Fundamental Research Corp.

Investment Analysis for Intelligent Investors

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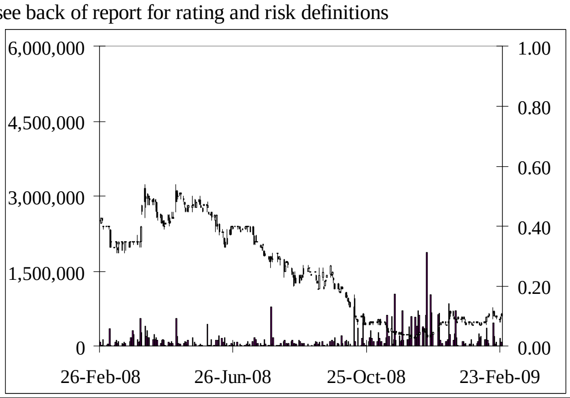
Abacus Mining and Exploration Corp. (TSXV: AME) – New Resource Estimate for Afton-Ajax Project

Sector/Industry: Junior Mining **www.amemining.com**

Market Data (as of February 26, 2009)

Current Price	**C$0.095**
Fair Value	**C$1.00 (↑)**
Rating*	**BUY**
Risk*	**5 (Highly Spec)**
52 Week Range	C$0.03 – C$0.54
Shares O/S	121.30 mm
Market Cap	C$11.52 mm
Current Yield	N/A
P/E	N/A
P/B	0.23
YoY Return	-77.4%
YoY TSXV	-68.5%

*see back of report for rating and risk definitions



Key Financial Data (FYE - December 31)

(C $)	**2007**	**2008 9 mo**
Cash + Marketable Securities	9,807,211	2,915,838
Working Capital	9,762,896	2,073,769
Mineral Assets	41,830,368	50,708,250
Total Assets	51,914,215	53,848,743
Net Profits	(2,367,296)	(2,024,672)
EPS	(0.02)	(0.02)

Investment Highlights

- The company is focusing on the Afton-Ajax project completing an updated NI 43-101 resource estimate on the Ajax project which states 365 million tonnes measured and indicated, grading 0.31% Cu and 0.20 g/t Au, containing 2.51 billion lbs of Cu, and 2.29 million ounces of Au. The previous resources were 147 million tonnes inferred containing 1.18 billion lbs of Cu and 1.09 million ounces of Au.
- The resource area encompasses Ajax East and West, as well as the joint venture land in between, moving the company towards the goal of a single massive open pit
- A preliminary economic assessment is underway with completion anticipated for May 2009
- The company is in a sound cash position. At the end of Q3-2008 (end of September 2008), the company had $2.92 million in cash and marketable securities. In addition, in February 2009, the company announced that a $2.5 million loan (term – 1 year; interest rate – 12% p.a.) has been arranged.
- Our revised valuation on the company is $1.00 per share (from $0.60 per share).

Abacus Mining & Exploration is engaged in the exploration and development of multiple coppery-gold porphyry bodies in the Afton Mining Camp of British Columbia, Canada. The project has significant infrastructure in place, which will allow for quick development and lower costs. The Afton-Ajax project's 43-101 compliant resource estimate was recently updated to 365 million tonnes measured and indicated, containing 2.51 billion lbs of copper and 2.29 million ounces of gold (0.20% copper cut-off).

