foreign operations have been translated into Canadian dollars as follows:

(i) monetary items are translated at the exchange rate in effect at the balance sheet date;

(ii) non-monetary items are translated at historical exchange rates,

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
*December 31, 1996, 1995, 1994, 1993 and 1992*

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(iii) revenue and expenses and exploration and development items at the average rate of exchange for the period.

3. MINERAL PROPERTIES

The Company has acquired or has an option to acquire mineral properties as follows:

(a) **Niblack Project, Alaska, U.S.A.**

(I) The Company entered into an option to acquire 100% of a 70.49% interest in 185 mineral claims and a 38% interest in 2 patented claims located in southeastern Alaska as follows:

(i) paying $200,000 to the optionor (paid);

(ii) issuing 400,000 common shares (issued);

(iii) granting the optionor the right to purchase up to 4,000,000 common shares as follows:
- 1,000,000 common shares at $1.00 per share on or before December 31, 1995 (expired unexercised)
- 1,000,000 common shares at $2.00 per share on or before December 31, 1996 (expired unexercised)
- 1,000,000 common shares at $3.00 per share on or before December 31, 1997
- 1,000,000 common shares at $4.00 per share on or before December 31, 1998

(iv) completing 3,000 meters of diamond drilling on the property within one year of regulatory approval of the agreement (completed);

(v) issuing 600,000 common shares within 30 days of completing the drilling program (issued);

(vi) expending $2,000,000 in exploration and development, including the above noted drilling, on the property within three years of approval (expended);

(vii) issuing 400,000 common shares upon making a decision to place the property into production;

(viii the optionor retains a variable from 1% to 3%, net smelter return royalty based on the profitability of the property.

(II) The Company acquired the remaining 29.51% interest in the mineral claims for the following consideration:

(i) paying $50,000 and issuing 100,000 common shares (paid and issued);

(ii) issuing 100,000 common shares upon making the decision to place the property into production.

The claims are subject to certain net profits interests held by other parties.

The Company has granted to another company the right to earn a 51% interest in the Niblack Project upon carrying out a feasibility study and placing the property into commercial production.

The Company acquired a 5% net profits interest in consideration of U.S. $20,000 and the issue, in stages, of 100,000 common shares.

(b) **Forrest Claims, Liard Mining Division, British Columbia**

The Company has an option to acquire a 100% interest in 11 mineral claims upon:

(i) paying $25,000 on signing the agreement (paid);

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
*December 31, 1996, 1995, 1994, 1993 and 1992*

3. MINERAL PROPERTIES (continued)

   (ii) issuing 50,000 common shares upon regulatory approval of the agreement (issued);

   (iii) paying $25,000 per annum, commencing July 15, 1994 (1995 payment has beet postponed) until a feasibility study has been prepared and thereafter, paying $50,000 per annum;

   (iv) issuing 150,000 common shares in blocks of 50,000 shares each upon completion of each phase of a three phase exploration program (issued);

   (v) incurring $500,000 in exploration and development expenditures on the property by December 31, 1997;

   (vi) upon the commencement of commercial production, issuing an additional 200,000 common shares and paying a 2% Net Smelter Royalty, reducing to a 1% Net Smelter Royalty after an aggregate of $1,000,000 has been paid; and

   (vii) the optionor shall be entitled to 80% of any initial considerations and 50% of subsequent considerations from any options to third parties to a maximum of $250,000.
   During 1994, an option was granted to another company, with one common director, to acquire 50% of the Company's interest in these claims upon paying the Company $75,000 over three years, issuance of 200,000 of its common shares to the Company, in stages related to work carried out on the property, and performing exploration work on the property totaling $1,500,000.

(c) **Thumb Peak (Smaby) Claims, Skeena Mining Division, British Columbia**

The Company held option to acquire a 100% interest in 5 mineral claims as follows:

(i) The payment of $25,000 on receipt of regulatory approval (paid);

(ii) The making of option payments of $50,000 on or before May 1, 1996, $100,000 on or before May 1, 1997 and $100,000 on or before May 1, 1998.

(iii) Incurring aggregate exploration expenditures of $1,800,000 on the property in stages on or before April 30, 1999; and

(iv) Issuing 25,000 common shares of the Company to the optionor on or before May 1, 1998.
The optionor retains a 3% net smelter return interest in the property subject to minimum royalty and buy-back provisions.

The Company terminated its option during the year and $246,257 in acquisition and exploration costs have been written off.

(d) **Ruby Tuesday Project, Alaska, U.S.A.**

The Company acquired a 100% interest in 110 mineral claims and has granted an option to sell the interest for the following consideration:

(i) The payment to the Company of $175,000 over four years;

(ii) The incurring of $3,000,000 in exploration expenditure on the property prior to December 31, 1999;

(iii) The Company maintains the option to participate as to 20% in a joint venture to develop the property or accept a 12.5% net profits royalty interest

(iv) Accept 400,000 common shares of any Company which farms in on the property.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
*December 31, 1996, 1995, 1994, 1993 and 1992*

3. MINERAL PROPERTIES (continued)

(e) **Brookfield Claims, Queens County, Nova Scotia**

The Company has agreed to acquire a 60% interest in 106 claims upon:

(i) paying $5,000 on signing the agreement (paid);

(ii) paying $25,000 (paid) and issuing 50,000 common shares upon regulatory approval (issued);

(iii) paying $25,000 per annum, commencing June 1, 1997 until a feasibility study has been prepared on the property and, thereafter, paying $50,000 per annum until commercial production commences;

(iv) issuing 150,000 common shares in blocks of 50,000 shares each upon completion of each phase of a three phase exploration program (50,000 shares have been issued); and

(v) incurring an aggregate of $300,000 of exploration expenditures on the property by July 1, 1995 and $500,000 by July 1, 1996. This provision has been temporarily waived awaiting exploration results.

The Company can earn the remaining 40% interest in the property by payment of $1,500,000, issuance of an additional 200,000 common shares and granting a 1.5% Net Smelter Return Royalty on commercial production.

In connection with its acquisition of this property, the Company issued 25,000 common shares as a finder's fee.

The Company terminated the option during the year ended December 31, 1996 and $388,606 in acquisition and exploration costs were written off.

(f) **Stu, Spray and Sky, and NWG Claims, Liard Mining Division, British Columbia**

The Company held a 50% interest in 8 mineral claims; the Company has, during the year ended December 31, 1995, abandoned its interest and $88,126 in acquisition and exploration costs were written off.

(g) **AVT Claim, Similkameen Mining Division, British Columbia**

The Company acquired the claim in consideration of $5,210 and the issue of 750,000 escrowed shares. The Company had abandoned its interest during the year ended December 31, 1994 and $92,987 in acquisition and exploration costs were written off.

(h) **Lake Claims, Liard Mining Division, British Columbia**

The Company acquired 4 mineral claims by staking; the Company has, during the year ended December 31, 1995, abandoned its interest and $3,458 in acquisition and exploration costs were written off.

(i) **Candle Lake, Toban Lake, Pasquia Hills Properties, Saskatchewan**

The Company entered into an option and joint venture agreement to acquire a 21%, 25% and 49% interest in three separate mineral properties; the Company has, during the year ended December 31, 1995, abandoned its interests and $37,102 in acquisition and exploration costs were written off.

(j) **Pinchgut and Rawdon Hills Claims, Halifax County, Nova Scotia**

The Company held an option to acquire 462 mineral claims upon payment of $1,155 and incurring $20,000 in exploration costs. The Company has abandoned its interest and during the year ended December 31, 1994, $19,846 in acquisition and explorations costs were written off.

4 CAPITAL ASSETS

Capital assets are comprised of office and computer equipment and are recorded at cost net of accumulated depreciation of $5,494 as at December 31, 1996 (1995 - $1,408)

## Notes to the Consolidated Financial Statements
*December 31, 1996, 1995, 1994, 1993 and 1992*

### 5. SHARE CAPITAL

| | No. of Shares | Amount |
|---|---|---|
| Authorized | | |
| 100,000,000 common shares without par value | | |
| Issued - | | |
| Balance as at December 31, 1992 | 4,196,501 | $ 1,603,038 |
| Share consolidation (1:4) | (3,147,376) | - |
| | 1,049,125 | 1,603,038 |
| Issued - | | |
| For cash | 1,435,000 | 430,000 |
| For debt settlement | 867,730 | 216,932 |
| For mineral properties | 100,000 | 34,000 |
| For finder's fee | 25,000 | 7,000 |
| Balance as at December 31, 1993 | 3,476,855 | 2,290,970 |
| Issued for cash upon | | |
| Exercise of warrants | 350,000 | 70,000 |
| Performance shares | 337,500 | 3,375 |
| Private placement | 62,500 | 25,000 |
| Issued for mineral properties | 175,000 | 44,250 |
| | 925,000 | 142,625 |
| Balance as at December 31, 1994 | 4,401,855 | 2,433,595 |
| Issued for cash upon | | |
| Exercise of warrants | 1,494,000 | 564,380 |
| Exercise of options | 15,000 | 5,625 |
| Private placement | 2,275,000 | 910,580 |
| Public offering (net of share issue costs) | 1,866,592 | 1,997,659 |
| Issued in settlement of debt | 503,535 | 100,707 |
| Issued as a financing bonus | 3,486 | 4,531 |
| Issued for mineral properties | 1,100,000 | 974,000 |
| | 7,257,613 | 4,557,482 |
| Balance as at December 31, 1995 | 11,659,468 | 6,991,077 |
| Issued for cash upon | | |
| Exercise of warrants | 547,500 | 170,150 |
| Exercise of options | 318,437 | 119,414 |
| Private placement (net of share issue costs) | 1,600,000 | 2,377,357 |
| Private placement (special warrants, net of share issue costs) | 3,550,000 | 3,182,401 |
| Issued for mineral properties | 140,000 | 136,000 |
| | 6,155,937 | 5,985,322 |
| Balance as at December 31, 1996 | 17,815,405 | $ 12,976,399 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
*December 31, 1996, 1995, 1994, 1993 and 1992*

5. SHARE CAPITAL (continued)

(a) Escrowed Shares

The issued capital stock as at December 31, 1996, includes 84,375 (December 31, 1995 - 337,500) escrowed common shares. These shares may not be traded, transferred or released without the consent of the regulatory authorities.

(b) Share Purchase Warrants

The Company has warrants outstanding which entitle the holders to purchase common shares as follows:

(i) up to 225,000 common shares at $0.23 per share until February 24, 1997 (subsequently exercised);

(ii) up to 1,775,000 common shares at $1.20 per share until August 29, 1998.

(c) Stock Options

There are outstanding stock options to directors and employees as follows:

(i) 200,000 common shares exercisable at $0.45 per share on or before March 6, 2000;
(ii) 250,000 common shares exercisable at $0.67 per share on or before May 8, 2000;
(iii) 675,000 common shares exercisable at $1.14 per share on or before March 26, 2001.

6. RELATED PARTY TRANSACTION

(a) The Company conducts the majority of its exploration activities through an exploration services contractor in which two directors are principals. The Company paid that contractor $3,787,648 (1995 - $2,235,318; 1994 - $261,068; 1993 - $164,105) for exploration costs and $32,912 (1995 - $64,497; 1994 - $17,537; 1993 - Nil) to reimburse office and administrative costs.

(b) The Forrest mineral claims have been optioned from a prospecting syndicate of which two members are directors of the Company. During 1994 a private placement of 62,500 common shares at $0.40 per share was made with the syndicate. During 1995 the Company granted an option (Note 2(b)) to acquire a 50% interest in the property to a company with one common director.

(c) The Ruby Tuesday claims (Note 2(g)) have been optioned to a company with one common director.

7. INCOME TAXES

(a) The Company has non-capital income tax loss carry-forwards of approximately $1,220,000 available to reduce income of future years, which expire in varying amounts to the year 2003.

(b) The Company has also accumulated $857,000 in Canadian exploration expenses, $519,000 of Canadian development expenses and $3,276,000 of foreign exploration and development expenses which are available to reduce taxable income of future years.

8. SUBSEQUENT EVENTS

(a) Special Warrants Financing

The Company has entered into a private placement agreement to issue 3,500,000 special warrants at a price of $1.05 per Special Warrant. Each Special Warrant is exchangeable into one common share and one non-transferable common share purchase warrant upon the earlier of acceptance of the Company's prospectus by regulatory authorities or July 11, 1997. The common share purchase warrants to acquire up to 3,500,000 common shares are exercisable prior to March 13, 1998 at a price of $1.30 per common share. The Company's agent received a commission of $267,750 in connection with the issue, additional costs for legal, accounting and transfer agent fees estimated at $60,000 will be deducted from the proceeds of the issue. The Company received $851,812 upon closing of the sale of the Special Warrants with the balance of $2,555,438 remaining in escrow until clearance of the Company's prospectus by regulatory authorities on July 11, 1997. The conversion of the Special Warrants into common shares and share purchase warrants is increased by 10% in the event that the clearance of the Company's

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
*December 31, 1996, 1995, 1994, 1993 and 1992*

8. SUBSEQUENT EVENTS (continued)

prospectus by regulatory authorities occurs after July 11, 1997.

(b) Stock Options

The Company has granted, subject to regulatory approval, director and employee stock options to acquire up to 650,000 common shares at $.85 per share on or before January 14, 2002.

(c) Property Acquisition

The Company has agreed by letter of intent, subject to regulatory approval, to enter into an option to acquire a 100% interest in six mineral properties (the La Manchuria property and the five Patagonia properties) in Santa Cruz Province, Argentina in consideration of 600,000 common shares to the optionor over a four year period and a further 200,000 common shares to the optionor if and when a commercial production decision is made on any of the Patagonia properties and incurring US $2,750,000 in exploration expenditure on the properties during a four year period. The optionor has the right to "back in" for a 50% interest in the properties by expending US $3,750,000 in development of the properties or accept a 3% net smelter royalty interest.

ABACUS MINERALS CORPORATION

FINANCIAL STATEMENTS

MARCH 31, 1998

(Unaudited - See Notice to Reader)

# G. Ross McDonald*
Chartered Accountant

*Denotes incorporated professional

Suite 1502, 543 Granville Street
Vancouver, B.C. V6C 1X8
Tel: (604) 685-8646
Fax: (604) 684-6334


## NOTICE TO READER

I have compiled the balance sheet of Abacus Minerals Corporation as at March 31, 1998 and statement of loss and deficit for the year then ended from information provided by the Company. I have not audited, reviewed or otherwise attempted to verify the accuracy or completeness of such information. Readers are cautioned that these statements may not be appropriate for their purposes.

G. Ross McDonald
Chartered Accountant

Vancouver, British Columbia
May 20, 1998

## ABACUS MINERALS CORPORATION

## BALANCE SHEET

**March 31, 1998**

**(Unaudited - See Notice to Reader)**

| | 1998 | 1997 |
|---|---|---|
| **ASSETS** | | |
| CURRENT ASSETS | | |
| Cash and short term deposits | $ 144,799 | $ 2,460,655 |
| Cash subject to restrictions | - | 2,555,437 |
| Marketable securities | 12,200 | 18,000 |
| Accounts receivable | 32,655 | 21,573 |
| Advances to contractor | 300,000 | 200,000 |
| Prepaid expenses | 6,161 | 980 |
| | 495,815 | 5,256,645 |
| MINERAL PROPERTIES | 11,436,325 | 7,432,581 |
| RECLAMATION DEPOSITS | 23,500 | 18,000 |
| CAPITAL ASSETS | 46,196 | 15,887 |
| | $ 12,001,836 | $ 12,723,113 |
| **LIABILITIES** | | |
| CURRENT LIABILITIES | | |
| Accounts payable and accrued liabilities | $ 16,945 | $ 87,408 |
| **SHAREHOLDERS' EQUITY** | | |
| SHARE CAPITAL | | |
| Authorized - | | |
| 100,000,000 common shares without par value | | |
| Issued - | | |
| 22,140,405 common shares | 16,584,046 | 13,028,150 |
| SPECIAL WARRANTS | - | 3,370,760 |
| DEFICIT | (4,599,155) | (3,763,205) |
| | 11,984,891 | 12,635,705 |
| | $ 12,001,836 | $ 12,723,113 |

APPROVED BY THE BOARD

*"Steve L. Todoruk"*

Director - Steve L. Todoruk

*"Douglas A. Fulcher"*

Director - Douglas A. Fulcher

ABACUS MINERALS CORPORATION

STATEMENT OF LOSS AND DEFICIT

For the Years Ended March 31, 1998

(Unaudited - See Notice to Reader)

| | 1998 | 1997 |
|---|---|---|
| GENERAL AND ADMINISTRATIVE EXPENSES | | |
| Accounting and audit | $ 1,450 | $ 1,250 |
| Depreciation | 3,084 | 1,152 |
| Financial consultants | 27,055 | - |
| Interest and bank charges | 803 | 413 |
| Investor relations | 34,021 | 15,434 |
| Legal | 9,874 | 17,120 |
| Listing Fees | 3,804 | 300 |
| Office and miscellaneous | 29,241 | 19,644 |
| Rent | 7,223 | 4,500 |
| Salaries and benefits | 12,285 | 8,504 |
| Telephone | 5,677 | 3,136 |
| Transfer agent fees | 945 | 1,021 |
| Travel | 20,772 | 31,904 |
| | 156,234 | 104,378 |
| Less: Interest income | (1,640) | (8,578) |
| LOSS FOR THE PERIOD | 154,594 | 95,800 |
| DEFICIT, BEGINNING OF PERIOD | 4,444,560 | 3,667,405 |
| DEFICIT, END OF PERIOD | $ 4,599,154 | $ 3,763,205 |
| LOSS PER SHARE | $ 0.01 | $ 0.01 |

ABACUS MINERALS CORPORATION

STATEMENT OF CHANGES IN FINANCIAL POSITION

For the Three Months Ended March 31, 1998

| | 1998 | 1997 |
|---|---|---|
| OPERATING ACTIVITIES | | |
| Net loss for the period | $ (154,594) | $ (95,800) |
| Add: Non-cash charges | | |
| Depreciation | 3,084 | 1,152 |
| Net changes in non-cash working capital balances | 14,589 | (165,073) |
| Cash applied to operating activities | (136,921) | (259,721) |
| INVESTING ACTIVITIES | | |
| Mineral properties | (20,740) | - |
| Deferred exploration expenses | (219,542) | (93,470) |
| Reclamation bond | 5,000 | - |
| Cash applied to investing activities | (235,282) | (93,470) |
| FINANCING ACTIVITIES | | |
| Special warrants | - | 3,370,760 |
| Issuance of share capital | 227,500 | 51,750 |
| Cash from financing activities | 227,500 | 3,422,510 |
| INCREASE (DECREASE) IN CASH DURING THE PERIOD | (144,703) | 3,069,319 |
| CASH, BEGINNING OF PERIOD | 289,502 | 1,946,773 |
| CASH, END OF PERIOD | $ 144,799 | $ 5,016,092 |

## ABACUS MINERALS CORPORATION

## STATEMENT OF MINERAL PROPERTIES

### For the Three Months Ended March 31, 1998

| | 1998 | 1997 |
|---|---|---|
| ACQUISITION COSTS | $ 20,740 | $ - |
| EXPLORATION EXPENSES | | |
| Assays | (13,448) | - |
| Communications | 2,685 | - |
| Field program | 22,876 | 11,638 |
| Geological consultants | 5,185 | 11,123 |
| Geophysical and other consultants | 26,540 | 3,853 |
| Project management | 10,136 | 2,152 |
| Reports, drafting and maps | 2,563 | 2,758 |
| Travel and accommodation | 43,325 | 602 |
| Wages and contract labour | 119,680 | 61,344 |
| | 219,542 | 93,470 |
| | 240,282 | 93,470 |
| BALANCE, BEGINNING OF PERIOD | 11,196,043 | 7,339,111 |
| BALANCE, END OF PERIOD | $ 11,436,325 | $ 7,432,581 |
| ALLOCATION | | |
| Forrest Claims | $ - | $ 196,839 |
| Niblack Property | 10,836,579 | 7,235,742 |
| Argentina Claims | 552,959 | - |
| Portugal Project | 46,787 | - |
| | $ 11,436,325 | $ 7,432,581 |

## SCHEDULE B - SUPPLEMENTARY INFORMATION
## FOR THE THREE MONTH INTERIM PERIOD ENDING MARCH 31, 1998

## 1. ADDITIONAL INFORMATION FOR THE YEAR TO DATE (3 MONTHS)

ANALYSIS OF DEFERRED COSTS, EXPLORATION AND DEVELOPMENT:
See the Consolidated Statement of Deferred Exploration Expenditures in Exhibit D to Schedule A hereto.

