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Abacus study adds potential at Ajax

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VANCOUVER — **Abacus Mining & Exploration's** (AME-V, ABCFF-O) president has long believed his Ajax project, a brownfields property surrounded by infrastructure and a mining-friendly population in Kamloops, B.C., has all the makings of a solid mine. Now Doug Fulcher has the results of a scoping study backing him up.

The new study says Abacus has proven up sufficient resources at Ajax to support a 60,000-tonne-per-day operation for 23 years. The open pit, with a strip ratio of 1.7, would feed a standard crusher-flotation circuit producing 106 million lbs. copper and 99,400 oz. gold annually in concentrate. Concentrate would be loaded directly onto rail cars for shipment to Vancouver. Metal recoveries are expected to average 81.5% for copper and 81.1% for gold.

Using a copper price of US\$2 per lb. and a gold price of US\$700 per oz., the study determined a net present value for Ajax of US\$192.7 million, including an 8% discount. Capital expenditure to get the mine into operation came in at US\$535 million; the assessment predicts a 40.4% return on investment and payback in 6.5 years. The project generates a 12.4% internal rate of return.

Over the life of mine, operating cash costs are expected to average US\$1.17 per lb. copper, including all site operating costs and concentrate shipping and smelting costs, net of the gold credit. If the price of gold is US\$800 per oz., Ajax's cash costs go down to US\$1.08 per lb. copper. At US\$900-per-oz. gold, cash costs fall to US\$99¢ per lb. copper.

Abacus is eyeing a start date as soon as 2013. To that end, the company is moving directly into prefeasibility work and plans to have a prefeasibility study completed by the end of the year. As part of that,

work drills will further probe the Ajax East extension area with the goal of upgrading inferred resources. The company will also re-examine the exploration potential of two nearby zones, called Rainbow and DM, that host only historic resources and are both open for expansion.

The project already contains significant resources. Overall, measured and indicated resources come in at 442 million tonnes grading 0.3% copper and 0.19 gram gold per tonne; inferred resources add 81 million tonnes averaging 0.22% copper and 0.16 gram gold.

Most of those measured and indicated resources — specifically 424 million tonnes grading 0.28% copper and 0.19 gram gold — fit within the pit shell, as do the majority of the inferred resources.

Located just 10 km outside of Kamloops, Ajax is perhaps the definition of "favourably situated." The property is surrounded by two major highways and a rail line with direct access to deep-sea ports, including Vancouver. Power and water are also readily available, with both already installed to the historic Afton mining camp onsite. Moreover, the local economy is resource-driven and skilled labour is plentiful.

To date, Abacus's environmental work has not identified any significant issues that would impede the permitting process. The project is literally on top of an old mine and the new operation would use the old tailings facility, after an expansion.

Copper, gold, and silver production in the Afton mining camp, as the area is known, date back more than 100 years. From the mid-1970s to the late 1990s, **Teck** (TCK.B-T, TCK-N) ran the operation. Teck's mine sourced ore from the main Afton pit and from three smaller pits 10 km to the west called the Ajax pits.

When Abacus started exploring the area some five years ago, the company focused on Rainbow and DM, which both sit between the Afton and Ajax pits. After two years of moderately successful drilling, Abacus bought the old mill building and tailings facility from Teck for \$28 million in cash and shares.

The move showed a fair amount of foresight because while Abacus was still years away from production, the other company exploring in the area was not. **New Gold** (NGD-T, NGD-X) is developing an underground mine to tap into the high-grade resources underneath the old Afton pit. Abacus essentially bought Teck's old facilities and land out from above its competitor.

But the real benefit of buying the old building came when Abacus found an old box of Teck data in a back room showing a grid of drill holes around the Ajax pits, many ending in strong copper mineralization. Abacus immediately staked the pits, which were completely surrounded by New Gold land, and started drilling. Soon, Abacus needed to expand its Ajax land position and New Gold needed land near Afton to build its processing plant. They struck a deal — Abacus now owns 60% of the lands around the old Ajax pits.

Most of the new Ajax resource — 80% of it — is on land that Abacus controls outright. The remaining 20% of the resource is on the joint-venture land. New Gold now has 90 days to decide whether to maintain its interest or relinquish ownership, and cost contributions, in exchange for a 10% net profits interest.

On news of the scoping study, Abacus's share price fell 1.5¢ to close at 17.5¢. The company has a 52-week trading range of 2.5-40¢ and 123 million shares outstanding.