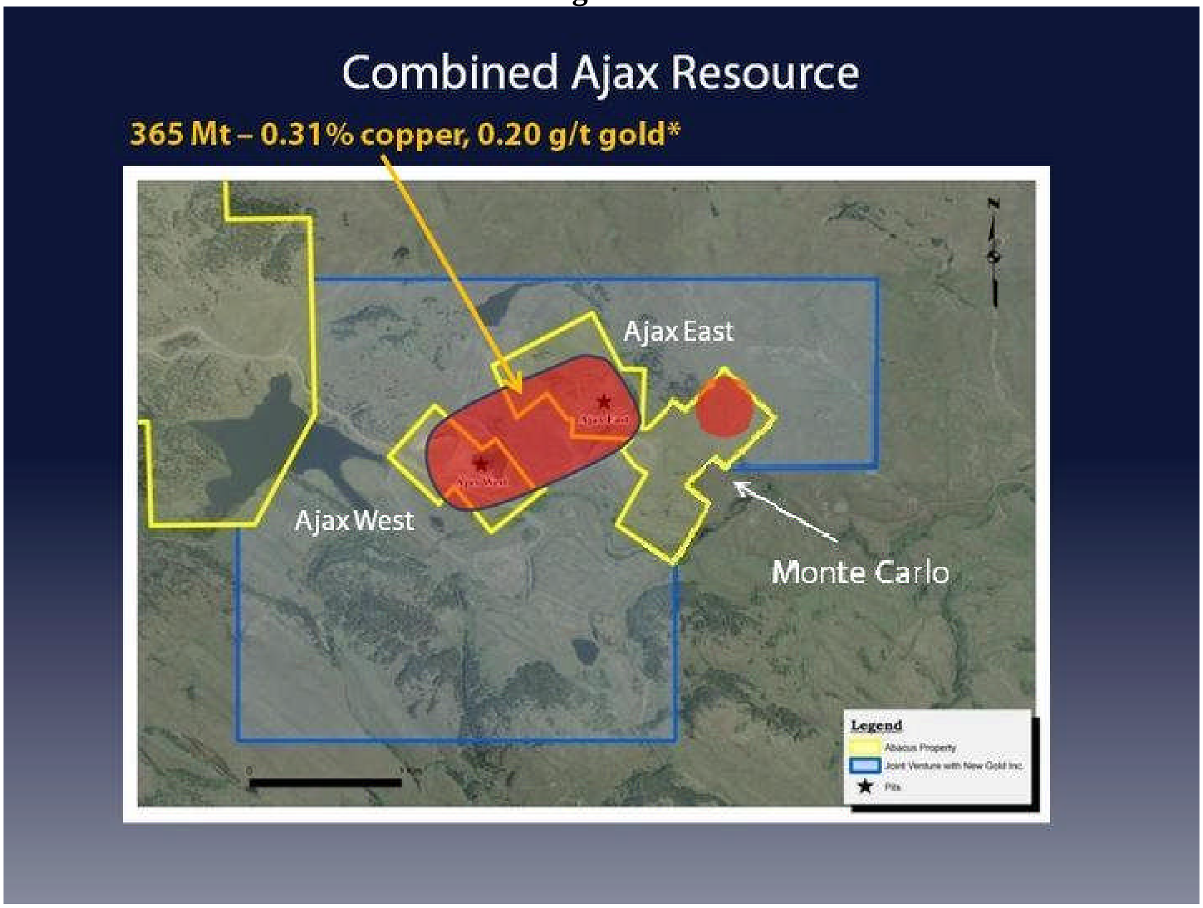
Company Overview

Abacus Mining, based in Vancouver, BC, is advancing and developing multiple copper porphyry deposits in the Afton Mining Camp with a current focus on the Ajax showings. The company has acquired valuable infrastructure, including a tailings pond, mill and support buildings, and associated permitting from Teck Cominco (NYSE: TCK). The company is currently working to bring the Ajax project through to feasibility, and recently released an NI 43-101 compliant resource estimate totaling 365 million tonnes measured and indicated, grading 0.31% copper and 0.20 g/t gold at a 0.20% copper equivalent cut-off, containing 2.51 billion pounds of copper and 2.29 million ounces of gold in measured and indicated categories.

Ajax Development

Resource Estimate: As noted above, the NI 43-101 released by the company in a news release dated January 14, 2009, includes mineralization at Ajax West, Ajax East and the New Gold (TSX: NGD) joint venture ground that lies between as shown in Figure 1 below. The current resource area remains open along strike and at depth.

Figure 1



Source: Abacus Mining & Exploration Corp.

The estimate is based on 621 exploration drill holes totaling over 160,000 meters completed in the resource area. Table 1 summarizes measured, indicated and measured + indicated resources, while Table 2 summarizes the additional inferred resource.