GENERAL AND ADMINISTRATIVE EXPENDITURES:
See Exhibit B to Schedule A hereto.

EXPENDITURES TO NON-ARM'S LENGTH PARTIES (IN AGGREGATE):
To this date the company has incurred billings from non-arm's length parties of $238,824.42 for mineral exploration expenses and administrative services.

## 2. INFORMATION IN RESPECT TO THE QUARTER ENDING MARCH 31, 1998

A. SECURITIES ISSUED DURING THE QUARTER

| Type of Security | Issue Date | Issue Type | Number of Shares | Price | Total Proceeds | Type of Consideration | Commission |
|---|---|---|---|---|---|---|---|
| Common Shares | 12-Feb-98 | Property Payment | 50,000 | 0.35 | N/A (1) | Property | NIL |
| Warrant | 6-Mar-98 | Wts Exer. | 500,000 | 0.42 | $210,000 | Cash | NIL |

Shares issued at a deemed price of $0.35 per share for the mineral acquisition of an interest in mineral resource properties.

B. OPTIONS ISSUED DURING THE QUARTER

| Name | Number of Shares | Price | Expiry |
|---|---|---|---|
| Donald Bray | 400,000 | 0.42 | 1-Nov-98 |

## 3. INFORMATION AS AT THE END OF THE QUARTER ENDING MARCH 31, 1998

A. AUTHORIZED AND ISSUED SHARE CAPITAL

| Class | Par Value | Authorized Number | Number | Amount |
|---|---|---|---|---|
| Common | NPV | 100,000,000 | 22,140,405 | $16,584,046 |

## SCHEDULE B - SUPPLEMENTARY INFORMATION
## FOR THE THREE MONTH INTERIM PERIOD ENDING MARCH 31, 1998
## (continued)

B. OPTION AND CONVERTIBLE SECURITIES OUTSTANDING

| Security | Number or Amount | Exercise or Conversion Price | Expiry |
|---|---|---|---|
| Director & Employee Options | 200,000 | $0.42 | 06 Mar 2000 |
| Director & Employee Options | 250,000 | $0.42 | 08 May 2000 |
| Director & Employee Options | 675,000 | $0.42 | 26 Mar 2001 |
| Director & Employee Options | 650,000 | $0.42 | 14 Jan 2002 |
| Share Purchase Warrants | 1,750,000 | $1.20 | 29 Aug 1998 |
| Share Purchase Warrants | 1,000,000 | $4.00 | 31 Dec 1998 |

C. SHARES IN ESCROW OR SUBJECT TO POOLING

| | |
|---|---|
| Number in Escrow last quarter: | 84,375 |
| Less Escrowed shares released: | 0 |
| Total shares in Escrow: | 84,375 |
| Subject to Pooling: | NIL |

D. DIRECTORS OF THE COMPANY

Steve L. Todoruk
Lawrence D. Barr
Douglas Fulcher
Ken Thorsen

**Item 19. Financial Statements and Exhibits.**

1. The following financial statements have been included in this report.

a) Audited Consolidated balance sheets at December 31, 1997 and 1996; Audited Consolidated Statements of Loss and Deficit, and Consolidated Statements of Changes in Financial Position for years ended December 31, 1997 and December 31, 1996; Notes to the Consolidated Financial Statements; and Auditor's Report dated March 23, 1998,

b) Audited Consolidated balance sheets at December 31, 1996 and 1995; Audited Consolidated Statements of Loss and Deficit, Consolidated Statements of Changes in Financial Position, and Consolidated Statements of Mineral Properties, for years ended December 31, 1996, 1995, 1994, 1993 and 1992; Notes to the Consolidated Financial Statements; and Auditor's Report dated April 21, 1997.

c) Unaudited Consolidated balance sheet at March 31, 1998 and 1997; Unaudited Consolidated Statement of Loss and Deficit, Consolidated Statement of Changes in Financial Position, and Consolidated Statement of Mineral Properties, for three-months ended March 31, 1998 and 1997; and Schedule B ("Supplementary Information").

2. Exhibits: See Exhibit Index as follows:

The Following exhibits are incorporated by reference from the Amended Form 20-F ("Registration Statement) filed by Abacus Minerals Corporation on or about August 9, 1996.

1. Letter agreement of November 2, 1995 between Teck Corporation and Abacus Minerals Corporation.
2. Share Purchase and Option Agreement and Short Form Agreement, between Teck Corporation and Abacus Minerals Corporation, both dated February 27, 1996.
3. Letter Agreement dated March 13, 1995 between Noranda Exploration, Inc. and Abacus Minerals Corporation.
4. Indemnification Agreement dated May 15, 1995, between Abacus Minerals Corporation and Noranda Exploration Inc.

5. Letter Agreement dated April 7, 1995 between Lac Minerals (USA) Inc. and Abacus Minerals Corporation, together with Supplemental

   Agreement dated May 15, 1995 and Amending Agreement dated October 19, 1995.

6. Indemnification Agreement dated May 15, 1996 between Abacus Minerals Corporation and Lac Minerals (USA) Inc.

7. Net Smelter Return Royalty agreement dated May 15, 1995 between Abacus Minerals Corporation and Lac Minerals (USA) Inc.

8. Letter Agreement dated April 12, 1993 between Forest Kerr Syndicate and Abacus Minerals Corporation.

9. Letter Agreement between IMCO Resources Ltd. [Meridian Peak Resources Ltd.] and Abacus Minerals Corporation, dated October 25, 1994.

<u>The following exhibits are attached hereto:</u>

1. Joint Venture Agreement between Abacus Minerals Corporation and Phelps Dodge Exploration Corporation, dated February 17, 1998.

2. Supplemental Notice of Annual General Meeting of Members, setting forth terms of commitment letter from First American Financial Group, respecting US$3,000,000 convertible debenture financing.

3. Unsigned letter agreement dated April, 1998 from Barrick Exploraciones Argentina S.A. to Abacus Minerals Corporation.

SIGNATURES

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, the Registrant certifies that it meets all of the requirements for filing on Form 20-F and has duly caused this annual report to be signed on its behalf by the undersigned, thereunto duly authorized.

ABACUS MINERALS CORPORATION

by ______________________________
Steve Todoruk, President

JOINT VENTURE AGREEMENT

entered into between

ABACUS MINERALS CORPORATION

and

PHELPS DODGE EXPLORATION CORPORATION

ANNEXURES

D Arbitration/Mediation Provisions
E Operator's Agreement Form

# JOINT VENTURE AGREEMENT

A. PARTIES:

This Joint Venture Agreement is entered into as of the Commencement Date between

ABACUS MINERALS CORPORATION (herein called "AMC")

and

PHELPS DODGE EXPLORATION CORPORATION (herein called "PDX")

WHEREAS:

B. (1) AMC is a company duly incorporated and existing under the laws of British Columbia, Canada.

(2) PDX is a company duly incorporated and existing under the laws of Delaware, U.S.A.

(3) AMC has made application for two Exploration Licenses to be issued by the government of Portugal for the lands described in and depicted on Annexures A and B, respectively, which when issued will grant the sole and exclusive right, except as otherwise provided by the laws of Portugal, to conduct mineral exploration within the areas described in Annexures A and B, respectively, for base and precious metals, and the exclusive right to apply for and receive a development and mining license if the terms and conditions of the Exploration Licenses are complied with.

(4) PDX and AMC wish to obtain such Exploration Licenses and conduct mineral exploration pursuant thereto and to obtain exploitation or mining licenses that may be issued hereafter in the Area of Interest and to conduct as a joint venture all operations pursuant to such licenses for the purposes of exploring for and, if warranted, exploiting deposits of base and precious metals and industrial minerals discovered therein ("Project").

(5) The parties wish to form a limited liability joint venture company "Newco" for the purposes of the Project.

NOW THEREFORE IT IS AGREED:

1. **DEFINITIONS**

1.1 Unless inconsistent with the context, an expression which denotes:

any gender includes the other genders;

a natural person includes an artificial person, or vice versa;

the singular includes the plural and vice versa.

1.2 Unless inconsistent with the context, the expressions set forth below shall have the meanings set forth in Clauses 1.3 through 1.49.

1.3 "Act" shall mean the Portuguese mining legislation (as now and hereafter from time to time amended and any regulations which exist thereunder from time to time).

1.4 "Affiliate" shall mean any person, partnership, joint venture, limited liability company, corporation or other form of enterprise which directly or indirectly controls, is controlled by, or is under common control with a Party. For purposes of the preceding sentence, "control" means possession, directly or indirectly, of the power to direct or cause direction of management and policies through ownership of voting securities, contract, voting trust or otherwise.

1.5 "Agreement" shall mean this Joint Venture Agreement, including all annexures and schedules hereto which are incorporated herein by this reference, as amended, modified or supplemented from time to time.

1.6 "AMC" shall have the meaning assigned thereto in the description of the parties above.

1.7 "Applications" shall mean the applications for the Exploration Licenses heretofore filed by AMC, as amended and supplemented from time to time, concerning the lands described in and depicted on Annexures A and B, respectively.

1.8 "Area of Interest" shall mean the geographical areas described in and depicted on Annexures A and B, respectively.

1.9 "Board" shall mean the board of directors or a committee serving in the capacity as a board of directors of Newco.

1.10 "Business Day" shall mean any day except Saturday, Sunday or a national holiday as may be determined by the government of Portugal from time to time.

1.11 "Capital Contribution" shall mean any contribution by a Party to Newco or any other entity set up under the terms of this Agreement, of cash, property, the use of property or services, whenever made.

1.12 "Cash Distributions" shall have the meaning given in Clause 4.6.1.

1.13 "Commercial Production" shall mean the operation of a mill or other processing facility constructed for the benefit of the Property or a sector of the Property and the production of a marketable product, at an average rate of at least 80% of capacity, as determined by the Development Program for the Property or for such sector of the Property, over a period of 60 or more consecutive days.

1.14 "Company" shall mean Newco.

1.15 "Commencement Date" shall mean the date of signature of this Agreement by the last party to sign same.

1.16 "Continuing Party" shall mean a Party that elects to pay a defaulted contribution pursuant to Clause 3.6.3 or that elects to contribute the difference between the amount elected to be contributed by a Diluting Party and the full amount of the adopted Program and Budget.

1.17 "Contract Year" shall mean the annual period beginning on the Commencement Date and each anniversary thereof.

1.18 "Development" shall mean all preparation for the excavation and recovery of Products, including the construction or installation of a mine, mill or any other improvement to be used for the mining, milling, processing or other beneficiation of Products.

1.19 "Development Decision" shall mean a decision by the Board to proceed with a Development Program based upon a Feasibility Study.

1.20 "Development Program" shall mean a description in reasonable detail of operations to be conducted, costs to be incurred and objectives to be accomplished by the Operator for the Development of the Property.

1.21 "Diluting Party" means a defaulting Party under Clause 3.6 or a Party making an election pursuant to Clause 8.1.1.2 or 8.1.1.3.

1.22 "Director" shall mean an individual elected as a Director of Newco and serving as a member of the Board pursuant to this Agreement.

1.23 "Distributable Cash" shall mean the amount of cash legally available under applicable law and contracts (including, but not limited to agreements providing for Senior Project Debt) to be distributed to Parties as a dividend or return of capital, minus an amount necessary to pay principal and interest on Subordinated Debt and amounts the Board in good faith determines should be retained in Newco to meet or fund debt service commitments, budgeted working capital requirements and budgeted expenditures of Newco.

1.24 "Dollars" or "$" shall mean lawful money of the United States of America.

1.25 "Exploration" shall mean all activities directed toward ascertaining the existence, location, quantity, quality, or commercial value of deposits of minerals, including preparation of one or more Feasibility Studies.

1.26 "Exploration Licenses" shall mean the exploration licenses when issued for the lands described in and depicted on Annexures A and B, respectively, the legal rights and duties of the licensees thereunder, and the geographical area to which such exploration licenses apply, depending on the context.

1.27 "Feasibility Study" shall mean a comprehensive study of the Property or a sector thereof conforming to the requirements of Clause 6.1.

1.28 "Force Majeure" shall mean acts of God; boycotts, strikes, lockouts, go-slows, work stoppages, occupation of the Area of Interest, or other industrial disturbances; acts of piracy, acts of sabotage, war, whether declared or undeclared, civil war, civil violence, riots or revolutions; natural disasters such as violent storms, cyclones, earthquakes, tidal waves, floods, destruction by lightening; explosions, fires, destruction of machines, destruction of factories or other installations; inability to obtain on reasonably satisfactory terms and conditions authorizations, licenses, permits or approvals necessary for the performance of this Agreement, or any other similar or dissimilar cause not caused by or within the control of a Party claiming Force Majeure; provided, however, nothing herein shall require a Party to settle any labor dispute nor require a Party to test or refrain from testing any law, regulation, judgment or order.

1.29 "Interest" shall mean the percentage ownership interest of a Party in the total issued and outstanding Shares.

1.30 "Mineral" or "Minerals" shall mean minerals as defined in the Act.

1.31 "Mineral Rights" or "Rights to Minerals" shall include but not be limited to all reconnaissance, exploration, prospecting and mining licenses and permissions issued by the government of Portugal under prevailing or future legislation of Portugal, including but not limited to the Act.

1.32 "Minimum Funding Commitment" shall have the meaning given in Clause 3.2.1.1.

1.33 "Net Proceeds Interest" shall mean the right to receive payment of certain amounts calculated and paid as provided in Annexure C.

1.34 "Newco" shall mean a company with limited liability to be incorporated pursuant to the terms of this Agreement under the laws of Delaware or such other jurisdiction to which the Parties may agree.

1.35 "Operator" shall mean the Person or Party designated as Operator or as successor Operator pursuant to this Agreement.

1.36 "Operator's Agreement" shall mean the agreement between Newco and PDX or its designee or a successor Operator in the form of Annexure E.

1.37 "Party" shall mean each of the parties that executes this Agreement and a Person that hereafter becomes a party to this Agreement.

1.38 "PDX" shall have the meaning assigned thereto in the description of the parties above.

1.39 "Person" shall mean any individual, estate, trust, general partnership, limited partnership, limited liability company, ordinary company, exempted company, corporation, association, governmental body or other organization or entity, and their respective heirs, legal representatives, successors and assigns, other than a Party.

1.40 "Prime Rate" shall mean the interest rate quoted as "prime" by Chase Manhattan Bank N.A. or a successor bank at its home office in New York, New York as said rate may change from day to day, which quoted rate may not necessarily be the lowest rate at which it loans funds.

1.41 "Production" shall mean mining, milling, processing or other beneficiation of Products, or the expansion, modification or reconstruction of the mine or mill after the commencement of Commercial Production and any reclamation or environmental monitoring required by applicable law or any Senior Project Debt agreement.

1.42 "Products" shall mean any marketable mineral resource, including without limitation, ores, minerals and mineralized material mined from the Property and solutions, concentrates or cathodes retrieved through leaching or solution mining or other processing of ores, minerals or mineralized material mined from the Property. Products shall not include ores or minerals mined elsewhere or solutions, concentrates or cathodes retrieved from ores, minerals or mineralized material mined elsewhere and placed on the Property for leaching or other processing or otherwise brought to the Property for processing or storage.

1.43 "Program and Budget" shall mean a description in reasonable detail of the operations to be conducted and objectives to be accomplished by the Operator for a designated period and an estimate of the costs to be incurred and a schedule of funding to be provided by the Parties.

1.44 "Project" shall have the meaning assigned thereto in recital B(4) above.

1.45 "Property" shall mean all Mineral Rights, surface rights, water rights and all other rights and interests in property, real or mixed, that are acquired by Newco or any other entity set up under this Agreement.

