

Fundamental

Research Corp.

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Investment Analysis for Intelligent Investors

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Opawica Explorations Inc. (TSX: OPW) – Resuming Coverage – Updated resource estimates on Atikwa and Dingman – EV/Resource of just \$2.24 per oz Au eq.

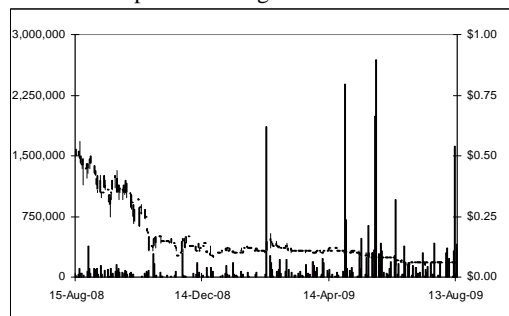
Sector/Industry: Junior Mining/Gold and Copper

www.opawica.com

Market Data (as of August 17, 2009)

Current Price	C\$0.055
Fair Value	C\$0.41 (↓)
Rating*	BUY
Risk*	5 (Highly Spec)
52 Week Range	C\$0.05 - C\$0.56
Shares O/S	37.16 mm
Market Cap	C\$2.04 million
Current Yield	N/A
P/E (forward)	N/A
P/B	0.24
YoY Return	-89.4%
YoY TSX	-17.2%

*see back of report for rating and risk definitions



Investment Highlights

- In February 2009, OPW announced its first NI 43-101 compliant resource estimates on the Atikwa Lake gold – copper property, and the Dingman gold-aggregate property.
- The resource estimates were updated in July 2009, subsequent to the completion of successful drill programs on the two properties in April 2009.
- OPW's plan is to at least complete preliminary scoping studies on one of the two properties over the next 24 months.
- On July 31, 2009, the company announced it had entered into an agreement with Washmax Corporation (TSXV: WMC.H), wherein Washmax may acquire OPW's 100% interest in the Dingman gold property by paying \$25,000 cash, and issuing 21 million shares of Washmax (current market value is \$1.26 million – 21 million shares at \$0.06 per share).
- At the end of May 2009, the company had \$0.06 million in cash and cash equivalents. Management estimates they have to raise \$0.65 million this year to fund working capital and minimum exploration.
- Opawica also recently announced its intention to apply to list on the TSX Venture Exchange.
- OPW's current share price reflects an enterprise value (EV) to resource (indicated + 50% of inferred) of just \$2.24 per oz Au eq; which is well below the industry average (FRC estimate) ratio of \$30/oz.

Key Financial Data (FYE - August 31)

(C \$)	2006	2007	2008	2009 (9 mo)
Cash & Short-term Investments	598,369	850,515	64,196	60,764
Working Capital	596,734	1,391,540	(271,562)	(347,595)
Mineral Assets	2,134,238	2,732,488	7,373,532	8,958,158
Total Assets	2,927,501	4,479,909	7,608,778	9,097,442
Net Income (Loss)	(1,694,799)	(1,134,228)	(1,758,121)	(711,964)
EPS	(0.03)	(0.12)	(0.11)	(0.02)

Opawica Explorations is focused on two advanced exploration properties in Ontario. The Atikwa Lake property is a bulk tonnage open pit copper gold resource, and the Dingman project is a bulk tonnage open pit gold resource. Both properties have NI 43-101 compliant resource estimates.

We are resuming coverage on OPW after suspending coverage on the company on January 23, 2009, due to lack of sufficient information for updates. The company has had several positive developments in the past few months.

**Updated
Resource
Estimates**

In February 2009, OPW announced its first NI 43-101 compliant resource estimates on the 100% owned Atikwa Lake gold – copper property (located near Kenora, Ontario), and the 100% owned Dingman gold-aggregate property (located about 55km north of Belleville, Ontario). The resource estimates were calculated by Golder Associates Ltd. The resource estimate, however, was updated in July 2009, subsequent to the completion of successful drill programs on the two properties in April 2009.

Atikwa Lake gold – copper property: The following table shows the updated resource estimate on the three mineral zones (the Maybrun Main Zone, the Maybrun footwall Zone and the Maybrun North Zone).

Cut-off Grade -0.40 gpt Au Eq	Tonnes	Grade (Au) - gpt	Grade (Cu) - %	Au Contained (oz)	Cu Contained (lbs)
Maybrun Main Zone					
Indicated	7,366,000	0.64	0.41%	151,000	66,466,000
Inferred	1,738,000	1.15	0.30%	64,000	11,622,000
Maybrun Footwall Zone					
Inferred	5,400,000	0.94	0.18%	163,000	21,696,000
Maybrun North Zone					
Inferred	3,454,000	0.67	0.25%	74,000	18,921,000

The initial estimate in February 2009, was based on 18,895 m of drilling from 105 holes. The updated resource estimate (which resulted in an increase in inferred resources) was based on additional information from 16 holes (3,617 m) drilled during February – April 2009, focusing on connecting the Maybrun Main Zone to the Footwall Zone, and testing portions of the 600 m gap separating the Main zone from the North Zone. The updated estimate reflected a 26% increase in total contained gold, and a 28% increase in total contained copper.

