Siddharth Rajeev, B.Tech, MBA
Analyst

Fundamental Research Corp.

Investment Analysis for Intelligent Investors

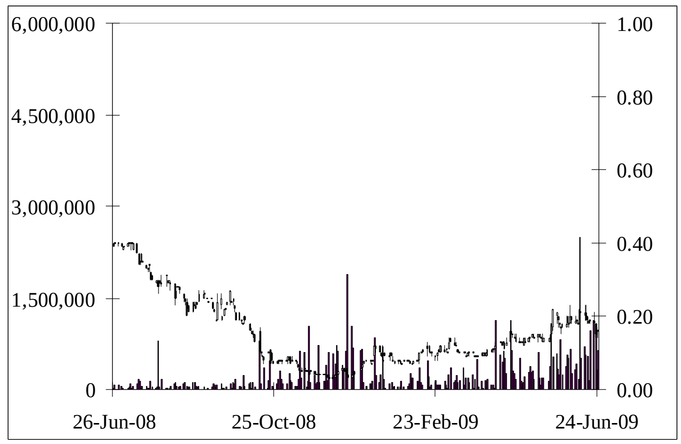
June 29, 2009

Abacus Mining and Exploration Corp. (TSXV: AME) – PEA suggests strong economic potential

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

Market Data (as of June 29, 2009)

Current Price	**$0.13**
Fair Value	**$1.00**
Rating*	**BUY**
Risk*	**5 (Highly Spec)**
52 Week Range	C$0.03 – C$0.40
Shares O/S	122,545,679
Market Cap	C$15.93 mm
Current Yield	N/A
P/E (forward)	N/A
P/B	0.32
YoY Return	-67.5%
YoY TSX-V	-57.1%



On June 22, 2009, AME announced the completion of a positive Preliminary Economic Assessment (PEA), by Wardrop, on the company's copper-gold Ajax property, located near Kamloops, BC, Canada. The study was in line with our assumption of an open pit mine scenario processing 60,000 tonnes mill feed per day. According to the PEA, the base-case scenario has a before-tax net present value (NPV) of US$193 million (discount rate: 8%; copper price – US$2/lb; gold price – US$700/oz). The following table shows the sensitivity of the NPV to changes in gold and copper price assumptions.

Net Present Value (M$@8%)		**Copper price ($/pound)**		
		2.00	**2.25**	**2.50**
Gold price ($/ounce)	**700**	**192.7**	442.7	692.8
	800	282.5	532.5	782.6
	900	372.3	622.3	872.4

Source: Company

Overall, the results are highly encouraging and confirm our opinion that the Ajax project has strong economic potential.

The primary assumptions and inputs used in the base-case scenario are highlighted in the following table.

Base-Case Scenario	
Mineral Resources (in tonnes) - M+I	442 mm tonnes @ 0.32% Cueq.
Mineral Resources (in tonnes) - Inferred	81 mm tonnes @ 0.24% Cueq.
Annual Production	106 mm lbs Cu and 99,400 oz Au
Mine Life (years)	23
Capital Costs (US$, mm)	$535
Operating Cost (U$/t)	$8.3
Copper Price (SU$/lb)	2
Gold Price (US$/oz)	700
Discount rate	8.0%
Net Present Value (before-tax) - US$,mm	**$193**
IRR (pre-tax)	12.40%
Payback	6.5 years

Our DCF valuation model, at the time of our previous report on February 26, 2009, had estimated an after-tax NPV of $54 million (or US$47 million). Our NPV estimate is not directly comparable to the PEA estimate as our models include resource estimates for the DM/Audra, and the Rainbow zones, and only AME's interest in the joint venture ground (which holds 20% of the current resource estimate) with New Gold Inc (TSX: NGD). However, for comparison purposes, we have highlighted the primary differences between our previous model's assumptions and the PEA's assumptions.

Primary Differences	FRC (previous forecasts)	PEA
Copper Price (US$/lb)	2.03	2.00
Gold Price (US$/oz)	600	700
Operating Cost (US$/t)	7.0	8.3
Capital Cost (US$, mm)	522	535
Discount Rate	11.6%	8.0%

Environmental: Another positive result from the PEA was that an environmental baseline study concluded that no significant issues are present that would impede the permitting process. A static test for acid generating potential suggested the material to be mined is not acid generating. A kinetic test is scheduled for completion during the pre-feasibility study.

Plans going forward:

- Complete a pre-feasibility study on the Ajax deposit by the end of 2009.
- Commence permitting process with the initiation of pre-feasibility engineering.
- AME is planning additional drilling on the Ajax East extension area to convert inferred resources into measured and indicated resources, for inclusion in the pre-feasibility study. AME believes that the drilling program could result in additional tonnage of higher grade material, leading to further improvement in the economics of the project.
- Continue to assess the exploration potential of the Rainbow and DM zones, both of which are open in one or more directions.

AME now anticipates mine startup could happen as early as 2013 (previous estimate was 2012).

Amends Asset Purchase Agreement with Teck – Minimizes dilution effects - On June 11, 2009, AME announced it has signed an agreement with Teck Resources Limited, and Afton Operating Corporation (collectively "Teck"), to amend their asset purchase agreement (with regard to tailings storage area, associated permits including water rights, and other assets located near the Afton properties) signed in November 2005, and most recently amended in December 2008. The remaining payments required by Abacus to Teck were $2 million in cash, and 5 million shares at a deemed value of $1 per share by July 31, 2009. As AME shares are currently trading well below $1 per share, the agreement would have resulted in excessive share dilution.

However, under the terms of the revised agreement, Teck will receive shares of AME sufficient to increase its ownership interest to 19.99%, and the remaining in cash payments of up to $5 million. The actual number of shares and cash payment will be dependent on the market value of AME shares at the time the assets are transferred from Teck to AME. The additional cash payment, if any, is payable 18 months after the transfer date, which could be as early as July 31, 2009.

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Conclusion and Rating: We made the following changes to our valuation models:

- raised our operating and capital cost estimates, and recovery rates, to bring them in line with the PEA estimates
- revised payment terms according to the recently announced amended purchase agreement
- delayed commencement of production by one year from 2012 to 2013

As a result of the above changes, our DCF valuation increased to $0.70 (up from $0.46), while our comparables and real options valuation dropped to $0.43 per share (down from $0.53), and $1.99 per share (down from $3.47), respectively.

Valuation Summary	
DCF	$0.70
Real Options	$1.99
Comparables	$0.43
Average	**$1.04**

Based on our review of the PEA results, and our revised valuation models, we reiterate our BUY rating, and maintain our fair value estimate on AME at $1.00 per share (Risk 5 : Highly Speculative). In our previous report, we gave more weight to our DCF and comparables valuations. Our latest revisions confirm our methodology as the DCF and real options values have moved closer inline with our fair value estimate.

Buy – Annual expected rate of return exceeds 12% or the expected return is commensurate with risk
Hold – Annual expected rate of return is between 5% and 12%
Sell – Annual expected rate of return is below 5% or the expected return is not commensurate with risk
Suspended or Rating N/A— Coverage and ratings suspended until more information can be obtained from the company regarding recent events.

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1 (Low Risk) - The company operates in an industry where it has a strong position (for example a monopoly, high market share etc.) or operates in a regulated industry. The future outlook is stable or positive for the industry. The company generates positive free cash flow and has a history of profitability. The capital structure is conservative with little or no debt.

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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