1.46 "Senior Project Debt" shall mean financing provided on a commercial basis by one other than a Party or an Affiliate of a Party for the Development or Production of the Property (but not for any expansion thereof), that ranks in respect of payment and upon liquidation senior to the Subordinated Debt, if any.

1.47 "Shares" means the issued and outstanding shares of common capital stock of Newco or such other unit of ownership interest in Newco as is provided by its organizational documents.

1.48 "Subordinated Debt" shall mean indebtedness of Newco that ranks upon liquidation junior to the Senior Project Debt and ranks in respect of payment junior and is subordinated to the Senior Project Debt in a manner satisfactory to the holders of the Senior Project Debt. Subordinated Debt shall bear interest at an annual rate and shall have such other terms as may be approved by the Board consistent with then current market conditions for similar borrowings.

1.49 "Transfer" shall mean to sell, grant, assign, encumber, pledge or otherwise commit or dispose.

1.50 "Unexplored Property" shall have the meaning given in Clause 2.4.1.

## 2. ORGANIZATION OF VENTURE

### 2.1 Applications for Exploration Licenses

2.1.1 AMC shall bear and pay all costs and expenses associated with the Applications and the issuance by the Portuguese government of the Exploration Licenses pursuant to the Applications.

2.1.2 The Exploration Licenses issued pursuant to the Applications shall be issued in the name of Newco.

2.1.3 The Exploration Licenses issued pursuant to the Applications shall grant exclusive exploration rights within the Area of Interest for copper, zinc, tin, lead, gold and silver, at a minimum, and such other metals as the Parties and the issuing authority may agree on.

2.1.4 AMC shall diligently pursue the Applications. During the application process, AMC shall consult with PDX not less frequently than monthly to apprise PDX of the status of the Applications and to discuss strategy and the conduct of negotiations with the government.

1.45 "Property" shall mean all Mineral Rights, surface rights, water rights and all other rights and interests in property, real or mixed, that are acquired by Newco or any other entity set up under this Agreement.

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2.1.4 AMC shall diligently pursue the Applications. During the application process, AMC shall consult with PDX not less frequently than monthly to apprise PDX of the status of the Applications and to discuss strategy and the conduct of negotiations with the government.

2.1.5 PDX shall have the right to review and approve the terms and conditions of the Exploration Licenses before such Exploration Licenses are finally approved by AMC and issued by the government.

2.2 Public Tender

2.2.1 If the government submits the Area of Interest for public tender, neither Party shall have any duty to the other to participate in such public tender. If a Party wishes to participate in such public tender, it shall notify the other Party and the Parties shall meet promptly to discuss and consider the matter in good faith.

2.2.2 Unless the Parties agree upon the terms and conditions of a joint bid and joint venture structure pursuant to such public tender, either Party shall have the right to terminate this Agreement by notice to the other.

2.2.3 If this Agreement is terminated pursuant to Clause 2.2.2, either Party shall be free to submit a bid pursuant to such public tender for its separate account notwithstanding any provision of this Agreement to the contrary.

2.3 Formation of Newco

2.3.1 Promptly following the publication by the government of the Applications, AMC and PDX shall form Newco under the laws of Delaware or such other jurisdiction to which the Parties may agree.

2.3.2 Newco shall be structured as a limited liability company which limits the participants' liability to their investment in the company.

2.3.3 The Parties will use their best efforts in good faith to optimize tax benefits and to minimize tax liabilities for the Parties and Newco.

2.3.4 The Parties shall cause Newco to file such organizational documents as are required by law in such form as is mutually agreeable to the Parties.

2.3.5 Neither Party shall unreasonably withhold approval of organizational documents proposed by the other Party that are consistent with the terms of this Agreement.

2.3.6 The sole costs of forming Newco shall be paid and borne 100% from funds provided to Newco by PDX.

2.4 Formation of New Companies

2.4.1 Prior to the commencement of significant Exploration on a sector of the Property, the Operator may recommend that the Property exclusive of such sector of the Property (the "Unexplored Property") be held by a legal entity other than Newco.

2.4.2 If the Board adopts such recommendation, such new legal entity shall be formed and the Board shall cause Newco to Transfer the Unexplored Property to such new legal entity for a purchase price equal to the fair market value of such Property in return for the debt obligation of such new legal entity.

2.4.3 Prior to such Transfer, Newco shall form such new legal entity under the laws of Portugal, or such other jurisdiction to which the Parties may agree, as a wholly owned subsidiary of Newco and Newco shall capitalize such new legal entity with the minimum amount required by such law.

2.4.4 The new legal entity formed pursuant to Clause 2.4.3 shall have organizational documents substantially similar to those of Newco.

2.4.5 After the formation of such new legal entity, Newco shall Transfer the debt obligation of such new legal entity to PDX and AMC in proportion to their respective Interests in Newco at the time such new legal entity is formed and they shall exchange such debt obligation for shares of such new legal entity.

2.5 <u>State Participation</u>

2.5.1 Any requirement by the government of Portugal for capital or equity in Newco or in a new legal entity formed pursuant to Clause 2.4 or in the Property shall be borne by the Parties in proportion to their Interests in Newco.

2.6 <u>Alternate Structure</u>

2.6.1 If the government of Portugal refuses to approve the issuance of the Exploration Licenses to Newco or refuses to recognize any aspect of the structure provided for in Clauses 2.3 or 2.4, the Parties agree to work together in good faith to adopt such structure for the transaction contemplated by this Agreement as will be consistent with the economic consequences of this Agreement and as will be accepted by the government of Portugal.

2.6.2 The costs of creating such alternate structure shall be paid and borne by the Parties in proportion to their respective funding obligations at such time.

## 3. CAPITALIZATION; FUNDING OBLIGATIONS

3.1 <u>Capitalization of Newco</u>

3.1.1 The Parties shall make the following Capital Contributions to Newco:

3.1.1.1 **Capital Contribution by AMC**

Promptly following the formation of Newco, AMC agrees to Transfer to Newco all of AMC's right, title and interest in and to the Applications and/or the Exploration Licenses and shall further contribute to Newco and deliver to the Operator all technical, financial and other data or information relating to the Area of Interest that is in AMC's possession or subject to its control. Immediately following the formation of Newco, AMC shall receive 30% of the total issued and outstanding Shares of Newco and shall hold a 30% Interest in Newco. AMC shall pay and bear all costs and expenses (including costs of Portuguese legal counsel) incurred by it in connection with the Applications prior to the Commencement Date.

3.1.1.2 **Initial Capital Contribution by PDX**

Promptly following execution of this Agreement and formation of Newco, PDX agrees to contribute to Newco in cash the minimum paid-in capital required by law to form Newco. Immediately following the formation of Newco, PDX shall receive 70% of the total issued and outstanding Shares of Newco and shall hold a 70% Interest in Newco, which Shares shall be subject to the provisions of Clauses 8.2 and 8.3. The amount of all such capitalization contributed by PDX and all costs and expenses incurred by PDX in connection with the formation of Newco shall apply to PDX's Minimum Funding Commitment. PDX shall pay and bear all costs and expenses incurred by it (including costs of its legal counsel) in connection with the Applications prior to the Commencement Date.

3.2 Minimum Funding Commitment

3.2.1 **Expenditures**

3.2.1.1 Subject to (a) timely issuance of the Exploration Licenses pursuant to the Applications, (b) PDX's right to withdraw and terminate this Agreement pursuant to Clause 9.3, and (c) Force Majeure, PDX agrees to provide to Newco or to pay or accrue for the benefit of Newco, 100% of the funds required by Newco for operations conducted pursuant to one or more Programs and Budgets prepared by the Operator and adopted by the Board, for a total aggregate amount of $7,000,000 during the six Contract Years immediately following the Commencement Date ("Minimum Funding Commitment"), in accordance with the following minimum funding schedule:

3.2.1.2 $500,000 (Five hundred thousand dollars) during the first Contract Year following the Commencement Date.

3.2.1.3 $1,000,000 (One million dollars) during the second Contract Year following the Commencement Date.

3.2.1.4 $1,500,000 (One million five hundred thousand dollars) during each of the third, fourth and fifth Contract Years following the Commencement Date.

3.2.1.5 $1,000,000 (One million dollars) during the sixth Contract Year following the Commencement Date.

3.2.1.6 Funding provided by PDX in accordance with this Clause shall include the annual fees, expenses (including expenses associated with the deposit and guaranty and attorneys fees) and work expenditures, if any, required to obtain or to maintain in good standing the Exploration Licenses, commencing with such fees, expenses and expenditures incurred after the Commencement Date; provided that if such fees or expenses are paid by AMC, PDX shall reimburse AMC upon demand the amount of the fees or expenses so paid.

3.2.1.7 If funding by PDX in any Contract Year exceeds the Minimum Funding Commitment for such Contract Year, such excess amount shall be carried forward and credited to PDX's Minimum Funding Commitment for the succeeding Contract Year or Years.

3.2.1.8 For purposes of determining compliance with the Minimum Funding Commitment, expenditures shall include an amount to reimburse PDX for its home office overhead and indirect general and administrative costs equal to 10% of direct costs paid or accrued by PDX for Exploration of the Area of Interest.

3.2.1.9 PDX may withdraw and terminate this Agreement pursuant to Clause 9.3 and thereby avoid further liability for the Minimum Funding Commitment, except as otherwise provided by Clause 9.4.2.

3.2.1.10 The costs borne and paid by PDX pursuant to Clauses 2.3, 2.4 and 2.6 shall apply to the Minimum Funding Commitment.

3.2.1.11 If PDX completes the Minimum Funding Commitment, PDX's 70% Interest in Newco shall no longer be subject to forfeiture pursuant to Clause 9.2.

3.2.2 **Reporting**

3.2.2.1 PDX as Operator shall keep a detailed record of all work carried out by it and of its results and findings and submit this, together with a proper account of its expenditures, in the form of a full and timely annual report to the Board. PDX shall make quarterly summary reports to the Board. In addition, PDX will inform AMC promptly of significant developments.

3.2.2.2 PDX as Operator shall file with the mineral and mining authorities of Portugal and deliver to AMC copies of such reports as are required by the Act or the Exploration Licenses.

3.2.2.3 AMC shall be permitted to examine PDX's records at reasonable times not more often than once quarterly and upon reasonable notice to PDX for the purposes of verifying expenditures and obtaining detailed technical information regarding the Area of Interest.

3.2.2.4 PDX will provide reasonable assistance and access to enable AMC to examine PDX's records, without charge for the use of PDX's premises during such examinations.

3.2.2.5 Information to be made available by PDX to AMC will include, but will not be limited to, raw data such as field records, samples and sample data, borehole and trench logs, assays and plats, and reports, interpretations and conclusions.

3.2.2.6 AMC shall have the right to take drill core cuttings and cross-sections for analysis and assay and to copy records and data at its own expense.

3.2.2.7 If requested by PDX, AMC shall provide PDX with the findings of the analysis and assay made by AMC, at a cost to PDX to be agreed upon by the Parties.

3.2.2.8 All data and information delivered pursuant to this Clause will be confidential information subject to the provisions of Clause 11.2.

3.3 Additional Funding by the Parties

3.3.1 Subject to the elections permitted by Clause 8.1.1, PDX and AMC shall each provide to Newco the funding needed for Programs and Budgets prepared by the Operator and adopted by the Board after the completion of PDX's Minimum Funding Commitment pursuant to Clause 3.2.1.

3.3.2 Such funds shall be furnished to Newco by the Parties in proportion to their respective Interests, as such Interests may be adjusted from time to time pursuant to Clause 8.2 or 8.3, except as otherwise permitted by Clause 8.1.

3.3.3 The Parties shall uniformly receive Shares or Subordinated Debt for such funding as determined by the Board. Any such Shares shall be issued at par and any such Subordinated Debt shall be issued at a price equal to par, except as otherwise provided by Clause 8.2 or 8.3.

3.3.4 Except as provided for in this Clause, no Party shall be required to make Capital Contributions to Newco unless otherwise required by law.

3.4 Cash Calls

3.4.1 Cash calls shall be made in accordance with the cash contribution schedule established by Programs and Budgets prepared by the Operator and adopted by the Board.

3.4.2 Except as otherwise provided for by Clause 5.4 or 5.5, if AMC is providing funding for Programs and Budgets, the total or aggregate amount of calls for funding such Program and Budget shall not exceed 110% of the amount established by the Board for such Program and Budget.

3.4.3 The Board shall cause each Party to be given written notice of each cash call, specifying the total amount and each Party's respective share thereof.

3.4.4 Calls on the Parties for cash shall be paid in full within ten Business Days after receipt of such notice, except as otherwise provided by Clause 5.4 or 5.5.

3.4.5 Time is of the essence of the payment of each cash call.

3.5 Interest-Bearing Accounts

3.5.1 Newco shall deposit any excess funds in an interest-bearing account, unless the Board determines otherwise.

3.5.2 Newco shall establish such foreign currency accounts as are necessary or convenient for operations and permitted by applicable law.

3.6 Delinquent Payments

3.6.1 If a Party fails to make all or part of a cash call required of it pursuant to Clause 3.4 in a timely manner, such default shall constitute a material breach of this Agreement.

3.6.2 If the defaulting Party fails to cure such default by paying the full amount of the cash call outstanding pursuant to Clause 3.4, plus a penalty of 5% of such amount, within 30 days after notice of default is given to the defaulting Party by or on behalf of Newco, the nondefaulting Party shall have the right to pursue such right or remedy as the nondefaulting Party may have by law or contract, including the right provided by Clause 3.6.3.

3.6.3 A nondefaulting Party may elect to pay the defaulted cash call by giving the defaulting Party notice of such election at any time after the expiration of the 30-day cure period and before the defaulting Party cures the default. The amount of such defaulted cash call shall be timely paid to Newco by such nondefaulting Party.

3.6.4 If more than one nondefaulting Party wishes to pay such defaulted cash call to Newco, each such nondefaulting Party shall so notify the defaulting Party and shall pay to Newco such portion of the defaulted cash call as such nondefaulting Party's Interest bears to all such nondefaulting Parties' Interests.

3.6.5 Upon receipt by Newco of payment of such defaulted cash call by the nondefaulting Party, the Interests of the Parties shall be adjusted in accordance with Clause 8.3.

## 4. MANAGEMENT AND DISTRIBUTIONS

### 4.1 Board of Directors

4.1.1 Newco shall be managed by a board of directors ("Board") that shall meet not less frequently than annually. The Board shall be composed of five Directors, three of whom shall be nominated by PDX and two of whom shall be nominated by AMC.

4.1.2 PDX and AMC agree to vote their Shares so as to cause the nominees of each Party to be elected a Director.

4.1.3 Except as otherwise provided by Clause 4.1.4, a quorum of the Board shall consist of three Directors so long as at least one Director appointed by each of AMC and PDX are present in person or by proxy

4.1.4 In the case of super-majority voting, a quorum of all Directors attending in person or by proxy shall be required.

4.1.5 The Parties will decide upon the appropriate course of action to be taken in the best interests of Newco. All items not subject to super-majority voting pursuant to Clause 4.2 shall be decided by a simple majority vote of the Directors present in person or by proxy with each Director having one vote.

4.1.6 A Party may appoint an alternate Director or authorize another Director by proxy to act and vote on his behalf at meetings of the Board.

### 4.2 Super-Majority Voting

4.2.1 Each of the actions described below shall require an unanimous vote of the Directors or, if such actions are required by applicable law to be approved by the shareholders, by an unanimous vote of the shareholders.

4.2.1.1 **Amendment of Organizational Document**

Any amendments of Newco's memorandum of organization, bylaws or other organizational document.

4.2.1.2 **Change in Structure**

Any change in Newco's legal structure, including, but not limited to, mergers, consolidations, spin-offs, amalgamations, liquidation and dissolution.

4.2.1.3 **Change in Business Purpose**

Any material change in Newco's business purpose (other than mining) or in the business purpose of any of Newco's subsidiaries.

4.2.1.4 **Dividend or Distribution Policy**

The adoption of, and any change in, Newco's dividend and distribution policy (or the payment or making of any dividend or distribution not in accordance with such a policy adopted pursuant to this Clause 4.2.1.4 after the Commencement Date).

4.2.1.5 **Business Transactions in Excess of Limits**

Any of the following:

4.2.1.5.1 Any purchase or other acquisition or any sale, lease or other disposition of assets of a value greater than $1 million in a single transaction or a series of related transactions other than capital expenditures in the judgment of the Board necessary or appropriate to implement a Development Decision, to expand the capacity or facilities of a Project or to replace existing plant and equipment in the ordinary course of business;

4.2.1.5.2 Any sale, lease or other disposition of any Property unless required by law or governmental or judicial order;

4.2.1.5.3 Committing to incur or incurring any indebtedness or committing to make or making any capital expenditure greater than $1 million in a single transaction or a series of related transactions, other than indebtedness incurred pursuant to Clause 7.2.2, or indebtedness related to Newco's short-term working capital needs in the ordinary course of business that is not in excess of $1 million in the aggregate and is not for a term in each case in excess of 45 days, or capital expenditures to implement a Development Decision or to replace existing plant and equipment in the ordinary course of business.

4.2.1.5.4 Creation of any mortgage, lien, pledge, charge or other encumbrance on the Property securing an obligation greater than $1 million in a single transaction or a series of related transactions, other than liens incurred to finance capital expenditures authorized by the Board pursuant to Clause 7.2.2 or to secure loans related to Newco's short-term working capital needs obtained in the ordinary course of business that are not in excess of $1,500,000 in the aggregate and are not for a term in each case in excess of 45 days;

4.2.1.5.5 Except as otherwise permitted by this Agreement, conduct of any single transaction or a series of related transactions by or for Newco with any Affiliate of a Party involving more than $500,000;

4.2.1.6 **Trading Activities**

Adoption of, or any change to the policy of Newco of engaging in forward sales, futures or commodity options trading, and other price hedging, price protection or similar speculative arrangements (or the making of any such arrangement not in accordance with such a policy adopted after the Commencement Date).

4.2.1.7 **Action Affecting Exploration Licenses**

Any action materially adversely affecting the Property or Newco's rights therein, including encumbering the Property for borrowing, except as otherwise expressly permitted by this Agreement.