Table 1

Cut off CuEq (%)	Tonnes (mt)	Copper (%)	Gold (g/t)	Copper ('000 lb)	Gold (oz)
Measured					
0.10	241.2	0.28	0.17	1,480,000	1,333,800
0.20	**197.6**	**0.31**	**0.19**	**1,365,000**	**1,232,700**
0.30	133.4	0.37	0.23	1,092,000	1,003,800
0.40	81.4	0.44	0.28	784,000	740,100
0.50	46.5	0.51	0.34	521,000	503,800
Indicated					
0.10	202.2	0.28	0.18	1,240,000	1,136,000
0.20	**167.4**	**0.31**	**0.20**	**1,147,000**	**1,054,800**
0.30	112.2	0.37	0.24	915,000	851,700
0.40	68.0	0.44	0.28	656,000	621,400
0.50	39.0	0.51	0.34	439,000	421,800
Measured + Indicated					
0.10	443.00	0.28	0.17	2,721,000	2,469,800
0.20	**365.00**	**0.31**	**0.20**	**2,512,000**	**2,287,500**
0.30	246.00	0.37	0.24	2,006,000	1,855,500

Source: Abacus Mining and Exploration Corp.

Table 2

Cut off CuEq (%)	Tonnes (mt)	Copper (%)	Gold (g/t)	Copper ('000 lb)	Gold (oz)
Inferred					
0.10	50.4	0.21	0.14	230,000	2,256,000
0.20	**38.0**	**0.24**	**0.16**	**198,000**	**195,100**
0.30	17.7	0.30	0.20	116,000	112,300
0.40	4.9	0.43	0.26	46,000	40,900
0.50	2.1	0.53	0.35	25,000	23,400

Source: Abacus Mining and Exploration Corp.

At the time of our initiating report on Abacus, only an inferred resource had been calculated at Ajax West; it is shown in Table 3.

Table 3

Cut off CuEq (%)	Tonnes (mt)	Copper (%)	Gold (g/t)	Copper ('000 lb)	Gold (oz)
0.20	147.27	0.37	0.23	1,184,081	1,087,129

Source: Abacus Mining and Exploration Corp.

Comparing the previous inferred resource with the updated measured + indicated resource, we note an increase of 112%, and 110%, in contained copper and gold respectively, with a decrease of 16%, and 13%, in grades of copper and gold respectively. **We believe these results are positive as the increased confidence in measured and indicated resources**

over inferred resources, in combination with the increase in tonnage, outweighs the decrease in mineral grade.

As per the terms of the joint venture agreement with New Gold Inc., Abacus holds a 60% interest in, and would be the operator of, any open pit operation occurring on joint venture land to a maximum pit depth of 500 meters; approximately 20% of the current resource is located within joint venture ground. The company holds 100% interest in resources located within their own property bounds.

Current Status: A preliminary economic assessment is in the works with an anticipated release date in May 2009, which will be immediately followed by a pre-feasibility study to be completed in Q3, 2009.

The Company recently released assay results of the first five drill holes completed on the Ajax extension (previously discussed as Monte Carlo, and shown as Monte Carlo in Figure 1) located approximately 200 m east of the Ajax East deposit. Highlights are summarized in Table 4 below.

Table 4

Hole No.	From (m)	To (m)	Width (m)*	Cu (%)	Au (g/t)
AM-08-013	71.00	442.00	371.00	0.32	0.25
Including	71.00	263.00	192.00	0.44	0.33
AM-08-014	250.30	290.00	39.70	0.44	0.26
AM-08-015	153.65	171.65	18.00	0.72	0.25
AM-08-016	144.00	168.00	24.00	0.29	0.22
AM-08-017	31.00	47.00	16.00	0.35	0.39

* Drill core width, not true width (Source: Abacus Mining and Exploration Corp.)

We consider the initial results of this program to be very encouraging. Grades are comparable to those from the Ajax east program with similar intervals and grades. Company geologists are considering the Ajax extension to be an area of new mineralization and it could prove to be a significant source for expanding the Ajax project resources.

