

# Growth Stocks Weekly

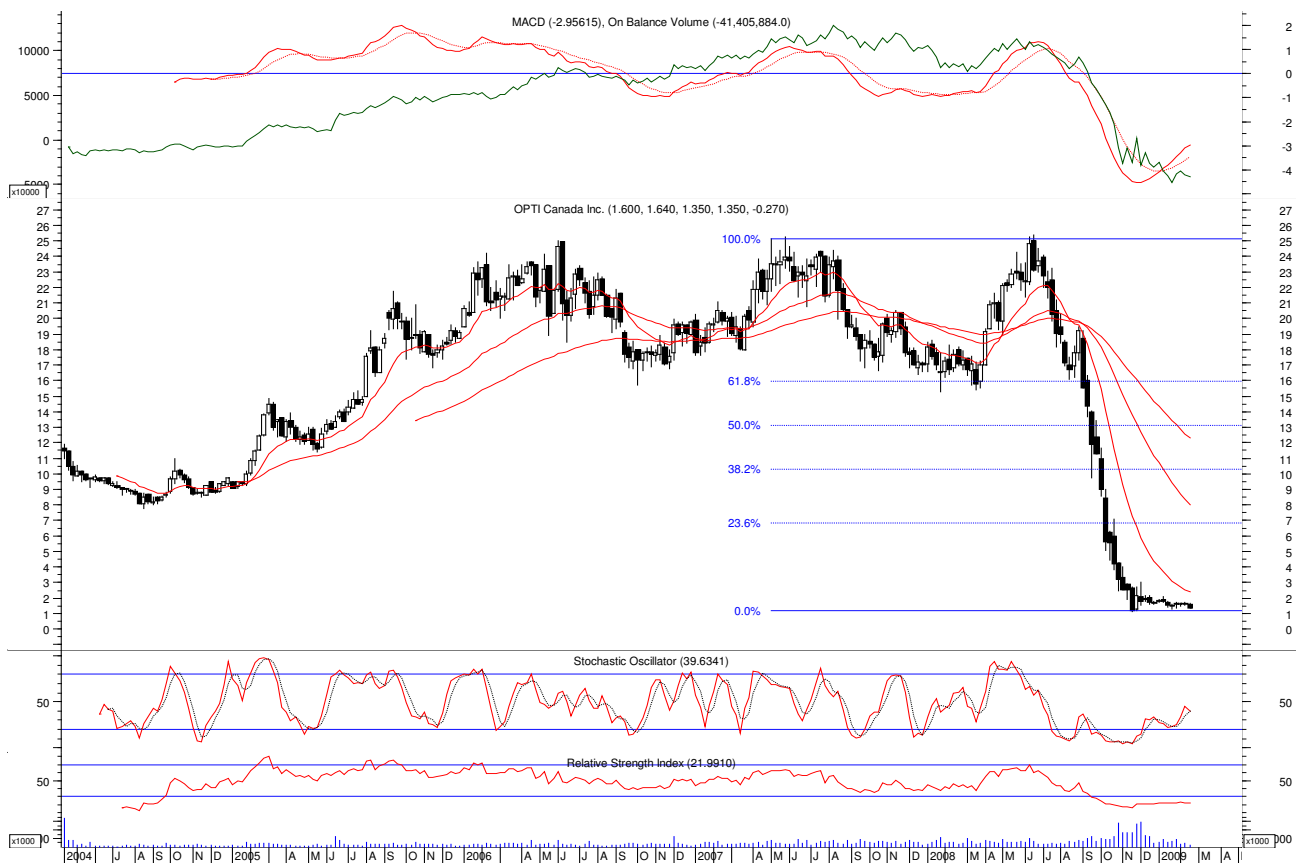
**Publisher:** Agilis Capital Corporation ~ **Since:** May, 1995 ~ **Editor:** Richard Reinhard ~ **E-Mail:** [reinhard@shaw.ca](mailto:reinhard@shaw.ca)

**Performance:** 1996 116.9%; 1997 28.1%; 1998 36.4%; 1999 39.4%; 2000 180.9%; 2001 -50.5%; 2002 18.7%; 2003 28.8%; 2004 166.7%; 2005 28.2%; 2006 153.3%; 2007 8.8%; 2008 -25.2%

## Junior Gold and Natural Resource Sector Report

February 18, 2009

### Picking Over the Oil Sector



The horizon of interesting stocks at great prices has vastly improved since last year, with the market going from one extreme to another. It went from being extremely overvalued to extremely undervalued, and is trying to find its ground. Right now it's in a trading range and it will probably remain there for a while.