4.3 Reasonable Business Practices

4.3.1 Decisions to undertake Development or to expand, modify or reconstruct Production facilities, or to appoint or dismiss an Operator, or to incur Senior Project Debt or Subordinated Debt shall be made by the Board.

4.3.2 Any decision made pursuant to Clause 4.3.1 shall be supported by reasonable business practices and, in the case of debt, shall bear interest at an annual rate and shall have such other terms and conditions as are consistent with then current market conditions for similar borrowings.

4.3.3 After completion of the Minimum Funding Commitment, the Parties will seek to advance the enterprise in a manner consistent with developments and the merits of the enterprise.

4.4 Shareholder Voting

4.4.1 The Parties shall vote at any shareholder meeting so as to cause actions of the Board to be implemented. The Parties shall take all steps necessary to implement recommendations and decisions by the Board in all matters that require shareholder approval as a matter of applicable law.

4.5 Operator

4.5.1 Day to day operations within the Area of Interest shall be controlled and managed on behalf of Newco by the Operator in accordance with the terms and conditions of an Operator's Agreement.

4.5.2 The Operator and any replacement Operator shall be appointed by the Board and shall serve at the pleasure of the Board until a replacement Operator has been appointed. The initial Operator shall be PDX or an Affiliate of PDX chosen by PDX. If PDX's Interest is surrendered or reduced, PDX or its Affiliate, as the case may be, shall tender its resignation as Operator and Newco shall have the right to choose a successor Operator.

4.5.3 The Operator shall comply with all applicable laws of Portugal and the generally accepted norms of the international mining industry and shall diligently carry out Programs and Budgets adopted by the Board.

4.5.4 The Operator shall be entitled to receive the fees prescribed by Clause 7 of the Operator's Agreement. If Newco is prohibited by applicable law from paying the fees prescribed by Clause 7 of the Operator's Agreement, the Parties shall seek an alternative means to achieve substantially the economic effect contemplated by said Clause 7.

4.6 Distributions

4.6.1 **Cash Distributions**

4.6.1.1 The Distributable Cash of Newco shall be distributed in such amounts and at such times as a dividend or a return of capital ("Cash Distributions") as determined by the Board from time to time in accordance with applicable law. The dividend policy of Newco shall be to maximize Cash Distributions.

4.6.1.2 All Cash Distributions shall be made to the Parties in proportion to their respective Interests.

4.6.2 **In-Kind Distributions**

4.6.2.1 Upon request of a Party or upon the Board's own motion, the Board may authorize, in lieu of Cash Distributions, in-kind distributions of Products to the Parties in proportion to their respective Interests.

4.6.2.2 If requested by a Party, the Board shall not unreasonably withhold authorization of in-kind distributions of Products.

4.6.2.3 In any case where an in-kind distribution of Products is authorized by the Board, each Party shall take in kind and separately dispose of its share of Products.

4.6.2.4 Any extra expenditure incurred by a Party in taking-in-kind or separately disposing of its share of Products shall be borne by such Party.

4.6.2.5 Newco shall give the Parties notice at least 10 days in advance of the delivery date on which their respective shares of Product taken-in-kind will be available.

## 5. PROGRAMS AND BUDGETS

### 5.1 Operations Pursuant to Programs and Budgets

5.1.1 Except as otherwise provided for by this Agreement, operations shall be conducted, expenses shall be incurred and assets shall be acquired or disposed of only pursuant to Programs and Budgets adopted by the Board.

### 5.2 Presentation of Programs and Budgets

5.2.1 Proposed Programs and Budgets shall be prepared by the Operator and submitted to the Board.

5.2.2 A Program and Budget for Exploration shall be for a maximum period of one year. A Program and Budget for Development or Production may be for a period of one year or any longer period.

5.2.3 Each adopted Program and Budget, regardless of length, shall be reviewed at least once a year at a regular meeting of the Board.

5.2.4 During the period encompassed by any Program and Budget, and at least 30 days prior to its expiration, a proposed Program and Budget for the succeeding period shall be prepared by the Operator and submitted to the Board.

5.2.5 Each proposed Program and Budget shall be in a form and degree of detail that will reasonably permit the Board to make informed decisions.

### 5.3 Review and Approval of Proposed Programs and Budgets

5.3.1 Within 30 days after submission of a proposed Program and Budget, each Party shall submit to the Board notice that the Party approves the proposed Program and Budget or suggested modifications of the proposed Program and Budget.

5.3.2 If a Party fails to give any of the responses permitted by Clause 5.3.1 within the allotted time, the failure shall be deemed to be an approval by the Party of the proposed Program and Budget.

5.4 Budget Overruns; Program Changes

5.4.1 The Board shall require the Operator to notify the Board immediately of any material departure from an adopted Program and Budget.

5.4.2 If AMC is then required to provide funding for Programs and Budgets and the Operator exceeds an adopted Program and Budget by more than 10%, the excess over 110%, unless directly caused by an emergency or unexpected expenditure made pursuant to Clause 5.5 or unless otherwise authorized by the Board, shall be for the sole account of the Operator and no part of such excess shall be charged to Newco.

5.4.3 If AMC is then required to provide funding for Programs and Budgets, Budget overruns of 10% or less shall be borne by the Parties in proportion to their respective Interests as of the time the overrun occurs; provided that a Party that has elected to contribute less than in proportion to its Interest pursuant to Clause 8.1.1.2 shall contribute only in proportion to the election so made; provided further that a Party that has made an election to contribute nothing pursuant to Clause 8.1.1.3 to the Program and Budget for which excess expenditures have been made or are anticipated shall have no right or duty to contribute to such excess expenditures.

5.4.4 For purposes of Clauses 5.4.2 and 5.4.3, AMC shall be deemed to be required to provide funding for Programs and Budgets even though AMC may have elected to contribute nothing to such Program and Budget pursuant to Clause 8.1.1.3.

5.5 Emergency or Unexpected Expenditures

5.5.1 In case of emergency, the Operator may take any reasonable action it deems necessary to protect life, limb, or property, to protect the assets of the Project, or to comply with law or government regulation.

5.5.2 The Operator may also make reasonable expenditures for unexpected events that are beyond its reasonable control and that do not result from a breach by it of its standard of care or standard of performance.

5.5.3 The Operator shall promptly notify Newco of the emergency or unexpected expenditure, and the Operator shall be reimbursed by Newco for all resulting costs.

5.5.4 The Parties shall contribute to such reimbursable costs in proportion to their respective Interests at the time the emergency or unexpected expenditures are incurred; provided that a Party that has elected to contribute less than in proportion to its Interest pursuant to Clause 8.1.1.2 shall contribute only in proportion to the election so made; provided further that a Party that has made an election to contribute nothing pursuant to Clause 8.1.1.3 to the Program and Budget for which emergency or unexpected expenditures have been made or are anticipated shall have no right or duty to contribute to such emergency or unexpected expenditures.

## 6. FEASIBILITY STUDIES

6.1 Requirements of Feasibility Study

6.1.1 **Concept**

6.1.1.1 A Feasibility Study shall be a comprehensive study and report as to the existence or otherwise of an ore body or suspected ore body in, on or under a sector of the Property and of the possibility and advisability of bringing the same into Commercial Production and thereafter operating the same on a commercial basis.

6.1.1.2 A Feasibility Study shall be sufficient to demonstrate whether or not a deposit of minerals exists within the Property in such quantity and of such quality so that Products produced from such deposit will yield sufficient money to pay for the costs of developing the mine, constructing the treatment facilities, producing Products, reclaiming the Property affected by such operations and a reasonable rate of return on the necessary financial investment.

6.1.2 **Contents**

6.1.2.1 A Feasibility Study shall be prepared in a manner consistent with internationally accepted standards of engineering and operating practices and shall be of a quality normally reviewed by international lending institutions for evaluation of project financing and shall include, if an ore body is considered to exist:

6.1.2.1.1 Recommendations as to the nature, extent and timing of the Development of the same with a view to bringing the same into Commercial Production; mining and/or milling methods; nature and capacity of the mine, mill or ancillary facilities relating thereto; waste disposal; and marketing arrangements;

6.1.2.1.2 Details as to the geological and minable ore reserves by category, grade and with dilution factors indicated; transportation factors; overburden and stripping ratios; bulk sampling with ore assay comparisons; environmental requirements; and costs and cash flow estimates and analyses relating thereto;

6.1.2.1.3 Mine construction plan and construction budget;

6.1.2.1.4 Such other factual information, if any, as might reasonably be expected to be required in the normal course by a senior mining company to enable it to authorize a Development Program; and

6.1.2.1.5 A proposed project area within the Area of Interest of sufficient size to permit development of the mineralized resource identified and to accommodate all the necessary infrastructure.

6.2 Preparation of Feasibility Study

6.2.1 The Board, in consultation with the Operator, shall determine which sectors of the Property shall be the subject of a Feasibility Study and the order in which such studies shall be conducted.

6.2.2 If a potentially commercial mineral resource is identified within the Property, the Board shall authorize the preparation of a Feasibility Study of such mineral resource.

6.2.3 A Feasibility Study may be prepared by the Operator or an independent contractor, or both; but nothing herein is intended to require independent consultants' reports or opinions.

6.3 Review and Approval

6.3.1 To the extent that such data and information has not been previously furnished, upon completion and delivery to the Board of a Feasibility Study, each Director shall be provided with copies of all relevant data and assumptions upon which the Feasibility Study was based.

6.3.2 Within 90 days after a Feasibility Study is completed, the Board shall consider approval, disapproval or modification of the Feasibility Study.

6.3.3 A Feasibility Study shall become final upon approval by the Board.

6.3.4 A final Feasibility Study may constitute grounds for a Development Decision.

7. **DEVELOPMENT**

7.1 Development Alternatives

7.1.1 A Development Decision shall be considered by the Board at the request of any Director. In such event, the Board shall consider whether to:

7.1.1.1 Adopt a Development Decision, subject to obtaining all necessary government permits and approvals;

7.1.1.2 Defer adoption of a Development Decision; or

7.1.1.3 Reject a Development Decision.

7.2 Development Decision

7.2.1 **Procedure**

7.2.1.1 If the Board adopts a Development Decision, the Operator shall be requested to submit to the Board, within 60 days thereafter, a Development Program that shall be considered as other Programs and Budgets pursuant to Clause 5.

7.2.1.2 Within 90 days after the approval of a Development Program by the Board, each of the Parties shall notify the other in writing whether it intends to participate in such Development Program or declines to participate in such Development Program.

7.2.1.3 If a Development Program is adopted, the Board shall direct the Operator to proceed diligently with Development, subject to availability of funds.

7.2.2 **Project Financing**

7.2.2.1 In conjunction with the approval of a Development Program, the Board shall consider the feasibility of funding Development by borrowing from institutional lenders or capital markets on market terms for projects of similar size and scope.

7.2.2.2 The Parties shall use their best efforts to obtain project financing from commercial banks and financial institutions.

7.2.2.3 The Board may authorize or cause Newco to borrow money, from one or more Parties or from any Person, upon such terms and conditions as the Board may determine from time to time.

7.2.2.4 The Board may mortgage, pledge or otherwise encumber assets of Newco, including the Property, as security for such project financing.

7.2.2.5 Each Party shall contribute its share of any equity funding required by lenders or by the Board.

7.2.2.6 If any Party is required to guarantee the other Party's share of project financing, then the guarantying Party shall be entitled to a fee for providing such guarantee. Such fee shall be determined in accordance with market conditions for similar transactions.

7.2.2.7 Should the Board consider project financing not to be a viable option or should it not be possible for Newco to obtain project financing, the Board may require each of the Parties to make separate arrangements to obtain its share of the costs of Development.

## 8. INTEREST ADJUSTMENT; NET PROCEEDS INTEREST

### 8.1 Contributions Election

8.1.1 After the completion of PDX's Minimum Funding Commitment and within 30 days after adoption of any subsequent Program and Budget (except a Development Program) and within 90 days after adoption of a Development Program, each Party shall notify the Board whether it will contribute to such Program and Budget or Development Program, as the case may be:

8.1.1.1 In proportion to its Interest;

8.1.1.2 In an amount less than in proportion to its Interest; or

8.1.1.3 Nothing at all.

8.1.2 If a Party fails to so notify the Board of any of such elections, the Party shall be deemed to have elected to contribute to the Program and Budget in proportion to its Interest on the date such election is required.

8.1.3 The Parties shall provide funds to Newco for the costs of Development in accordance with their respective elections.

8.1.4 An election made pursuant to this Clause shall be effective as of the date of such election or deemed election and shall be binding on the respective Parties for the duration of the applicable Program and Budget.

### 8.2 Interest Adjustment on Election

8.2.1 If a Party ("Diluting Party") makes an election pursuant to Clause 8.1.1.2 or 8.1.1.3 and the other Party ("Continuing Party") elects to contribute the difference between the amount elected to be contributed pursuant to Clause 8.1.1.2 or 8.1.1.3 and the full amount of the adopted Program and Budget, the Interests of the Parties shall be decreased or increased, respectively, according to Clause 8.2.2. Such adjustment shall be made annually as of the end of the Program and Budget period to reflect the Parties' percentage Interests.

8.2.2 The Interest of the Continuing Party shall be increased one percentage point for each $100,000 of the Diluting Party's share of the Program and Budget that is contributed by the Continuing Party. The Interest of the Diluting Party shall be the difference between 100% and the readjusted Interest of the Continuing Party.

8.2.3 Shares shall be issued to the Continuing Party to reflect the adjustment of the Interests pursuant to Clause 8.2.2. The Diluting Party shall waive all right to receive any part of such Share issue.

8.3 Interest Adjustment on Default

8.3.1 Upon a default in the payment of a cash call and payment of the defaulted cash call pursuant to Clause 3.6.5, the Interest of the Continuing Party shall be increased one percentage point for each $50,000 of the defaulted cash call paid by the Continuing Party. The Interest of the Diluting Party shall be the difference between 100% and the readjusted Interest of the Continuing Party.

8.3.2 The Parties intend hereby to cause a dilution of the Diluting Party's Interest at a greater rate than would have resulted from an election by the Party to contribute nothing to the Program and Budget for which the defaulted cash call occurred.

8.3.3 Shares shall be issued to the Continuing Party to reflect the adjustment of the Interests pursuant to Clause 8.3.1. The Diluting Party shall waive all right to receive any part of such issue of Shares.

8.4 Net Proceeds Interest

8.4.1 If the Interest of a Diluting Party is reduced to less than 20% of 100%, such Diluting Party shall have the right and option to surrender its Shares to Newco in exchange for a 15% Net Proceeds Interest.

8.4.2 If the Diluting Party fails to exercise the option mentioned in Clause 8.4.1 within 30 days after the end of the Program that has resulted in the Interest of the Diluting Party being reduced to less than 20%, the Continuing Party shall have the exclusive right and option to purchase the Shares of the Diluting Party for a total purchase price of $10.00 payable in cash; provided that the Continuing Party causes Newco to transfer to the Diluting Party a 15% Net Proceeds Interest simultaneously with the purchase of such Shares.

8.4.3 There shall be but one Net Proceeds Interest payable to the Parties with respect to any sector of the Property and the right to receive a Net Proceeds Interest shall not be held initially by more than one Party at any time. If any Party transfers some or all of its Shares to one or more Parties, neither the transferring Party nor any transferee or other successor in interest may receive a Net Proceeds Interest unless the transferring Party and all such transferees surrender their Shares in exchange for a Net Proceeds Interest simultaneously. In the event of such simultaneous surrender, the surrendering Parties shall appoint a single representative to receive such Net Proceeds Interest on their behalf and shall notify the Company of such representation.

8.4.4 A Net Proceeds Interest shall be subject to the right of first refusal of the Continuing Party to acquire such Net Proceeds Interest in the manner provided for the right of first refusal of one Party to acquire the rights, interest or Shares of another Party as provided by Clause 11.5.2. For purposes of such right of first refusal, all references in Clause 11.5.2 to "rights, interest or Shares" shall mean "Net Proceeds

Interest" and references to the "offering Party" shall be deemed to be references to the former Party that holds the Net Proceeds Interest.

8.5 Share Subscription

8.5.1 Subject to completion by PDX of the Minimum Funding Commitment and the elections permitted by Clause 8.1, the Parties intend that PDX will maintain a 70% Interest and AMC will maintain a 30% Interest, except as such Interests may be adjusted from time to time pursuant to Clause 8.2 or 8.3.

8.5.2 In order to adjust such respective Interests pursuant to such provisions, each Party shall have the right from time to time to subscribe for and purchase such Shares as may be necessary for the Share ownership of the Parties to reflect any increase or decrease in their Interests pursuant to said Clause 8.2 or 8.3.

## 9. TERMINATION OF AGREEMENT

9.1 Termination for Breach

9.1.1 A Party will be entitled to terminate this Agreement by written notice to the other in the event that:

9.1.1.1 the other Party commits a breach of a material term or condition of this Agreement and fails to remedy the breach within 30 days after receipt of a written notice calling upon such other Party to remedy the breach complained of; or

9.1.1.2 the other Party commits an act of insolvency as defined by the laws of the jurisdiction in which it is formed or is placed under a provisional or final winding up or judicial management order and such other Party fails to remove or take steps to remove the grounds for insolvency or set aside or take steps to set aside such order within 30 days after the terminating Party gives written notice of such act or order; or

9.1.1.3 the other Party makes an assignment for the benefit of creditors, or a judgment is taken against it that materially affects its ability to perform its obligations under this Agreement and such other Party fails to take steps to set aside such assignment or fails to satisfy such judgment within 30 days after the terminating Party gives written notice of such assignment or judgment.

9.1.2 Except as otherwise provided by Clause 2.2.2 or this Clause 9, the termination of this Agreement, for whatever reason, will not affect the rights or duties of a Party that have accrued as of the date of such termination and will further not affect any rights or duties which specifically or by their nature survive the termination of this Agreement.

9.2 Failure to Fulfill Minimum Funding Commitment

9.2.1 The failure of PDX timely and substantially to fulfill its Minimum Funding Commitment as required by Clause 3.2.1.1, except as otherwise provided by Clause 9.4.1 or 9.4.2, shall be a material breach and grounds for AMC to terminate this Agreement.