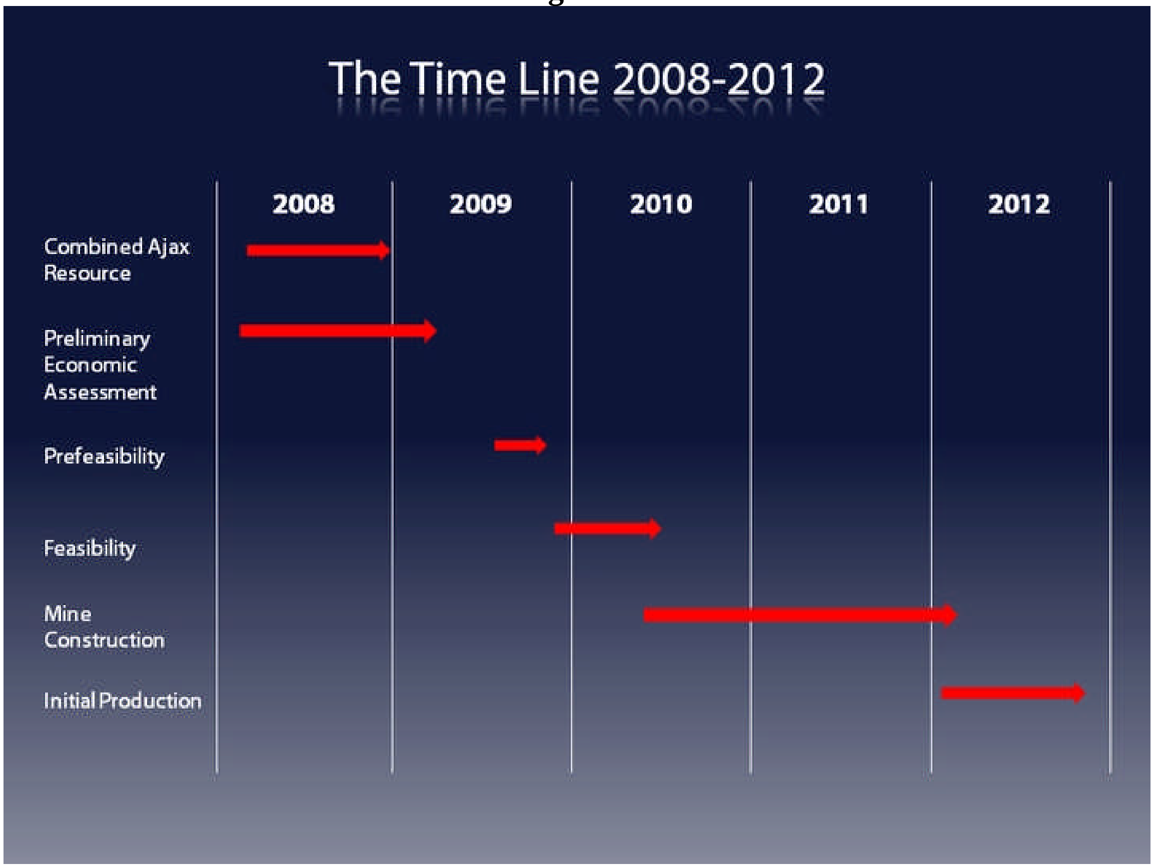
Development Timeline: Like many projects in a similar stage, the development of the Ajax project is dependant on financing. In discussion, management has indicated a possible option is to complete a partnership similar to that proposed between Copper Mountain Mining Corporation ("CMMC" TSX: CUM) and Mitsubishi Materials Corporation ("MMC" Berlin: MUJ) whereby MMC will join CMMC in developing the Copper Mountain Project located near Princeton, BC. The CMMC copper porphyry project is located approximately 150 km south of Abacus' Afton-Ajax project, and has a resource (0.2% cut-off) of 260 million tonnes measured and indicated, grading 0.36% Cu, containing 1.9 billion pounds of copper, and 164 million tonnes inferred, grading 0.29% Cu, containing 0.95 billion pounds of copper. A further joint venture with a producing major on the currently 100% owned property is another option we expect will be considered.

Like financing, permitting will be a significant factor in the development of the project.

Baseline studies are ongoing and management has stated that more significant steps toward full mine permitting will be taken once feasibility studies are underway. The company already has water rights, access rights and existing permitted tailing ponds. The site has been adequately remediated by Teck Cominco and we expect the "brownfield" status as a formerly producing mine will aid in expediting the permitting process.