OPTI Canada Inc. (OPTI-TSX) is a Calgary Alberta-based company focused on developing the fourth and next major integrated oil sands project in Canada, the Long Lake Project, in a joint venture with Nexen Inc. The first phase of the Project consists of 72,000 barrels per day of SAGD (steam assisted gravity drainage) oil production integrated with an upgrading facility, using OPTI's proprietary OrCrude(TM) process and commercially available hydrocracking and gasification. Through gasification, this configuration substantially reduces the exposure to and the need to purchase natural gas. On a 100 percent basis, the Project is expected to produce 58,500 bbl/d of products, primarily 39 degree API Premium Sweet Crude with low sulphur content, making it a

highly desirable refinery feedstock. OPTI has a 35 percent working interest in the joint venture. Additional information regarding the Long Lake Project is available at <http://www.longlake.ca>

A rebound in oil prices would give a boost to Opti's valuation, but we also have some expectation of Opti being acquired by a larger more diversified energy company looking for a bargain in the sector. That was the idea behind Total SA's recent takeover bid for UTS Energy.

It could signal the beginning of a consolidation trend in the oil sector. Opti stock slipped 27 cents to close Tuesday in Toronto at \$1.35, in reaction to another significant pullback in the markets and a retest of the November lows. The stock has a one-year range of \$1.10 to \$25.40.

### **Recent event**

Late January Opti Canada completed the sale of a 15-per-cent working interest in its joint venture assets to Nexen Inc. for \$735-million. Opti retains a 35-per-cent working interest in all joint venture assets, including phase 1 of the Long Lake project, all future phase reserves and resources, and future phases of development. Nexen has a 65-per-cent working interest in all joint venture assets and is now the operator of both the steam-assisted gravity drainage (SAGD) and upgrader facilities for phase 1 and future phases.

It is anticipated that over a transition period of approximately three months, Nexen will make employment offers to Opti's operating and project staff. During this time, Opti also expects to adjust corporate staffing as appropriate to its new business model. Effective Feb. 1 the chief operating officer of Opti accepted a position at Nexen, continuing his involvement in Long Lake operations and future development.

With the closing of this transaction Opti significantly strengthened their financial position. With the recent commencement of premium synthetic crude oil production at Long Lake Opti can look forward to a promising future with a substantial interest in a world-class asset and terrific growth potential as future phases are developed.

### **Details of the sale transaction**

Gross proceeds of \$735-million were realized through the transaction. Uses of the net proceeds of the transaction are outlined in the table.

<b>Proceeds</b> (in millions of dollars)	
Gross proceeds from working interest sale	\$735
<b>Uses</b>	
Transaction costs	15
Repay and cancel \$150-million revolving credit facility	145
Repay and cancel portion of \$500-million revolving credit facility	150
Repay remaining amounts owing under revolving credit facility	340
Pre-financing of portion of 2009 capital expenditure program	85

The debt outstanding under the company's revolving credit facilities has been significantly reduced as a result of the transaction. The \$150-million revolving credit facility has been repaid in full and cancelled. A partial repayment of amounts owing on the company's \$500-million revolving credit facility has been made, and the facility has been permanently reduced to \$350-million. Of the remaining proceeds, \$340-million will be used to repay amounts owing under the company's revolving credit facility. The company is restricted from borrowing incremental debt that ranks pari passu with the first lien revolving credit facility. Pricing under the remaining \$350-million facility was increased.

Opti has agreed to participate in the 2009 joint venture capital programs and has pre-financed \$85-million of the program. Any additional capital expenditures allocable to the company's working interest share this year will be financed by Opti.

After completion of this transaction, and subsequent revolver repayments as outlined in the table above, Opti has a total liquidity position of \$585-million. Total liquidity includes \$150-million in cash; \$350-million in an unused revolving credit facility maturing December 2011; and an \$85-million reserve for pre-financing of the 2009 capital expenditure program.

Standard & Poors Rating Services (S&P) lowered Opti's long-term corporate credit rating from BB minus to B plus and lowered its secured debt rating from BB plus to BB as a result of the transaction. The S&P credit ratings remain on credit watch.

As a result of the completion of the transaction, the company realized an after-tax loss for accounting purposes of approximately \$300-million in December 2008.

The key terms of the joint venture agreements with Nexen have not changed materially, other than amended working interest allocations resulting from the transaction and the change in operatorship of the upgrader facilities.

### ***Operational update***

Opti owns a proven, patented process for upgrading bitumen designed to produce one of the highest quality sweet synthetic crude oils to come from the Athabasca oil sands, with low operating costs. They are advancing their strategy to reach 126,000 barrels per day of Premium Sweet Crude (PSC™) net to OPTI via a multi-stage expansion plan, applying the experience and capability of a proven team of energy professionals.