9.2.2 AMC may terminate this Agreement for a breach described in Clause 9.2.1 by proceeding pursuant to Clause 9.1.1.1.

9.3 <u>Withdrawal by PDX</u>

9.3.1 PDX may withdraw from and terminate this Agreement at any time by giving AMC written notice of PDX's withdrawal.

9.3.2 PDX's withdrawal and termination pursuant to Clause 9.3.1 shall be effective on the date such notice is given or on such later date as may be specified in the notice, subject to Clause 9.4.

9.4 <u>Effect of Termination</u>

9.4.1 If this Agreement is terminated pursuant to Clause 9.3 before the Exploration Licenses are finally issued, PDX shall have no obligation to make any expenditures pursuant to the Minimum Funding Commitment, including expenditures for the first Contract Year.

9.4.2 If this Agreement is terminated pursuant to Clause 9.3 after the Exploration Licenses are finally issued, PDX shall nevertheless meet its Minimum Funding Commitment for the first Contract Year of $500,000.

9.4.3 If this Agreement is terminated pursuant to Clause 9.1, 9.2 or 9.3, PDX shall have no further right or interest in the Applications or the Exploration Licenses and, at AMC's election, PDX shall transfer its Shares to AMC without payment to PDX of any compensation or PDX shall surrender such Shares to Newco, provided that PDX shall not be required to effect any such transfer or surrender until AMC has complied with Clause 9.4.6.

9.4.4 After termination of this Agreement pursuant to Clause 9.1 (if PDX is the Party in default) or 9.2 or 9.3, PDX shall have no duty to contribute any further funding to Newco, except as otherwise provided by Clauses 9.4.2 and 9.4.5.

9.4.5 After termination of this Agreement pursuant to Clause 9.1 (if PDX is the Party in default) or 9.2 or 9.3, except as otherwise provided by Clause 9.4.2, PDX shall have no further duty or liability under this Agreement or under the Exploration Licenses, except liabilities for breach of this Agreement or the Exploration Licenses occurring prior to termination of this Agreement or for obligations that are otherwise expressly stated to survive such termination, and such duty or liability for reclamation as may be imposed by law solely as a result of PDX's operations conducted prior to such termination.

9.4.6 Unless the Exploration Licenses are rescinded prior to a termination of this Agreement pursuant to Clause 9.1 (if PDX is the Party in default) or 9.2 or 9.3, AMC shall use its reasonably efforts to obtain a substitute surety on any guarantee provided by Newco for which PDX or its Affiliate has provided its credit or collateral. If AMC fails to provide such substitute surety within 60 days after the effective date of such termination, PDX shall have the right to take all commercially reasonable measures to eliminate all risk of further liability under any such guarantee after the effective date of such termination, including without limitation the revocation of such guarantee and rescission of the Exploration Licenses.

9.4.7 Notwithstanding any provision of this Agreement to the contrary, AMC shall indemnify, defend and hold harmless PDX for, from and against any and all loss, cost, expense, damage, liability or claim therefor, including attorneys fees and costs, arising in whole or in part from the failure to keep or perform any covenant or condition of the Exploration Licenses required to be kept or performed by the licensee after the effective date of any termination pursuant to Clause 9.1, 9.2 or 9.3 (or before any such termination if the alleged default is the failure to complete minimum expenditures totaling approximately $1,500,000 required by the Exploration Licenses, provided PDX has complied with Clause 9.4.2), or arising in whole or in part from the failure of AMC to timely provide a substitute surety required by Clause 9.4.6.

9.5 Dropping Property

9.5.1 The Board shall determine what parcels of the Property shall be surrendered in accordance with the provisions of the Exploration Licenses.

9.5.2 The Board may determine that Newco should surrender Property containing more hectares than is required by the Exploration Licenses.

9.5.3 Nothing herein shall prevent AMC from seeking a separate exploration license on such surrendered Property or any part thereof.

9.5.4 Any such separate exploration license shall be held by AMC free of any rights of PDX and Newco.

9.5.5 No surrender of Property pursuant to this Clause 9.5 shall reduce the Minimum Funding Commitment set forth in Clause 3.2.1.1.

9.6 Data.

9.6.1 Copies of all data and interpretations generated by PDX on the Property and not previously furnished to AMC shall, at AMC's request, be made available to AMC for pickup within 90 days after the Property from which such data is obtained is surrendered pursuant to Clause 9.5 or this Agreement is terminated pursuant to Clause 9.1, 9.2 or 9.3.

9.6.2 PDX shall not be liable for any errors or omissions in any data or interpretations delivered by PDX to AMC and AMC shall have no right to rely thereon.

10. **AREA OF INTEREST**

10.1 Noncompete

10.1.1. Except as otherwise provided for by Clause 2.2.3 or Clause 9.5, Newco or another legal entity formed pursuant to Clause 2.4 shall be the exclusive vehicle by which a Party or any Affiliate directly or indirectly engages in Exploration or any other mining related activity within the Area of Interest so long as such Party remains a Party or the holder of a Net Proceeds Interest and for a period of one year after ceasing to be a shareholder in Newco, whichever is longer.

10.2 Acquisitions by Party Within Area of Interest

10.2.1 Except as otherwise provided by Clause 9.5, any right or interest in property, real or mixed, within the Area of Interest, including without limitation any surface right, water right or Mineral Right, that is acquired directly or indirectly by a Party or by any Affiliate of a Party (other than pursuant to a Program and Budget) shall be offered in writing to Newco within 10 Business Days after the acquisition of such right or interest without cost to Newco unless otherwise authorized by the Board.

10.2.2 Newco shall have 45 days after an offer pursuant to Clause 10.2.1 is received by Newco in which to accept or reject such offer.

10.2.3 If the offer pursuant to Clause 10.2.1 is accepted, such right or interest in property shall be contributed and assigned to Newco.

10.2.4 If the offer pursuant to Clause 10.2.1 is rejected or is not timely accepted by Newco, Newco shall have no right or interest in such property and the same shall not be part of the Property and shall not be subject to this Agreement.

10.3 Acquisition by Former Party

10.3.1 A Party that ceases to be a shareholder of Newco and that does not receive a Net Proceeds Interest shall not and its Affiliates shall not directly or indirectly acquire any right or interest in property, real or mixed, within the Area of Interest for 12 months after the date on which it ceases to be a shareholder of Newco.

10.3.2 If a former shareholder breaches this covenant, the same shall be obligated to offer to Transfer to Newco or to its nominee, without cost to Newco or such nominee, any such right or interest in the property so acquired.

10.3.3 An offer pursuant to Clause 10.3.2 shall be in writing and may be accepted by Newco at any time within 45 days after such offer is received by Newco.

10.3.4 If an offer pursuant to Clause 10.3.2 is timely accepted by Newco, such right or interest in property shall be transferred forthwith to Newco or its nominee by instrument of Transfer reasonably acceptable to Newco free of any right, interest or claim therefor arising by, through or under such transferor or any Affiliate of such transferor.

10.4 <u>Other Opportunities</u>

10.4.1 Each Party shall have the right independently to engage in and receive full benefits from business activities outside the Area of Interest, whether or not competitive with activities of Newco, without consulting Newco or any Party.

10.4.2 A Party shall have no obligation to Newco or any other Party with respect to any opportunity to acquire any right or interest in property outside the Area of Interest at any time or within the Area of Interest, as to Property dropped pursuant to Clause 9.5, or after the expiration of the time periods provided by Clause 10.1, 10.2 or 10.3.

## 11. ADDITIONAL PROVISIONS

11.1 <u>Arbitration</u>

11.1.1 Any and all disputes, controversies, disagreements or claims between the Parties arising out of or relating to this Agreement or the subject matter of this Agreement or the execution, validity, interpretation, implementation, breach or termination of this Agreement shall be settled by nonbinding mediation or binding arbitration in accordance with procedures set forth in Annexure D.

11.1.2 All notices in connection with the mediation or arbitration, including the request for mediation or demand for arbitration and the response to it, shall be served in the same manner as provided for notices generally under this Agreement.

11.2 <u>Confidentiality</u>

11.2.1 The terms and conditions of this Agreement and all financial, technical and process information or data held, obtained or created by a Party as a result of performing this Agreement or conducting Operations, including all data and information relating to the Project of a financial, technical or engineering nature, process data, drawings, specifications, reports, manuals, and know-how, and any other business or economic information relating to the Project and/or to processes, apparatus, equipment, materials or compositions developed for the Project, that is owned or controlled by the Parties or Newco and not generally available to the public (herein referred to as "confidential information") shall be the exclusive property of Newco and shall be maintained on a confidential basis by the Parties.

11.2.2 A Party shall take reasonable measures to see that all confidential information that such Party receives, prepares or holds with respect to a Project shall be maintained and kept in a safe place sufficient to ensure that such material is not available for inspection or study by any Person other than such Person as might be authorized by a Party.

11.2.3 The following information shall not be considered confidential and thus not subject to the above restrictions:

11.2.3.1 Information and data which at the time of disclosure were available to the public;

11.2.3.2 Information and data which, after disclosure, are published or otherwise become available to the public through no fault of either Party;

11.2.3.3 Information and data received from any Person that is not legally required to hold such information and data in confidence.

11.2.4 The obligations of this confidentiality clause shall terminate one year after the termination of this Agreement and shall remain in force independently from the other terms and conditions of this Agreement.

11.2.5 A Party shall not make any disclosure of confidential information to the public or otherwise or give out or provide for any publicity or press release without the prior written consent of the other Party, which consent shall not be unreasonably withheld, delayed or conditioned, giving due consideration to the public disclosure requirements of each Party and the materiality of the information to each Party. The requirement for consent shall not apply to a disclosure:

11.2.5.1 To an attorney, accountant or consultant that has a bona fide need to be informed;

11.2.5.2 To a Person to whom the disclosing Party intends to transfer such Party's rights under this Agreement or its interest in the Project or its Shares in Newco; provided, however, that the disclosing Party shall see to it that such Person signs a confidentiality agreement; or

11.2.5.3 To a governmental agency or to the public when the disclosing Party believes in good faith such disclosure is required by applicable laws, rules or regulations.

11.2.6 No disclosure pursuant to Clause 11.2.5.3 shall be made until 48 hours after the delivery to the nondisclosing Party of notice containing a verbatim transcript of the intended disclosure.

11.3 Notices

11.3.1 Any notice, advice, election, request, order, demand, offer or other communication required or permitted to be given by a Party under this Agreement shall be in writing and in the English language, and (unless some other mode of giving the same is specified or accepted in writing by the recipient) shall be effective upon the first to occur of the following:

11.3.1.1 delivery during normal business hours at the principal address of the addressee, or

11.3.1.2 receipt by facsimile transmission during normal business hours at the principal address of the addressee.

11.3.2 Any notice delivered or received other than during normal business hours shall be effective on the next Business Day following such delivery or receipt.

11.3.3 The Parties respectively choose the following addresses for notices under this Agreement until otherwise specified by notice:

If to AMC, to:

Abacus Minerals Corporation
#611 – 675 West Hastings Street
Vancouver, BC V6B 1N2
Telephone: 604-682-0301
Telecopier: 604-682-0307

If to PDX, to:

Phelps Dodge Exploration Corporation
2600 N. Central Ave.
Phoenix, AZ 85004-3014
Attn: A. L. Lawrence, President
Telephone: 602-234-8100
Telecopier: 602-234-8337

11.4 Further Assurances

11.4.1 Each Party, at any time upon request of another Party, shall execute and acknowledge in form required by law for recording or registering with the proper Person and shall deliver to the requesting Party such notices, public deeds, bylaws or other documents or instruments incorporating, referring to or carrying out the provisions of this Agreement as the requesting Party may reasonably deem necessary in order to preserve or protect its interest or the interest of Newco under this Agreement or to effectuate the provisions hereof.

11.5 Assignment; Right of First Refusal

11.5.1 **Assignment**

11.5.1.1 A Party may sell or assign all or part of its rights under this Agreement or its interest in the Project or its Shares in Newco to an Affiliate, provided the acquiring Affiliate shall be bound by this Agreement.

11.5.1.2 A Party may sell or assign or otherwise Transfer all or part of its rights under this Agreement or its interest in the Project or its Shares in Newco to any unrelated Person subject to the right of first refusal of the other Party to acquire such rights or interest or Shares for the same price and upon the same terms and conditions as are offered by such Person, provided the acquiring Person shall be bound by this Agreement to the same extent as the transferring Party.

11.5.1.3 AMC shall not assign or otherwise transfer the Exploration Licenses, the Applications or any right or interest therein during the term of this Agreement except to Newco or to a legal entity formed pursuant to Clause 2.4.

11.5.2 **Right of First Refusal**

11.5.2.1 Except as otherwise provided in Clause 11.5.3, if a Party ("offering Party") receives an offer for the Transfer of all or any part of its rights under this Agreement or its interest in the Project or its Shares in Newco or in any entity formed pursuant to Clause 2, that such offering Party intends to accept, such offering Party shall promptly notify the other Party ("offeree Party") of such offer.

11.5.2.2 The notice shall state the price and all other pertinent terms and conditions of the intended Transfer, and shall be accompanied by a copy of such offer.

11.5.2.3 The offeree Party shall have 30 days from the date such notice is delivered to notify the offering Party whether the offeree Party elects to acquire the offered interest at the same price and on the same terms and conditions as set forth in the notice.

11.5.2.4 If the offeree Party does so elect, the Transfer shall be consummated promptly after notice of such election is given to the offering Party.

11.5.2.5 If the offeree Party fails to accept such offer within such 30-day period, the offering Party shall have 90 days following the expiration of such 30-day period to consummate the Transfer to a Person at a price and on terms no less favorable to the offering Party than those offered to the offeree Party in the notice required by Clause 11.5.2.1.

11.5.2.6 If the offering Party fails to consummate the Transfer to a Person within such period, the offeree Party's right of first refusal in such offered Interest shall be deemed to be revived.

11.5.2.7 Any subsequent proposal to Transfer such Interest shall be conducted in accordance with all of the procedures set forth in this Clause.

11.5.3 **Exempt Transfer**

11.5.3.1 Clause 11.5.2 shall not apply to a Transfer to an Affiliate of the offering Party pursuant to Clause 11.5.1.1.

11.5.4 **Binding Effect**

11.5.4.1 This Agreement shall be binding upon and shall inure to the benefit of the Parties and their respective successors and permitted assigns.

11.6 Amendments; Waiver

11.6.1 This Agreement may not be amended or modified except by a written instrument signed by all of the Parties.

11.6.2 No Party shall be bound by any modification or amendment of this Agreement or waiver of any provision hereof unless such modification, amendment or waiver is set forth in a written instrument signed by each of the Parties.

11.6.3 Except as otherwise provided in this Agreement, failure on the part of any Party to exercise any right hereunder or to insist upon strict compliance by any other Party with any of the terms, covenants or conditions hereof shall not be deemed a waiver of such right, term, covenant or condition.

11.6.4 No provision of this Agreement shall be construed to be a waiver by any of the Parties of any rights or remedies such Party may have against any other Party for failure to comply with the provisions of this Agreement and, except as provided in Clause 11.1 or otherwise expressly provided in this Agreement, no remedy or right herein conferred is intended to be exclusive of any other remedy or right, but every such remedy or right shall be cumulative and shall be in addition to every other remedy or right herein conferred or now or hereafter existing at law or in equity.

11.7 Language; Governing Law

11.7.1 This Agreement is executed in the English language and English shall be the language to govern. The validity, interpretation, and performance of this Agreement shall be governed according to the laws of the State of Arizona, without regard for choice of laws or conflict of laws principles that would require or permit the application of the laws of any other jurisdiction.

11.8 Entire Agreement

11.8.1 This Agreement, including the schedules and Annexures attached hereto, set forth the entire understanding of the Parties with respect to the matters set forth herein as of the date hereof and supersedes all prior oral and written discussions and understandings between them relating to the subject matter, including without limitation the letter of intent by and between PDX and AMC dated as of October 29, 1997 and accepted by AMC October 30, 1997, and the Confidentiality Agreement between the Parties dated August 1, 1997.

11.9 Construction of Agreement

11.9.1 This Agreement is the result of negotiations between the Parties, and the terms and provisions hereof shall be construed in accordance with their usual and customary meanings.

11.9.2 The captions or headings of Clauses or subclauses of this Agreement are for purposes of reference only and shall not limit or define the meaning of any provision of this Agreement.

11.9.3 The Parties hereby waive the application of any rule of law which otherwise would be applicable in connection with the construction of this Agreement that ambiguous or conflicting terms or provisions should be construed against the Party who (or whose attorney) prepared the executed agreement or any earlier draft of the same.

11.10 No Partition

11.10.1 Each Party irrevocably waives during the term of this Agreement any right the Party may have to maintain an action for partition with respect to the Property or other assets of Newco.

11.11 No Third-Party Beneficiary

11.11.1 No term or provision of this Agreement or of the Schedules or Annexures hereto is intended to be, or shall be construed to be, for the benefit of any Person (other than Newco or an entity formed pursuant to Clause 2.4 or the Directors thereof or Operators), including without limitation any investment banker, broker or creditor, and no such other Person shall have any right or cause of action hereunder.

11.12 Tax Efficiency

11.12.1 All transactions contemplated in this Agreement will be effected on a basis that maximizes the tax efficiency of such transaction for all Parties. If, based on changes in law or for any other reason, a Party requests that any such transaction be restructured or otherwise changed to maximize tax efficiency, the Parties shall negotiate in good faith to achieve such efficiency for all affected Parties.

11.13 Force Majeure

11.13.1 A Party shall not be liable for the failure to perform any of its obligations when the failure is due to an event of Force Majeure that prevents performance of such obligation or that renders further performance imprudent.

11.13.2 Relief from liability for non-performance by reason of the provisions of this Clause shall commence on the date upon which the event of Force Majeure relied upon came into existence and shall terminate upon the expiration of a reasonable time after such event of Force Majeure ceases to exist, to allow for resumption of performance.