The company anticipates upgrading the on-site mill to process 60,000 tonnes per day. At 60,000 tpd, current measured and indicated resources imply a mine life of approximately 17 years. Figure 2 below is a development timeline provided by the company in late 2008. The resource estimate was slightly delayed; however, should feasibility studies be completed on schedule, and financing and permitting obtained in a timely fashion, the overall goal of production in 2012 appears reasonable.

Figure 2



Source: Abacus Mining and Exploration Corp.

While the timeline to production at the Afton camp has been delayed from initial estimates, we still believe the efficiency with which the company is advancing the Ajax project under current market conditions reflects positively upon both management and the quality of the project.

Management

Since our initiating report, the company has strengthened its management team from a technical standpoint with the appointment of Andrew Pooler as Executive Vice President and Chief Operating Officer, and James Whittaker as Project Manager for the Afton-Ajax project. Additionally, Robert Friesen, formerly a director of the company, is now a Senior Exploration Manager. The company has also tweaked its board of directors as Paddy Nicol is no longer a director (he still holds the positions of Senior Vice President and CFO) and Victor Lazarovici and Louis Montpellier have been added to the board. Biographies of the new members as provided by the company follow:

Andrew Pooler – Executive Vice President and Chief Operating Officer
Mr. Pooler has more than 20 years of experience as a mining engineer and operations executive working in North, Central and South America. For the last five years, Andrew has been senior vice-president, mine operations, for Pan American Silver Corp. Pan American Silver has six producing properties and two under development. Prior to Pan American Silver, Andrew held executive positions with several mining companies, including vice-president of operations at Amax Gold. Andrew holds a Bachelor of Science degree in Mining Engineering from the University of Idaho and will oversee the development, construction and eventual operations at Abacus' Afton-Ajax project.

Jim Whittaker – Project Manager
Mr. Whittaker joined the Abacus team in late 2008, coming from the CRU Strategies regional office in Santiago de Chile, where his work was focused on business improvement for their mining sector clients. James was the leader of the Performance Improvement practice area, and he lead consulting projects in the realms of operational asset productivity, risk evaluation in strategic mine planning, and the audit of Greenfield and Brownfield capital investments. Prior to this, James worked for the Placer Dome group for 15 years, and during that time he held responsibility for process operations in copper, gold and molybdenum operations in Canada and Chile, and enhanced shareholder value through improvements in operational productivity, project start-up, and resource protection.

Victor Lazarovici – Director
Mr. Lazarovici has worked as a highly ranked and successful global metals and mining analyst for the past 20 years. Prior to entering the financial sector as an analyst, he spent over 14 years in the corporate sector in engineering, financial management and corporate development roles. Most recently, Mr. Lazarovici was the managing director and senior base metals and minerals analyst for BMO Capital Markets in New York. There, he led a team of analysts covering the base metals sector that was consistently ranked amongst the top tier in all of the major Canadian polls of institutional investors. Mr. Lazarovici has also served as a managing director and senior metals analyst for Smith Barney, where he was consistently ranked in the top tier of Wall Street mining and metals analysts in all of the major U.S. polls of institutional investors. He is the only analyst to receive the top honour in both the Canadian and U.S. Greenwich Associates surveys. He also worked at UBS, HSBC and Scotia Capital.

Louis Montpellier – Director
Mr. Montpellier has been practicing law in Vancouver, British Columbia since 1981 and since 1983 has worked exclusively in the capital markets as counsel to emerging issuers and listed public companies engaged in mineral exploration and mining. Mr. Montpellier has assisted a wide range of businesses in the entire spectrum of corporate finance activities,

from accessing seed capital for private companies through to IPO's and subsequent public and private financings. Mr. Montpellier has worked extensively in the field of mergers and acquisitions, hostile and friendly take-over bids, proxy contests, corporate reorganizations and arrangements. Mr. Montpellier also has experience in debt and project financing, acting both for lenders and borrowers, with a particular emphasis on the financing of mineral projects. Mr. Montpellier is identified in a number of publications including the Lexpert/American Lawyer Guide to the Leading 500 Lawyers in Canada, the Lexpert Guide to the Leading 100 Industry Specialists in Canada, Who's Who Legal, the International Who's Who of Mining Lawyers, and The Best Lawyers in Canada, as one of Canada's leading mining lawyers. Mr. Montpellier also has a wide range of experience in the mineral exploration and development business.