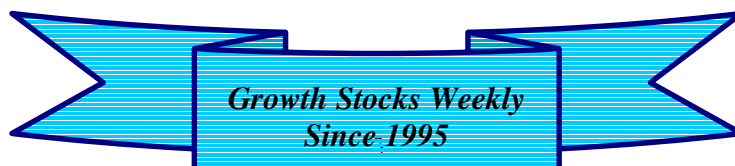
Opti previously announced plant-wide power outage in early December on the Long Lake site. Combined with a prolonged period of cold weather in Northern Alberta this led to restricted SAGD production in December and January. All SAGD wells were shut in after the power outage. One well pad remains shut in as repairs are completed on a damaged steam line. As a result, bitumen production volumes averaged 9,000 barrels per day in the month of December after reaching as high as 20,000 barrels per day in the first half of November.

Operations at the SAGD plant have been restored and bitumen volumes for January are increasing as wells are being brought back on production. As planned, on-site volumes combined with trucked-in bitumen are sufficient to operate the upgrader. The main process units in the upgrader are operating and first premium sweet crude production was reported in Stockwatch news dated Jan. 22, 2009. Synthesis gas from the upgrader is being used in the SAGD operation, significantly reducing the requirement for natural gas. Early synthetic production rates are in the range of 10,000 to 15,000 barrels per day (gross) of high-quality PSC. During the initial operating period, the company expects some intermittent downtime but anticipates that the stability of operations will continue to improve. Based on industry experience, the company anticipates that the upgrader will ramp up to full design rates of approximately 58,500 bbl/d of high-quality, 39-degree API PSC and other products in 12 to 18 months.

Sid Dykstra, President and Chief Executive Officer of OPTI presented an overview of the Company at the 2009 Credit Suisse Energy Summit on Friday February 6th from the Vail Cascade Resort in Colorado. The presentation may be accessed at:

<http://w.on24.com/r.htm?e=133571&s=1&k=40E99F0ACF1AD518CEC9E829AEDE0630>

The webcast will also be available on the OPTI website located under "Presentations and Webcasts" within the Investors section for a period of 30 days.



***Your Source for High-Potential Early-Stage Growth Stocks Since 1995***

**[www.growthstockswweekly.com](http://www.growthstockswweekly.com)**

***(c) 1995-2009 Growth Stocks Weekly. ALL RIGHTS RESERVED.***

***DISCLAIMER***

*Growth Stocks Weekly is an independent electronic publication committed to providing our subscribers with factual information on selected publicly traded companies, business, and economics. All companies are chosen on the basis of certain financial analysis, and other pertinent criteria with a view toward maximizing the upside potential for investors while minimizing the downside risk, whenever possible with the added aid of technical analysis. Growth Stocks Weekly and its editors do not accept compensation from public companies featured in this publication.*

*All statements and expressions are the sole opinions of the editors and are subject to change without notice. A profile, description, or other mention of a company in the newsletter is neither an offer nor solicitation to buy or sell any securities mentioned. While we believe all sources of information to be factual and reliable, in no way do we represent or guarantee the accuracy thereof, nor the statements made herein.*

*The publisher and the employees, staff and consultants of Growth Stocks Weekly are not registered investment advisors and do not purport to offer personalized investment related advice. The publisher, staff, or anyone associated with, or associated to, Growth Stocks Weekly may own securities mentioned in this newsletter and may buy or sell securities without notice.*

*The profiles, critiques, and other editorial content of the Growth Stocks Weekly may contain forward-looking statements relating to the expected capabilities of the companies mentioned herein. The reader should verify all claims and do their own due diligence before investing in any securities mentioned. Investing in securities is speculative and carries a high degree of risk. The information found in this profile is protected by copyright laws and may not be copied, or reproduced in any way without the expressed, written consent of the editors of Growth Stocks Weekly.*

*We encourage our readers to invest carefully and read the investor information available at the web sites of the Securities and Exchange Commission ("SEC") at <http://www.sec.gov> and/or the National Association of Securities Dealers ("NASD") at <http://www.nasd.com>. We also strongly recommend that you read the SEC advisory to investors concerning Internet Stock Fraud, which can be found at <http://www.sec.gov/consumer/cyberfr.htm>.*

*Readers can review all public filings by companies at the SEC's EDGAR page in the U.S. and SEDAR's electronic filing of securities information as required by the securities regulatory agencies in Canada at [www.sedar.com](http://www.sedar.com). The NASD has published information on how to invest carefully at its web site.*