11.14 Implied Covenants

11.14.1 There are no implied covenants contained in this Agreement other than those of good faith and fair dealing which shall expressly prevail between the Parties.

11.15 Prohibition Against Binding Newco as Surety

11.15.1 Neither party shall:

11.15.1.1 Without the consent of the Board bind Newco to become surety for any Person, nor lend, give or dispose of any of Newco's assets other than in the ordinary course of business, except as otherwise provided in this Agreement;

11.15.1.2 Do or willingly suffer to be done any act, matter or thing whatsoever whereby the assets of Newco may be taken into execution or in any way charged or encumbered in respect of personal debt or liabilities;

11.15.1.3 Use any money of Newco or in any way engage its credit except on account of or for the benefit of Newco;

11.16 No Holding Out

11.16.1 This Agreement shall not constitute a partnership between the Parties. Neither Party will hold itself out as an agent or partner of the other.

11.17 General Warranties

11.17.1 Each of the Parties represents and warrants that:

11.17.1.1 It is a company duly incorporated in accordance with the laws of its jurisdiction of incorporation;

11.17.1.2 It is qualified to conduct Exploration in the Area of Interest;

11.17.1.3 It is not trading or carrying on under insolvent circumstances;

11.17.1.4 It is empowered, authorized and entitled to enter into this Agreement, and no transaction contemplated hereby is in breach of its articles of incorporation or any other agreement or arrangement to which it is a party; that all corporate and other proceedings required to authorize such Party to enter into and carry out this Agreement have duly and properly been taken.

11.18 AMC's Title

11.18.1 AMC represents and warrants that it has not transferred or encumbered the Applications or its rights or interest therein and has not entered into any agreement respecting the Applications or its rights or interest therein with any Person other than PDX.

11.18.2 No Person shall have any claim to or interest of any nature in the Applications or in the Exploration Licenses arising by, through or under AMC as of the date on which the Applications or the Exploration Licenses, as the case may be, are transferred or issued to Newco.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed by their respective officers thereunto duly authorized as of the dates set forth below.

ABACUS MINERALS CORPORATION

Date: Feb 17, 1998

By ______________________
Steve L. Todoruk, President
**AMC**

PHELPS DODGE EXPLORATION CORPORATION

-122-

Date: January 14, 1998

By__________________________________________________________ PDX

A.L. Lawrence, President

ANNEXURE A TO JOINT VENTURE AGREEMENT

***DESCRIPTION OF LANDS SUBJECT TO APPLICATIONS (AREA OF INTEREST)***

Area 1

| VERTEX | MERIDIAN (M) | PERPENDICULAR (P) |
|---|---|---|
| 1 | - 10.000 | - 214.000 |
| 2 | - 1.005 | - 214.000 |
| 3 | + 11.800 | - 220.000 |
| 4 | + 11.800 | - 228.000 |
| 5 | + 10.000 | - 228.000 |
| 6 | + 10.000 | - 228.560 |
| 7 | + 2.000 | - 222.000 |
| 8 | - 3.750 | - 222.000 |

Area 2

| VERTEX | MERIDIAN (M) | PERPENDICULAR (P) |
|---|---|---|
| 1 | + 10.000 | - 228.560 |
| 2 | + 10.000 | - 232.000 |
| 3 | - 3.750 | - 222.000 |
| 4 | + 2.000 | - 222.000 |

## SUPPLEMENTAL NOTICE OF ANNUAL GENERAL MEETING OF MEMBERS

**TAKE NOTICE** that at the 1998 Annual General Meeting of the Shareholders of Abacus Minerals Corporation to be held at 1650 - 999 West Hastings Street, Vancouver, British Columbia, on the **30th** day of **June, 1998** at **10:00a.m.** the following item will be added to the agenda:

> "To consider and, if thought advisable, pass an ordinary resolution that, subject to regulatory approval, the Company's directors be authorized to cause the Company to enter into a private placement financing transaction with First American Financial Group for a US$3,000,000 convertible debenture financing, upon such terms as may be approved by the directors of the Company".

**A Member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote in his stead. If you are unable to attend the Meeting in person, please read the Notes accompanying the Instrument of Proxy enclosed and then complete and return the Proxy within the time set out in the Notes. As set out in the Notes, the enclosed Instrument of Proxy is solicited by Management, but you may amend it, if you so desire, by striking out the names listed therein and inserting in the space provided the name of the person you wish to represent you at the Meeting.**

**DATED** at Vancouver, British Columbia, this **29th** day of **May, 1998**.

**BY ORDER OF THE BOARD**

**"Steve Todoruk"**
President

DJM/603/AGM/98/suppnot

SUPPLEMENTAL INFORMATION CIRCULAR

OF

ABACUS MINERALS CORPORATION

FOR THE ANNUAL GENERAL MEETING OF MEMBERS

TO BE HELD ON JUNE 30, 1998

This information is given as of **May 28, 1998**

## I. SOLICITATION OF PROXIES

This Supplemental Information Circular is furnished in connection with the solicitation of proxies by the Management of **Abacus Minerals Corporation** (the "Company") for use at the Annual General Meeting (the "Meeting") of the Members of the Company, to be held at the time and place and for the purposes set forth in the accompanying Supplemental Notice of Meeting and at any adjournment thereof.

## II. PARTICULARS OF OTHER MATTERS TO BE ACTED UPON

In addition to those items set out in the Notice of Meeting dated May 25, 1998, the following item has been added to the agenda:

### A. US$3,000,000 Convertible Debenture Financing

The Company has received a commitment letter from First American Financial Group of 161 Maiden Lane, 7th Floor, New York, New York, USA to provide the Company with a US$3,000,000 financing evidenced by a convertible debenture. First American Financial Group is at arm's-length to the Company. The terms and conditions of the financing are as follows:

1. **Investment Amount:** US$3,000,000 evidenced by a Convertible Denture (the "Debenture").

2. **Disbursement and Use of Proceeds:** Disbursement to be made after Due Diligence review and subject to completion of appropriate documentation. Proceeds shall be sued for acquisitions, corporate and working capital purposes. The Company has tentatively allocated US$2,500,000 to its Niblack Project, US$250,000 to its Argentinean properties and US$250,000 to costs of the offering and working capital.

3. **Yield Rate and Payments:** Nine percent (9%) per annum.

4. **Maturity:** Three (3) years from Date of Closing.

5. **Payments:** In arrears, either quarterly or at the end of the term of the Debenture, at the Company's option as provided in 6. below.

6. **Conversion Terms:** The Debenture shall be subject to the following:

   (a) Conversion Rights: No conversion or retraction for the first year of the term. During the second year, Holder can apply to convert principal to common stock at CDN$0.50 per share. During the third year, Holder can apply to convert principal to common stock at CDN$0.60 per share.

   Upon receipt of Notice of Intent to Convert, the Company has thirty (30) days to elect to:

   (i) Issue the appropriate common stock and pay interest arrears; or

   (ii) retract the Debenture by:

   1. immediately granting the Holder 2,000,000 two (2) year warrants exercisable into 2,000,000 common shares at CDN$0.50 during the first year or CDN$0.575 during the second year, and

   2. paying in full all outstanding capital and interest arrears owing on the Debenture within one hundred twenty (120) days.

   (b) Anti-Dilution Provisions: The Debenture conversion price shall be subject to anti-dilution adjustments (adjustments to the subsequently issued security price) in the event of stock splits, stock dividends, stock consolidations, an amalgamation or other event of reorganization.

7. **Retraction Provision:**

   After the first anniversary date, the Company shall have the additional right to retract the Debenture at any time under the same Terms and Conditions as 6.(a)(ii) above providing that the Company's shares are trading at a minimum of CDN$0.50.

8. **Conditions Precedent:** Investment Fund and the Company's obligations are subject to conditions standard for similar investment, including:

   (a) Loan Agreement, Debenture, Security Agreements and/or other documents evidending the investment; satisfactory opinions of Company's counsel; any other instruments reasonably required to document the transaction; and

   (b) Funding of this transaction ("Closing") must take place no later than forty-five (45) days from the date hereof. As of closing date, all representations and warranties by the Company shall be true and no material adverse changes shall have occurred.

Shareholders are being asked to approve an ordinary resolution approving the convertible debenture financing on the above terms and upon such other terms as may be approved by the directors of the Company.

It is the policy of the Vancouver Stock Exchange (the "VSE") that the shareholders of the Company are required to approve a private placement (including a convertible debenture financing) if the number of shares to be issued to one placee, or to a group of placees who intend to vote their shares as a group, is equal to or greater than 20% of the number of the Company's shares outstanding after giving effect to the issuance of the private placement shares. In addition, shareholder approval is required if the private placement may result in or is part of a transaction involving a change in the effective control of the Company or the creation of a control block.

In the event that the principal amount of the debenture (US$3,000,000) is converted into shares of the Company at a price of CDN$0.50 per share this would result in the issuance of in excess of 8,000,000 shares of the Company which would represent more than 20% of the then issued and outstanding shares of the Company. Shareholders are therefore being asked to approve, by ordinary resolution, the terms of the convertible debenture financing.

The closing of the convertible debenture financing is subject to the execution of the appropriate documentation, regulatory approval and the closing taking place no later than July 11, 1998.

**Management knows of no other matters to come before the Meeting other than those referred to in the Notice of Meeting and in this Supplemental Notice of Meeting. Should any other matters properly come before the Meeting, the shares represented by the Instrument of Proxy solicited hereby will be voted on such matters in accordance with the best judgment of the persons voting by proxy.**

**DATED** at Vancouver, British Columbia, this **29** day of **May, 1998**.

**BY ORDER OF THE BOARD**

**"Steve Todoruk"**
President

DJM/603/AGM/suppinfor

BARRICK EXPLORACIONES ARGENTINA S.A.
25 de Mayo, 577 East
San Juan, Argentina, 5400

April , 1998

Abacus Minerals Corporation
Suite 611
675 West Hastings Street
Vancouver, British Columbia
V6B 1N2

Attention: Mr. Steven Todoruk, President

Dear Sirs:

**Santa Cruz Properties**

We understand that Abacus Minerals Corporation ("**Abacus**") is interested in acquiring or earning an interest in six properties owned by Barrick Exploraciones Argentina S.A. ("**Barrick**") located in Santa Cruz, Argentina (the "**Santa Cruz Properties**" or the "**Properties**" and each a "**Property**") outlined in more detail on the maps attached hereto as Schedule A. The property identified as Property 1 in Schedule A is hereinafter sometimes referred to as the "**La Manchuria Property**" and the properties identified respectively as Property 2, 3, 4, 5 and 6 in Schedule A are hereinafter sometimes referred to collectively as the "**Patagonia Properties**".

This letter sets forth the terms and conditions upon which Barrick is prepared to grant Abacus options to acquire each of the Santa Cruz Properties from Barrick or, at the election of Barrick, to acquire a 50% interest in the Santa Cruz Properties by way of a joint venture with Barrick.

1. **Option.**

Barrick hereby grants to Abacus exclusive options (the "**Options**") to acquire interests in each of the Santa Cruz Properties from Barrick, which Options shall be available from the Closing

Date (as defined in paragraph 12(a)) until December 31, 2001 (the "Option Period"), subject to the terms and conditions hereof. For the purposes of this letter agreement, the period from the Closing Date until December 31, 1998 shall be deemed to be the first year of the Option Period, and the period from January 1 to December 31 of each year thereafter shall be a year of the Option Period.

2. <u>Exploration Rights</u>.

(a) Subject to the terms and conditions hereof, Barrick grants Abacus the exclusive right to prospect and explore ("Exploration Activities"), at Abacus' own risk and expense, the Santa Cruz Properties to which the Options outstanding at any time apply. Except as otherwise prohibited under or inconsistent with the concessions held by Barrick in respect of the Santa Cruz Properties, Barrick covenants and agrees with Abacus that such right shall include the right of Abacus to:

(i) have access to the Santa Cruz Properties through and by its agents, employees or workers, or the agents, employees or workers of its contractors;

(ii) remove from the Santa Cruz Properties and mill, refine or otherwise dispose of such reasonable quantities of rock, ores, minerals and metals for the purposes of bulk sampling, obtaining assays or other testing; and

(iii) do all such further acts as from time to time may be reasonably necessary to fully explore the Santa Cruz Properties.

Abacus hereby acknowledges and agrees that the Exploration Activities shall be subject to the terms and conditions of the concessions of Barrick underlying the Santa Cruz Properties and shall be performed at all times in accordance therewith.

(b) Abacus agrees to provide Barrick with annual work programs and budgets for the Exploration Activities. Abacus shall provide Barrick with an initial proposed work program and budget for the first year of the Option Period within 30 days following the Closing Date. Thereafter, Abacus shall present proposed annual work programs and budgets to Barrick by no earlier than 60 days and no later than 30 days prior to the end of each year of the Option Period in respect of Exploration Activities proposed for the following year. During any year of the Option Period, Abacus may make such changes to the work programs and budgets provided to Barrick in respect of such year of the Option Period as Abacus reasonably determines are necessary or desirable based on the results of its Exploration Activities on the Santa Cruz Properties, provided that Abacus shall give Barrick written notice and details of any such changes as soon as reasonably practicable following the time at which a determination to make those changes has been made by Abacus.

(c) Unless and until such time as this letter agreement is terminated in accordance with the terms hereof, Abacus will be the sole operator and manager of the Santa Cruz Properties with respect to which Options from time to time apply (the "**Option Properties**" and each an "**Option Property**").

3. Compliance with Laws and Licences.

(a) Abacus covenants and agrees with Barrick that it will perform all Exploration Activities and any other work on or in relation to any of the Santa Cruz Properties or any portion thereof in a good and minerlike fashion in accordance with: (i) the work programs and budgets and any amendments thereto provided to Barrick in accordance with paragraph 2(b) hereof; (ii) all applicable concessions, licences, permits, registrations, certificates or other such instruments held at any time or from time to time by Barrick or by Abacus or their respective affiliates in respect of such Santa Cruz Properties; and (iii) all applicable mining, environmental and other national, provincial, state, municipal, local and other laws, including the Mining Code and procedure laws of the Republic of Argentina, and the regulations, rules and policies of all applicable governmental authorities, including the Mining Authority of the Mining Department of Santa Cruz.

(b) Barrick covenants and agrees to prepare and file with the appropriate governmental authorities all tax, environmental and other reports or filings required by law or otherwise in connection with the operations on the Santa Cruz Properties. Barrick agrees to provide Abacus with copies of all such reports and filings and to copy Abacus on all correspondence with such governmental authorities in connection therewith. Barrick further agrees to provide Abacus within 60 days following the Closing Date and no later than 30 days prior to the end of each year of the Option Period with a list that sets out, to the best of Barrick's knowledge, the tax, environmental and other reports to and filings with governmental authorities that will be required during the first year of the Option Period and each year of the Option

Period thereafter, respectively. Abacus covenants and agrees to provide Barrick on a timely basis with all such documentation and information in the possession or control of Abacus in respect of the Santa Cruz Properties as may be required by Barrick to make any such report or filing in accordance with applicable laws and regulations and to assist Barrick in compiling all such documentation and information, provided that Barrick shall give Abacus at least 30 days' written notice of its need for such documentation or information. Upon conveyance of any of the Option Properties to Abacus pursuant to paragraph 8 hereof, Barrick's responsibility to make such reports and filings with respect to the Properties conveyed to Abacus shall terminate.

4. Indemnity by Abacus.

(a) Effective as at the Time of Closing (as defined in paragraph 12(a) below) and all times thereafter, Abacus agrees to indemnify and save Barrick, its affiliates and their respective directors, officers, employees and agents harmless of and from all environmental liabilities and all other liabilities of any nature or kind whatsoever associated with or arising from the activities of Abacus, its affiliates, agents, employees or workers or the agents, employees or workers of its contractors or their subcontractors of any nature whatsoever on or related to the Santa Cruz Properties.

(b) For the purpose of this letter agreement, **"environmental liabilities"** means any and all actions, causes of action, demands, claims, debts, obligations, costs, expenses, penalties, losses, damages, deficiencies, liabilities (contingent or otherwise), duties, requirements, orders, injunctions, decisions, judgments, directives, penalties, fines or rights of action of any nature instituted, required, made, imposed, rendered, issued or arising under or pursuant to common law or any federal, national, provincial, state, municipal or local statute, regulation, by-law, order, ordinance or other law, or any permit, concession, licence, registration, submission, filing, consent, certificate, approval or other authorization pertaining to the protection or conservation of the natural environment, the protection or preservation of wildlife or fishery resources, the protection of the rights of aboriginal peoples, the undertaking of mineral resource exploration, development, extraction or processing operations and the decommissioning, abandonment or closure of such operations or matters reasonably ancillary to any of the foregoing, including, without limitation, the reclamation, remediation, rehabilitation and restoration of mining properties and of the natural environment, whether instituted, initiated or made by Barrick, Abacus or any of their respective affiliates or instituted, required, made, imposed, rendered or issued by a department, ministry, official, regulatory or administrative agency or other authority or by a third party. For greater certainty, a law pertaining to the protection or conservation of the natural environment shall include all such laws relating to the manufacture, processing, generation, distribution, use, treatment, storage, disposal, transport, labelling, handling, discharge, release, clean-up, containment and/or removal of any pollutants, contaminants, chemicals, toxic or hazardous substances, industrial, domestic or hazardous wastes including, without limitation, flammable, corrosive, reactive, explosive, leachate toxic, pathological, infectious or radioactive materials or wastes or otherwise relating to a condition or occurrence which may affect adversely the quality or use of soil, water, air, vegetation, wildlife or property or result in damage or risk to the life, health, safety, welfare or comfort of human beings.

5. **Minimum Exploration Expenditures.**

(a) Abacus covenants and agrees, subject to the terms and conditions hereof, to spend or cause to be spent (i) a minimum of $350,000 with respect to Exploration Activities on the La Manchuria Property in the first year of the Option Period, and (ii) a minimum $2,750,000 (including the $350,000 expenditure required pursuant to clause (i)) (the "**Total Cumulative Minimum Exploration Expenditures**") with respect to Exploration Activities on all of the Santa Cruz Properties, including the La Manchuria Property, by the end of the fourth year of the Option Period, expended so that the following cumulative amounts (the "**Cumulative Minimum Exploration Expenditures**") are spent no later than the end of each of the four years of the Option Period:

| Year | Cumulative Minimum Exploration Expenditures |
|---|---|
| 1 | 500,000[1] |
| 2 | 1,250,000 |
| 3 | 2,250,000 |
| 4 | 2,750,000 |

[1] This amount includes the $350,000 of expenditures on the La Manchuria Property.