Copper and Gold

As AME is not expecting to commence production in the near-term, our valuation on the company depends on our long-term copper and gold price forecasts. We have maintained our long-term copper and gold price forecast at US$2.03/lb and US$600/oz, respectively.

Financials

At the end of Q3-2008 (end of September 2008), the company had $2.92 million in cash and marketable securities. The company had working capital of $2.07 million at the end of Q3. In the first nine months of FY2008 (ended September 2008), the company reported a net loss of $2.02 million (EPS: -$0.02). We estimate the company had a burn rate (cash spent on operating and investing activities) of $1.07 million per month in the first nine months of FY2008, compared to $1.17 million per month in FY2007 (12-month period). The following table shows the company’s cash and liquidity position at the end of Q3-2008.

	2007	2008 (9 mo)
Working Capital	9,762,896	2,073,769
Current Ratio	38.3	3.1
LT Debt / Assets	-	-
Cash from financing activities	18,536,106	3,400,494
Monthly Burn Rate (incl. Exploration)	(1,166,029)	(1,066,858)

Arranges $2 million loan financing – In February 2009, the company announced that a $2.5 million loan (term – 1 year; interest rate – 12% p.a.) has been arranged with Maxtech Ventures Inc. Proceeds from the loan will allow the company to complete the ongoing preliminary economic assessment and subsequent prefeasibility study. Pursuant to TSX Venture Exchange policies, AME has also agreed to pay the lender 1.25 million shares at a deemed price of $0.10 per share.

AME is also in the process of filing the Mineral Exploration Tax Credit (METC) with the British Columbia Government. Management believes that partial funds received from the METC will repay the loan.

Stock Options and Warrants: We estimate the company currently has 10.38 million stock options (weighted average exercise price of $0.44) and 6.52 million warrants (weighted average exercise price of $0.48 per share) outstanding. None of the outstanding options and warrants are currently in-the-money.

Conclusion: Based on its current cash position and the $2.5 million loan, we believe, the company is in a sound cash position.

Valuation

We have introduced our Discounted Cash Flow (DCF) valuation in this report. Our DCF model gave a fair value of $54 million, or $0.46 per share, on the company. A summary of our model is shown below.

DCF Valuation Summary	
Mineral Resources (in tonnes)	438,280,000
Wt. Avg. Au Grade (g/t)	0.18
Wt. Avg. Cu Grade (%)	0.31%
Recovery - Au	80%
Recovery - Cu	75%
Recovered Gold (in troy oz)	1,996,978
Recovered Cu (in lbs)	2,252,067,154
Mine Life (years)	22
Capital Costs	$600,000,000
Operating Cost ($/t)	$8
Discount rate	11.6%
Net Present Value	**$54,289,103**
Working Capital - Debt	$1,573,769
Fair Value of AME	$55,862,872
No. of Shares	121,295,679
Fair Value per Share	**$0.46**

Notes:

- All assumptions and inputs were based on studies done on the project to date, comparable deposits, and discussions with management.
- We have used 100% of measured and indicated, but only 50% of inferred resources for conservatism. We have also included resource estimates of the DM/Audra Zone (which includes Crescent) and the Rainbow Zone.

The table below shows the sensitivity of our valuation to our long-term copper and gold price forecasts. The table clearly shows that our valuation is more sensitive to copper prices.

Sensitivity **Gold Price (US$)** **Copper Price (US$)**	**$400/oz**	**$500/oz**	**$600/oz**	**$700/oz**	**$800/oz**	**$900/oz**
$1.00/lb	($3.69)	($3.39)	($3.08)	($2.78)	($2.47)	($2.17)
$1.50/lb	($1.97)	($1.67)	($1.36)	($1.06)	($0.75)	($0.45)
$2.03/lb	($0.15)	$0.16	$0.46	$0.77	$1.07	$1.38
$2.50/lb	$1.47	$1.77	$2.08	$2.38	$2.69	$2.99
$3.00/lb	$3.19	$3.49	$3.80	$4.10	$4.41	$4.71

Our model shows that the project is not feasible (based on the current resource estimates) at current copper prices (US$1.50/lb) and our discount rate assumption of 11.6%. However, our long-term price forecast of US$2.03/lb clearly supports the project.