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(b) Abacus may spend or cause to be spent any amounts in excess of the Cumulative Minimum Exploration Expenditures as it may in its sole discretion consider necessary, advisable or appropriate.

(c) In calculating the Cumulative Minimum Exploration Expenditures, Abacus covenants and agrees that:

(i) all expenditures shall be *bona fide* expenditures reasonably required in the conduct of the Exploration Activities on the Santa Cruz Properties;

(ii) any expenditures incurred by Abacus in a transaction with a party with whom it is not dealing at arm's length shall be calculated at fair market cost under the circumstances and at the time of the transaction; and

(iii) an amount not exceeding 2% of the expenditures incurred by Abacus in accordance with paragraph 5(c)(i) hereof may be included on account of the home office overhead and general and administrative expenses of Abacus in connection with the Exploration Activities on the Santa Cruz Properties.

(d) Abacus shall be responsible for paying all fees, taxes and other amounts as are required to maintain the title and interest of Barrick in the Option Properties, including all fees in connection with reports and filings to be made by Barrick pursuant to paragraph 3(b) of which Barrick shall notify Abacus not less than 15 days before any such payment is due and which Barrick shall remit on a timely basis in order to maintain the Option Properties in good standing. Any such amounts paid by Abacus pursuant to the preceding sentence shall be included in calculating the Cumulative Minimum Exploration Expenditures by Abacus. In the event that Abacus fails to make any such payment, Barrick will be entitled, but not required, to make such payment on behalf of Abacus. Barrick shall be entitled upon request to be reimbursed for any or all such amounts paid by Barrick on behalf of Abacus hereunder, plus interest, until such amounts are paid in full. Any such amounts shall bear interest at the Prime Rate plus 3.0%, calculated and compounded semi-annually in arrears on June 30 and December 31 of each year, until paid in full. For the purpose of this letter agreement, "**Prime Rate**" means the per annum rate quoted or announced from time to time by the principal office of the Royal Bank of Canada in

Toronto as being its reference rate of interest for United States dollar loans made in Canada.

(e) It is hereby acknowledged and agreed by Abacus that until the Total Cumulative Minimum Exploration Expenditures are made by Abacus, Barrick retains all right, title and interest in the Santa Cruz Properties other than as expressly set forth in this letter agreement. Abacus further acknowledges and agrees that the interest it earns in the Santa Cruz Properties once the Total Cumulative Minimum Exploration Expenditures have been made shall be determined in accordance with the election by Barrick pursuant to paragraph 7(b) hereof.

(f) Abacus shall deliver to Barrick within 30 days of the end of the first year of the Option Period a statement outlining in detail all expenditures incurred on Exploration Activities on the La Manchuria Property alone and in aggregate on all of the Santa Cruz Properties (including the La Manchuria Property) during the first year of the Option Period. Within 30 days of the end of each year of the Option Period thereafter, Abacus shall deliver to Barrick a statement outlining in detail the expenditures incurred on Exploration Activities during each of the prior years of the Option Period on all of the Option Properties, collectively, and the difference, if any, between such amounts and the Cumulative Minimum Exploration Expenditures required to have been expended by the end of the immediately preceding year of the Option Period. Each statement shall be accompanied by a certificate executed by the Chief Financial Officer of Abacus certifying to Barrick that: (a) the expenses disclosed in such statement were actually incurred by Abacus; (b) such expenses were calculated in accordance with paragraph 5(c) above; and (c) Abacus is not in default of any of the material terms of this letter agreement. In the event that Abacus fails to deliver any such statement or certificate to Barrick within such 30 day period, all of the Options shall thereupon terminate without any further action being required of Barrick.

(g) Subject to the remaining provisions of this paragraph 5(g), in the event that expenditures on Exploration Activities on the La Manchuria Property in the first year of the Option Period are less than $350,000, the Option in respect of the La Manchuria Property shall thereupon terminate without any further action being required of Barrick. Subject to the remaining provisions of this paragraph 5(g), in the event that expenditures on Exploration Activities on all of the Option Properties at the end of any year of the Option Period are less than the Cumulative Minimum Exploration Expenditures required to be made by the end of such year as contemplated in paragraph 5(a) above, all of the Options shall thereupon terminate without any further action being required of Barrick. If a dispute arises between Barrick and Abacus with respect to the calculation by Abacus of the exploration expenditures incurred by Abacus on Exploration Activities on the Option Properties, such dispute shall be submitted to arbitration in accordance with paragraph 17 hereof; provided, however, that no such dispute relating to any year of the Option Period may be so submitted to arbitration unless it is so submitted no more than 90 days after the end of such year of the Option Period. If the arbitrator determines that any amounts included by Abacus in the calculation of such expenditures were not properly included therein, Abacus shall pay to Barrick no later than 30 days after the date of the arbitration award under paragraph 17(e): (i) in respect of the La Manchuria Property, the amount by which $350,000 exceeds the expenditures actually incurred in respect of Exploration Activities on the La Manchuria Property in the first year of the Option Period (as determined by the arbitrator), together with any costs incurred by Barrick awarded against Abacus by the arbitrator, failing which the Option on the La Manchuria Property shall forthwith terminate; and (ii) in respect of all of the Option Properties, the amount by which the Minimum Cumulative Exploration Expenditures required during any year of the Option Period under paragraph 5(a)exceeds the amount actually incurred by Abacus in such year (as determined by the arbitrator), together with any costs incurred by Barrick awarded against Abacus by the arbitrator, failing which all of the Options shall forthwith terminate.

(h) Abacus shall maintain at its office in Vancouver, British Columbia (and, if it opens an office in Argentina, it shall maintain at such office copies of) proper detailed books of account, records and supporting materials respecting all expenditures on the Santa Cruz Properties and the calculation of the Cumulative Minimum Exploration Expenditures hereunder. Abacus shall provide Barrick at its request from time to time with access to all of such accounts, records and supporting materials for the purpose of verifying the statements delivered to Barrick pursuant to paragraph 5(f) and otherwise verifying and monitoring the Exploration Activities of Abacus in respect of the Option Properties.

6. **Issuance of Abacus Shares to Barrick.**

(a) In consideration of Barrick granting the Options to Abacus pursuant to paragraph 1 hereof, Abacus hereby covenants and agrees to issue to Barrick common shares in the capital stock of Abacus, as follows:

(i) 50,000 common shares of Abacus will be issued to Barrick on the Closing Date;

(ii) 100,000 common shares of Abacus will be issued to Barrick in respect of the La Manchuria Property forthwith upon approval by the Vancouver Stock Exchange of such issuance based on a geotechnical report in respect of the La Manchuria Property filed by Abacus, which report Abacus agrees to file with the Vancouver Stock Exchange as soon as possible and in any event no later than September 30, 1998;

(iii) 50,000 common shares of Abacus will be issued to Barrick in respect of the La Manchuria Property within 60 days of the end of each of the second and third years of the Option Period;

(iv) 200,000 common shares of Abacus will be issued to Barrick in respect of the La Manchuria Property within 60 days of the end of the fourth year of the Option Period;

(v) 10,000 common shares of Abacus will be issued to Barrick in respect of each of the five Patagonia Properties (50,000 common shares in the aggregate) within 60 days of the end of each year of the Option Period; and

(vi) 200,000 common shares of Abacus will be issued to Barrick in respect of each Patagonia Property within 60 days of any decision to put any such Property into commercial production. If such decision is made by Abacus after a conveyance of such Property to Abacus pursuant to paragraph 8 hereof, Abacus shall notify Barrick in writing forthwith of such decision. For greater certainty, no decision to put a Property into commercial production shall be made by Abacus prior to (A) the Total Cumulative Minimum

Exploration Expenditures having been incurred, and (B) the election by Barrick pursuant to paragraph 7(b) having been made.

The issuance of common shares of Abacus in respect of any Option Property pursuant to paragraphs 6(a)(ii), (iii), (iv), (v) and (vi) shall be conditional upon Abacus obtaining a geotechnical report recommending further exploration of such Option Property and approval of the Vancouver Stock Exchange to such issuance of common shares, provided that the efforts of Abacus to obtain the approval of the Vancouver Stock Exchange and any failure of Abacus to issue the common shares set out above for any reason whatsoever shall be governed by paragraphs 6(b) and 6(c) below.

(b) Abacus covenants and agrees to use its reasonable best efforts to obtain any such regulatory approvals as may be required with respect to the issuance of Abacus common shares to Barrick within the periods referred to in paragraph 6(a). Abacus covenants and agrees to keep Barrick fully apprised of the progress of such regulatory approvals by copying Barrick on all correspondence with respect thereto and advising Barrick of all material discussions with regulatory authorities, and shall permit Barrick to participate fully or to such extent as Barrick may, in its sole discretion, consider necessary, desirable or appropriate in obtaining any such regulatory approvals.

(c) In the event that Abacus fails for any reason whatsoever to issue the common shares of Abacus to be issued to Barrick in respect of any Property and to deliver to Barrick share certificates in respect of such shares within the periods provided for in paragraph 6(a) including, without limitation, as a result of the failure of Abacus to obtain the necessary regulatory approvals on a timely basis, the Option on the applicable Property shall thereupon terminate without any further action being required of Barrick and Abacus shall have no further obligation to issue common shares to Barrick with respect to such Property pursuant to paragraph 6(a) and no further right to acquire an interest in such Property pursuant hereto.

(d) Abacus shall notify Barrick in writing of the number of common shares to be issued to Barrick and the Properties in respect of which such common shares are being issued (specifying the Property or Properties, if any, with respect to which common shares are <u>not</u> being issued and specifying the reasons therefor) at least 15 days prior to each date upon which common shares of Abacus are required to be issued to Barrick pursuant to paragraph 6(a). Abacus shall deliver to Barrick, within the periods provided for in paragraph 6(a), share certificates for the applicable number of Abacus common shares in the name of Barrick or in the name(s) of any other person(s) as Barrick may direct.

(e) In the event of any subdivision or any change in the common shares of Abacus into a greater number of common shares, the number of common shares issuable by Abacus to Barrick pursuant hereto shall be increased to such additional number of common shares or other securities (at no additional cost) as would have resulted from such subdivision or change if such common shares of Abacus had been issued to Barrick prior to the date of such subdivision or change.

(f) In the event of any consolidation of the common shares of Abacus into a lesser number of common shares, the number of common shares issuable by Abacus to Barrick pursuant hereto shall be reduced to such number of common shares as would have resulted from such consolidation if the common shares of Abacus had been issued to Barrick prior to the date of such consolidation.

7. <u>Barrick Election</u>.

(a) Within 30 days of the Total Cumulative Minimum Exploration Expenditures having been made, Abacus shall deliver written notice to Barrick to such effect, enclosing a statement outlining in detail the expenditures comprising the Total Cumulative Minimum Exploration Expenditures. Such notice shall be accompanied by a certificate executed by the Chief Financial Officer of Abacus certifying to Barrick that: (a) the expenses disclosed in such statement were actually incurred by Abacus; (b) such expenses were calculated in accordance with paragraph 5(c) above; and (c) Abacus is not in default of any of the material terms of this letter agreement.

(b) Within 60 days after the date on which Barrick receives written notice from Abacus that it has made the Total Cumulative Minimum Exploration Expenditures, Barrick shall make an election with respect to the Option Properties by giving written notice to Abacus that either:

(i) Barrick elects to indirectly retain 50% of the right, title and interest in the Option Properties through a company (the "**Joint Venture Company**"), the shares of which shall be initially held as to 50% by Barrick and as to 50% by Abacus, and to continue the exploration, development and mining of such Properties through the Joint Venture Company; or

(ii) Barrick elects to convey 100% of its right, title and interest in the Option Properties to Abacus in consideration for a royalty equal to the product of 3% multiplied by the Net Smelter Return (determined and paid in accordance with Schedule B) (the "**Royalty**").

(c) In the event that Barrick fails to give written notice to Abacus pursuant to paragraph 7(b), Barrick shall be deemed to have given Abacus notice of its election to convey its right, title and interest in the Option Properties in accordance with paragraph 7(b)(ii).

8. <u>Relinquishment by Barrick</u>.

(a) In the event that Barrick gives notice to Abacus pursuant to paragraph 7(b)(ii) or is deemed to have given such notice pursuant to paragraph 7(c), as soon as is reasonably practicable thereafter Barrick shall convey the Option Properties to Abacus for no additional consideration, other than the Royalty referred to in paragraph 7(b)(ii), free and clear of any liens, charges or other encumbrances arising by, through or under Barrick, and shall do all such acts and things and sign all such documents and instruments as in the opinion of counsel to Abacus are reasonably required for Barrick to relinquish in favour of Abacus all rights and interests of Barrick in such Properties, other than the interest of Barrick in the Royalty.

(b) In connection with the conveyance to Abacus of any of the Option Properties pursuant to paragraph 8(a), Abacus agrees to execute and deliver all such documents and instruments and to do all such other acts or things as may in the opinion of counsel to Barrick be required to:

(i) release Barrick from and indemnify Barrick in respect of all obligations and liabilities including, without limitation, all environmental liabilities, in respect of the Option Properties; and

(ii) secure or protect the Royalty, including by registering notice of the Royalty on title to the Option Properties or in such other offices of public record as in the opinion of counsel to Barrick may be appropriate.

9. **Joint Venture.**

(a) In the event that Barrick gives notice to Abacus pursuant to paragraph 7(b)(i) above, within 90 days after the date on which such notice is given to Abacus, or on such earlier or later date as Barrick and Abacus may mutually agree, the parties shall incorporate the Joint Venture Company. Each of Barrick and Abacus shall subscribe for and the Joint Venture Company shall issue to each of Barrick and Abacus 3,750,000 common shares of the Joint Venture Company in consideration for $3,750,000 from Barrick and past expenditures on the properties by Abacus, respectively, and Barrick and Abacus shall enter into a unanimous shareholder agreement (the "Shareholder Agreement") with the terms set forth in this paragraph 9.

(b) The Shareholder Agreement shall be in a form to be negotiated by the parties in good faith based *mutatis mutandis* on the most recent version of the Rocky Mountain Mineral Law Foundation Form 5 Model Agreement , modified to incorporate the following understandings:

(i) Barrick shall transfer the Option Properties to the Joint Venture Company for nominal consideration;

(ii) The Board of Directors of the Joint Venture Company shall be comprised of 4 members, 2 of whom are nominees of Barrick and 2 of whom are nominees of Abacus. The Board of Directors will govern the operations of the Joint Venture Company on the Option Properties and all decisions shall be made by way of majority vote, except that in the event of a tie vote of the Board of Directors with respect to a matter, the matter shall be decided as follows: (a) with respect to the approval of annual work programs and budgets, one nominee director of the party proposing the budget calling for the greatest expenditures shall have the casting and deciding vote; (b) with respect to a decision to commence commercial production with respect to a Property, one nominee director of the party favouring such a decision shall have the casting and deciding vote; and (c) with respect of any other matter, such matter will be decided in accordance with the Shareholder Agreement or in such other manner as the parties agree to at the time the Joint Venture Company is formed. Annual work programs and budgets, as well as other specified significant matters, will be presented to the Board of Directors for approval from time to time. Each party will be provided with full access to all data, information and geological feasibility, financial and other reports respecting the Option Properties, subject to confidentiality constraints contained in the Shareholder Agreement;

(iii) Until such time as a decision to commence commercial production with respect to a Property has been made by the Board of Directors, Abacus shall remain and be retained by the Joint Venture Company to act as the sole operator of such Option Property. Upon a decision to commence commercial production in respect of an Option Property being made by the Board of Directors, Barrick shall have the option to become the sole operator thereof on the same terms and conditions as Abacus by giving written notice to Abacus to such effect within 30 days of such decision. In the event that Barrick fails to provide Abacus with such notice within such 30 day period, Abacus shall remain the sole operator of the Option Property until it resigns or is deemed to have resigned pursuant to the Shareholder Agreement;

(iv) All expenses of Exploration Activities and mining operations on the Option Properties shall be borne by the Joint Venture Company. The proceeds from Barrick's purchase of shares of the Joint Venture Company under section 9(a) shall be used initially to finance all expenditures incurred by the Joint Venture Company in accordance with work programs and budgets approved by the Board of Directors pursuant to paragraph 9(b)(ii). After the entire amount of such contribution has been expended, each party shall be responsible for providing its *pro rata* portion of all expenses incurred by the Joint Venture Company on a current basis by way of subscription for additional shares of the Joint Venture Company. The Shareholder Agreement shall provide that if a party fails to fund its *pro rata* portion of any expenditures incurred by the Joint Venture Company, the other party shall be entitled to fund all or part of such party's *pro rata* portion of expenses of the

Joint Venture Company by way of subscription for all or some of the additional shares which the defaulting party was to acquire. A party whose equity interest in the Joint Venture Company has been diluted in accordance herewith shall be entitled to contribute to payment of the expenses of the Joint Venture Company to the extent of its *pro rata* share interest and to continue to have two nominees on the Board of Directors of the Joint Venture Company, except that if the number of shares held by such party is reduced to (A) a percentage equal to or less than 25% of the outstanding shares of the Joint Venture Company, then such party shall be entitled to only one nominee on the Board of Directors of the Joint Venture Company, and (B) a percentage less than 10% of the outstanding shares of the Joint Venture Company, then all remaining shares held by such party in the Joint Venture Company shall be redeemed by the Joint Venture Company in exchange for a 1% net smelter royalty, calculated and paid on the basis set out in Schedule B, *mutatis mutandis*, and the defaulting party shall have no further right to representation on the Board of Directors of the Joint Venture Company. In the event that the entire $3,750,000 initial capital contribution by Barrick is not expended within a period of four years from the date of the Shareholder Agreement, then all of the shares held by Barrick in the Joint Venture Company shall be redeemed by the Joint Venture Company in exchange for a 3% net smelter royalty, calculated and paid on the basis set out in Schedule B; and

(v) Any direct or indirect sale of all of a party's shares in the Joint Venture Company shall be subject to a right of first refusal pursuant to which the other party shall be entitled to match any purchase offer received by the party for the purchase of such shares which is made in writing by a *bona fide* third party purchaser acting at arm's length to the vendor. This right of first refusal may be exercised at any time within 60 days of receipt by a party of written notice of the terms of any such *bona fide* third party offer which the vendor has accepted, subject to this right of first refusal. No other direct or indirect transfers of all or any portion of either party's shares of the Joint Venture Company or right, title or interest in or to the Option Properties will be permitted without the prior written consent of the other party.