Our revised comparables valuation is $0.53 per share (up from $0.51 per share). Although the average EV/Resource ratio dropped from $0.03/lb to $0.02/lb, valuation increased due to the significant increase in resource estimate, offset by an increase in the number of outstanding shares.

	Comparables Valuation Model			
	Company	**SYM**	**Price**	**EV / Resource**
1	Norsemont Mining Inc.	NOM	$1.56	$0.038
2	Chariot Resources	CHD	$0.13	$0.037
3	Antares Minerals Inc.	ANM	$0.77	$0.018
4	Copper Mountain Mining Corporation	CUM	$0.50	$0.016
5	Redhawk Resources Inc.	RDK	$0.11	$0.012
6	Nevada Copper Corp.	NCU	$0.19	$0.009
7	Candente Resource Corp.	DNT	$0.17	$0.008
8	Abacus Mining and Exploration Corp.	AME	$0.10	$0.008
9	Western Copper Corp.	WRN	$0.35	$0.005
		Avg EV/Resource		**$0.017**
		Fair Value		**$0.53**

1. EV was calculated based on the average share price in the last 12 months
2. Enterprise Value = Market Capitalization + Debt - Cash
3. Resource Estimates = Measured and Indicated, and half of Inferred resources

Where things start to get interesting is when we use our real options model. This gives a large discrepancy in valuation versus the above two methods. Our real options value is $3.47 from $0.66 in our initial report. Why the large discrepancy? We believe there are several factors which account for the large discrepancy between our real options valuation and the DCF and comparables methods.

1. The mine life of the project is quite long. A longer mine life increases the option value
2. Since the value of the project is highly sensitive to copper prices, management's ability to go into production or abandon is very valuable in this case
3. The option is clearly "in the money" as cash flows to the project are way above capital costs based on our long term copper and gold price forecasts
4. The general flexibility of the real options model to alter the discount rate at each "node" using a replicating portfolio is more realistic than the DCF which assumes a constant discount rate

Conclusions & Rating

Therefore, based on our revised valuation models and review of the company, we reiterate our BUY rating on the company, and raise our fair value from $0.60 to $1.00 per share. Although the average of the three methods above leads to a fair value estimate of about $1.49, we have chosen to give more weight to our DCF and comparables.

Risks

The following risks, though not exhaustive, will cause our estimates to differ from actual results:

- Abacus's success is dependent on the management and development of the Afton Camp Project.
- The success of expansion, increasing favorable resource estimates, and economic project studies are very important for the company's future prospects.
- The value of the company is dependent on commodity prices (copper and gold)
- Financing and share dilution risks

We rate the shares Risk 5 (Highly Speculative).

Fundamental Research Corp. Equity Rating Scale:
Buy – Annual expected rate of return exceeds 12% or the expected return is commensurate with risk
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Suspended or Rating N/A— Coverage and ratings suspended until more information can be obtained from the company regarding recent events.

Fundamental Research Corp. Risk Rating Scale:
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2 (Below Average Risk) - The company operates in an industry where the fundamentals and outlook are positive. The industry and company are relatively less sensitive to systematic risk than companies with a Risk Rating of 3. The company has a history of profitability and has demonstrated its ability to generate positive free cash flows (though current free cash flow may be negative due to capital investment). The company's capital structure is conservative with little to modest use of debt.

3 (Average Risk) - The company operates in an industry that has average sensitivity to systematic risk. The industry may be cyclical. Profits and cash flow are sensitive to economic factors although the company has demonstrated its ability to generate positive earnings and cash flow. Debt use is in line with industry averages, and coverage ratios are sufficient.

4 (Speculative) - The company has little or no history of generating earnings or cash flow. Debt use is higher. These companies may be in start-up mode or in a turnaround situation. These companies should be considered speculative.

5 (Highly Speculative) - The company has no history of generating earnings or cash flow. They may operate in a new industry with new, and unproven products. Products may be at the development stage, testing, or seeking regulatory approval. These companies may run into liquidity issues, and may rely on external funding. These stocks are considered highly speculative.

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