(c) Upon the execution and delivery of the Shareholder Agreement by both Abacus and Barrick, the Shareholder Agreement shall replace and supersede this letter agreement in its entirety, except as may otherwise be expressly set forth in the Shareholder Agreement, and this letter agreement shall to such extent thereby be terminated. Unless and until the Shareholder Agreement has been so executed and delivered, the rights and obligations of the parties in respect of the Santa Cruz Properties shall continue to be determined as set forth herein.

**10. Transfer Approval and Restrictions.**

(a) Barrick and Abacus covenant and agree to cooperate and use their reasonable best efforts to obtain, as soon as practicable after an election by Barrick pursuant to paragraph 7(b), such regulatory, third party or other consents or approvals as may be required to complete the conveyance of any of the Option Properties to Abacus pursuant to paragraph 8 or to a Joint Venture Company pursuant to paragraph 9.

(b) Barrick covenants and agrees that until such time as Barrick has conveyed the Option Properties to Abacus pursuant to paragraph 8 or formed the Joint Venture Company with Abacus pursuant to paragraph 9, it shall not sell, transfer, assign, encumber, pledge, dispose of or otherwise directly or indirectly deal with the ownership of all or any right, title or interest held by it in or to the Option Properties (any such event being referred to herein as a "**transfer**"). Notwithstanding the foregoing, Barrick shall in its sole discretion be entitled to transfer all of the right, title and interest of Barrick to the Option Properties or any of them to any direct or indirect wholly-owned subsidiary of Barrick Gold Corporation, provided such subsidiary first agrees in writing to be bound by the provisions hereof. For greater certainty, it is expressly agreed that the restrictions with respect to transfers set forth above shall not apply to any of the Properties with respect to which the Options have terminated or otherwise ceased to be in force.

(c) Abacus covenants and agrees that until such time, if any, as Barrick has conveyed the Option Properties to Abacus pursuant to paragraph 8, Abacus shall not transfer all or any right, title or interest held by it in or to the Option Properties. Notwithstanding the foregoing, Abacus shall in its sole discretion be entitled to transfer all of the right, title and interest of Abacus to the Option Properties to any direct or indirect wholly-owned subsidiary of Abacus, provided that (i) such subsidiary first agrees in writing to be bound by the provisions hereof, (ii) such subsidiary remains a direct or indirect wholly-owned subsidiary of Abacus for so long as this letter agreement, or a Shareholder Agreement entered into pursuant hereto, is in effect, and (iii) Abacus first agrees in writing to remain liable under this letter agreement or any Shareholder Agreement entered into pursuant hereto as a guarantor to ensure that the subsidiary abides by the terms hereof or thereof pursuant to an instrument in writing addressed to and in a form acceptable to Barrick, acting reasonably.

11. <u>Right of Access to Information, etc.</u>

(a) Abacus agrees to provide Barrick on a timely basis with access to all such books, records, documents and information respecting the Santa Cruz Properties and the Exploration Activities, including drill core samples, assays, data, reports, records and other geological and environmental documentation and information in the possession or control of Abacus as Barrick may reasonably request from time to time, unless and until Barrick elects under paragraph 7(b)(ii) hereof to convey all its right, title and interest in the Option Properties to Abacus in consideration for the Royalty, in which case the right of Barrick to have access to the books, records, documents and information respecting the Option Properties shall be in accordance with section 7 of Schedule B. In addition, representatives of Barrick will continue to have access to the Santa Cruz Properties at any time, provided that such access shall be at Barrick's sole risk and expense.

(b) In the event that Barrick elects to convey the Option Properties to Abacus pursuant to paragraph 7(b)(ii) or is deemed to have so elected pursuant to paragraph 7(c), all books, records, documents and information respecting the Option Properties, including drill core samples, assays, data, reports, records and other geological and environmental documentation and information in the possession and control of Abacus, shall remain the property of Abacus. In the event that Barrick elects to form the Joint Venture Company with Abacus pursuant to paragraph 7(b)(i), all such drill core samples, assays, data, reports, records and other geological and environmental documentation and information in the possession or control of Abacus shall become the joint property of the Joint Venture Company and be subject to the terms of the Shareholder Agreement.

(c) In the event that this letter agreement or any Option hereunder is terminated, Abacus shall deliver all books, records, documents and information respecting the Santa Cruz Properties or the Property or Properties to which any terminated Option(s) applied, as the case may be, including drill core samples, assays, data, reports, records and other geological and environmental documentation and information in the possession or control of Abacus, to Barrick forthwith and in any event within 30 days of such termination, and such documentation and information shall thereafter be the exclusive property of Barrick.

**12. Closing.**

(a) The closing of the arrangements contemplated herein (the "**Closing**") shall take place at the offices of Davies, Ward & Beck, 44th Floor, 1 First Canadian Place, Toronto, Ontario on May 1, 1998 (the "**Closing Date**") at 11:00 a.m. (the "**Time of Closing**") or such other date and time to which the parties mutually agree.

(b) The Closing is subject to the satisfaction of the following conditions for the exclusive benefit of Barrick, at or prior to the Time of Closing, without limiting the right of Barrick to waive all or any of such conditions, in whole or in part, in its sole discretion should it choose to do so:

(i) the representations and warranties of Abacus set out in Schedule C hereto shall be true and correct in all material respects at and as of the Time of Closing, with the same force and effect as if such representations and warranties were made at and as of such time, and a certificate of a senior officer of Abacus dated the Closing Date to that effect shall have been delivered to Barrick, such certificate to be in form and substance satisfactory to Barrick, acting reasonably;

(ii) Barrick shall have been provided with evidence satisfactory to it, acting reasonably, that the Vancouver Stock Exchange has approved the transactions contemplated by this letter agreement, including the issuance to Barrick of the common shares of Abacus proposed to be issued to Barrick hereunder, on terms and conditions satisfactory to Barrick; and

(iii) Barrick shall have received a favourable opinion of counsel to Abacus, respecting the matters set out in Schedule E hereto.

If any of the conditions contained in this paragraph shall not have been performed or fulfilled to the satisfaction of Barrick, acting reasonably, on or before the Time of Closing and such conditions shall not have been waived in writing by Barrick, Barrick may, by notice in writing to Abacus, terminate this agreement and the obligations of the parties hereunder shall thereupon be terminated, other than the obligations of the parties under paragraph 21.

(c) The Closing is subject to the satisfaction of the following conditions for the exclusive benefit of Abacus, at or prior to the Time of Closing, without limiting the right of Abacus to waive all or any of such conditions, in whole or in part, in its sole discretion should it choose to do so:

(i) the representations and warranties of Barrick set out in Schedule D hereto shall be true and correct in all material respects at and as of the Time of Closing, with the same force and effect as if such representations and warranties were made at and as of such time, and a certificate of a senior officer of Barrick dated the Closing Date to that effect shall have been delivered to Abacus, such certificate to be in form and substance satisfactory to Abacus, acting reasonably; and

(ii) Abacus shall have received a favourable opinion of counsel to Barrick respecting the matters set out in Schedule F hereto.

If any of the conditions contained in this paragraph shall not have been performed or fulfilled to the satisfaction of Abacus, acting reasonably, on or before the Time of Closing and such conditions shall not have been waived in writing by Abacus, Abacus may, by notice in writing to Barrick, terminate this agreement and the obligations of the parties hereunder shall thereupon be terminated, other than the obligations of the parties under paragraph 21.

13. Representations and Warranties; Indemnities.

(a) Abacus hereby represents and warrants to Barrick that each of the representations and warranties made by Abacus in Schedule C hereto is true and correct.

(b) Barrick hereby represents and warrants to Abacus that each of the representations and warranties made by Barrick in Schedule D hereto is true and correct.

(c) All representations and warranties of the parties set forth in the Schedules hereto shall survive until the second anniversary of the date hereof and any claim made in respect of any breach or alleged breach of any representation and warranty must be made during that period.

(d) Each party hereby agrees to indemnify and save the other party harmless of and from any loss, liability, claim, damage, cost or expense of any nature whatsoever (including, without limitation, reasonable legal fees and disbursements) suffered or incurred as a result of any breach of any representations, warranties or covenants of that party set forth herein.

14. Notices.

Any notice or other document which is required or permitted to be given hereunder shall be in writing and shall be sufficiently given if delivered personally (including by courier service) or if sent by telecopier to the following addresses:

(a) to Barrick at:

25 de Mayo, 577 East
San Juan, Argentina, 5400

Attention: David Heberlein
Facsimile: 54-64-213876

with a copy to:

Suite 2700, South Tower
Royal Bank Plaza
200 Bay Street
Toronto, Ontario
M5J 2J3

Attention: Patrick Garver, General Counsel
Facsimile: (416) 861-9717

(b) to Abacus at:

Suite 611
675 West Hastings Street
Vancouver, British Columbia
V6B 1N2

Attention: President
Facsimile: (604) 682-0307

or at such other address as either party may from time to time advise the other by notice in writing in accordance herewith. If Abacus opens an office in Argentina, it shall promptly notify Barrick of the address, telephone number and telecopier number of such office. Any notice so given shall be deemed to have been given and received on the date of delivery or transmission by telecopier if a business day and, if not a business day, then on the next succeeding business day.

## 15. Assignment.

This letter agreement shall enure to the benefit of and be binding upon the parties hereto and their respective successors and permitted assigns. Except as set forth in paragraph 10 hereof, none of the parties hereto shall assign this letter agreement or any of its rights or obligations hereunder without the prior written consent of the other party hereto. Any assignment completed in contravention of the foregoing shall be null and void and of no force or effect whatsoever.

16. Termination.

(a) If at any time Abacus fails to perform any of its material obligations under this letter agreement, Barrick may terminate this agreement and the rights of Abacus under the Options by written notice to Abacus to that effect, provided that:

(i) Barrick has first delivered to Abacus written notice of such default containing particulars of the obligation which Abacus has not performed; and

(ii) Abacus has not, within 30 days of the date such written notice is deemed to have been delivered to it, cured such default.

(b) Notwithstanding the provisions of this paragraph 16, the termination of any of the Options as a result of:

(i) the failure of Abacus to deliver statements or certificates pursuant to paragraph 5(f) shall be governed by the provisions of that paragraph;

(ii) the failure of Abacus to make the expenditures on Exploration Activities required pursuant to paragraph 5(a) shall be governed by the provisions of paragraph 5(g); or

(iii) the failure of Abacus to perform its obligation to issue common shares of Abacus to Barrick pursuant to paragraph 6(a) shall be governed by the provisions of paragraph 6(c).

(c) Abacus may at any time terminate any Option hereunder upon 30 days' prior written notice to Barrick. Upon the termination of any Option pursuant to this letter agreement, Abacus shall have no further rights or obligations under this agreement in respect of the Property to which such Option pertained, other than the obligations of Abacus under paragraphs 4, 11, 13 and 21 of this agreement and any other obligations incurred by Abacus hereunder in respect of that Property prior to the date of such termination which have not been fully performed at that time.

(d) Abacus hereby agrees and acknowledges that the termination of this letter agreement or any of the Options hereunder shall in no way affect any prior issuance of common shares of Abacus to Barrick pursuant to paragraph 6(a) (or to such other person(s) as Barrick may direct under paragraph 6(c)).

(e) Notwithstanding any other provision hereof, any termination of this letter agreement shall not affect the indemnification obligations of the parties under paragraphs 4 and 13 above or the confidentiality obligations under paragraph 21, which shall survive indefinitely.

17. Arbitration.

(a) In the event of any dispute, claim or difference arising out of or relating to the rights and obligations of Barrick and Abacus, respectively, hereunder, the parties shall use their respective best efforts to settle such dispute, claim or difference. To this effect, they shall consult and negotiate with each other, in good faith and understanding of their mutual interests, to reach a just and equitable solution satisfactory to both parties. If they do not reach such solution within 30 days, then upon notice by a party to the other party, the dispute, claim or difference shall be finally settled by arbitration. The arbitration shall be in the English language before a single arbitrator selected as contemplated below under the UNCITRAL Model Law on International Commercial Arbitration as adopted by the United Nations Commission on International Trade Law on June 21, 1985, as presently in force, as contemplated in the *International Commercial Arbitration Act* (Ontario).

(b) The arbitration tribunal shall consist of one arbitrator appointed by agreement of Barrick and Abacus or, in the event of failure to so agree within 30 days of notice by a party pursuant to paragraph 17(a), either party may apply to a judge of the Ontario Court of Justice (General Division) to appoint an arbitrator. The arbitrator shall be qualified by education, training and experience to pass upon the particular matter to be decided.

(c) The arbitrator shall be instructed that time is of the essence in proceeding with his determination of any dispute, claim or difference.

(d) The arbitration shall be conducted in Toronto, Ontario or such other place as the parties may mutually agree on such procedural basis as the arbitrator may determine.

(e) The arbitration award shall be given in writing, shall be final and binding on the parties and not subject to review or appeal for any reason whatsoever and shall deal with the question of costs of the arbitration and all matters relating thereto.

(f) Judgment upon any arbitration award made pursuant to this paragraph 17 may be entered into any court having jurisdiction, or application may be made to any such court for a judicial recognition of the award or an order of enforcement thereof, as the case may be.

18. **Further Assurances.**

Each of the parties agrees to do all such acts and things and to execute and deliver all such documents, instruments and agreements as may be necessary or advisable in the reasonable opinion of the other party to give effect to the provisions and the purpose and intent of this letter agreement.

19. **Interpretation.**

Unless otherwise indicated, all dollar amounts referred to in this letter agreement are in United States dollars. As used herein, the term "**business day**" means any day other than a Saturday or Sunday upon which banks are open for business in each of Toronto, Ontario and Vancouver, British Columbia. The terms "**hereof**", "**herein**", "**in this letter agreement**" and similar expressions refer to this letter agreement in its entirety, including all Schedules hereto, which form an integral part hereof.

20. **Governing Law, etc.**

This letter agreement shall be construed and interpreted in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein. Time shall be of the essence of this letter agreement. Each party hereby irrevocably attorns to the non-exclusive jurisdiction of the courts of the Province of Ontario with respect to matters under paragraph 17(b) or paragraph 17(f).

21. Confidentiality.

Each party shall maintain in confidence the contents of this letter agreement and shall not disclose the same publicly or to any third party (other than their professional advisors) without the prior written consent of the other party, such consent not to be unreasonably withheld or delayed, except as may otherwise be required by law or the rules of any applicable stock exchange. In the event that any party determines that it is required by law or the rules of any applicable stock exchange to make public disclosure regarding the terms of this agreement, it shall provide the other party with a reasonable opportunity to comment on the disclosure proposed to be made by it.

21. **Stamp Tax.**

Barrick and Abacus hereby agree to apply as soon as possible following the execution of this agreement to the tax assessment committee of the province of Santa Cruz for an exemption from stamp tax in respect of this letter agreement. In the event that it is determined by the Santa Cruz provincial tax assessment committee that stamp tax is applicable to this letter agreement, the amount of such stamp tax shall be for the account of Abacus, provided that Abacus may include 50% of such stamp tax in the calculation of the Cumulative Minimum Exploration Expenditures under paragraph 5(a).

22. **Force Majeure.**

(a) If an event of force majeure shall occur which prevents or substantially hinders either party from carrying out its obligations hereunder, the party affected by such event of force majeure may give written notice thereof to the other party setting out in reasonable detail the nature of such event of force majeure and its effect upon the obligations of the affected party. If such notice is given and the party affected by such event of force majeure takes all reasonable efforts to mitigate or overcome the effect of such event of force majeure and continues to perform its obligations hereunder, to the extent that such performance is not directly prevented by such event of force majeure, the affected party shall be deemed not to be in default of its obligations hereunder, to the extent that any failure to perform such obligations which would otherwise constitute such a default is reasonably attributable to the effect of such event of force majeure.

(b) The term "force majeure" for the purposes of paragraph 22(a) shall mean any of the following events if the same is beyond the control of the party affected hereunder:

(i) earthquakes, landslides, floods, washouts and other acts of God;

(ii) fires, explosions and destruction;

(iii) strikes, lockouts or other similar labour actions;

(iv) civil disturbances, sabotage, acts of war, blockages, insurrections, vandalism, riots or epidemics; or

(v) inability to obtain supplies, materials or services (including electricity, water, fuel or other utilities) by reason of the unavailability of such supplies, materials or services (and not, for greater certainty, by reason of the inability or unwillingness of Abacus to pay for the same).

23. Entire Agreement.

This letter agreement constitutes the entire understanding, contract and agreement between the parties hereto pertaining to the subject matter hereof and supersedes all prior oral or written understandings, agreements or contracts, formal or informal, between the parties hereto or their representatives or affiliates with respect thereto.

If this letter accurately reflects the terms of the arrangement which we are to enter into and if such terms are agreed to by you, please communicate acceptance by executing a copy of this letter where indicated below and delivering the same to Barrick before 5:00 p.m. (Toronto time) on the date hereof at the address indicated above, whereupon this letter shall constitute a valid and binding agreement between us. If acceptance has not been so communicated at or prior to that time on that date, this agreement shall be null and void and of no further force or effect of any nature whatsoever.

Yours very truly,

**BARRICK EXPLORACIONES ARGENTINA S.A.**

by ______________________________

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______________________

The foregoing accurately reflects the terms of the arrangement which we are to enter into and such terms are hereby agreed to by us.

DATED as of the          day of April, 1998.

**ABACUS MINERALS CORPORATION**

by ______________________________

______________________________