Dingman gold - aggregate property: The following table shows the updated resource estimate on Dingman.

Cut-off Grade -0.40 gpt Au	Tonnes	Grade (Au) - gpt	Au Contained (oz)
Indicated	8,801,000	0.97	275,000
Inferred	11,301,000	0.98	355,000

Dingman's resource estimates were updated based on information from 16 holes drilled subsequent to the initial resource calculation in February 2009. The updated resource estimate (which resulted in an increase in inferred resources) reflected a 52% increase in

total contained gold. We were pleased to see that the updated resource estimate was fairly in line with the resource estimate FRC had independently estimated (not NI 43-101 compliant) for Dingman at the time of our initiating report, which was 0.73 million oz Au in 23 million tonnes at 0.99 gpt (in the inferred resource category). In addition, the property is also estimated to hold aggregate products of 75 million tonnes indicated resources of granite and limestones (marble).

The following points (from the technical report prepared by Golder) highlight why we believe the aggregates should be included in the economic analysis of the Dingman project:

- Limestone is a marketable aggregate product throughout the Toronto corridor from Burlington to Kingston.
- Dingman is located within economic trucking range of the Greater Toronto Area
- Mineralogy tests to date indicate the granite is clean, enabling it to become a premium aggregate for the manufacturing of asphalt.
- Some quarries in the inner GTA are closing or getting depleted due to dust and noise issues near Toronto suburbs.

According to the Golder report, recent valuations for the aggregates range from \$8 - \$10 per tonne F.O.B. at the Dingman property site. However, considering that the company has yet to conduct any economic evaluation on the aggregates, we have used a very conservative \$1 per tonne valuation in our valuation models.

Current Plans

OPW's plan is to at least complete preliminary scoping studies on at least one of the two properties over the next 24 months. In 2009, subject to financing, OPW will proceed with in-fill drilling and the initial work pertaining to preliminary scoping studies on at least one property. Considering the difficulties in raising capital at this time, OPW is also seeking partners to jointly advance both properties (see below).

Enters into option agreement for Dingman

On July 31, 2009, the company announced it has entered into an agreement with Washmax Corporation, wherein Washmax may acquire OPW's 100% interest in the Dingman property by paying \$25,000 cash, and issuing 21 million shares of Washmax (current market value is \$1.26 million – 21 million shares at \$0.06 per share). The option runs for a 60 day period subject to the right of Washmax to extend the period by two 30 day periods.

According to the agreement, OPW will have the right to reacquire the property for 5 million shares of Washmax, if Washmax does not incur at least \$1 million on the property over the two years following the exercise of the option. The agreement is subject to the approval of regulatory authorities, and securing not less than \$1.40 million of financing for Washmax. Upon exercise of the option and completion of the proposed financing, OPW will hold at least 30% of the issued shares of Washmax.

Other Properties

Action against Xstrata - In July 2008, OPW announced it commenced an action in the Ontario Superior Court of Justice against Xstrata Copper Canada to enforce OPW's rights under the joint venture agreement between the two companies relating to the Chance property. OPW claims it is now entitled to act as the operator of the JV as Xstrata did not

respond within the 60 day prescribed period (according to the JV agreement) to an exploration program proposed by OPW. Xstrata has disputed OPW's position and has refused to permit OPW to proceed with the exploration program or access the property. OPW also claims damages, legal costs and related relief. OPW has written-off the book value of the Chance property on its balance sheet pending the outcome of the legal proceedings.

Matachewan Group properties - In April 2009, Northgate Minerals Corporation (AMEX: NXG) informed OPW that it would not continue with the option to earn a 55% interest in the Matachewan Group properties. As OPW does not plan any further exploration work on the properties, all interests in the Matachewan Group were written off from the balance sheet.

Management Changes

In July 2008, the company announced the appointment of Ms. Sandra Wong, CGA, as Chief Financial Officer of the company and member of the audit committee. Ms. Wong replaced Mrs. Sylvia McLeod as CFO of the Company.

Ms. Wong holds a Bachelors of Commerce degree in marketing from the University of British Columbia and obtained her Certified General Accountant (CGA) designation in 1999. Ms. Wong has over 10 years of work experience with several TSX-Venture Exchange listed companies in the areas of financial reporting and company management.

Financials

At the end of May 2009, the company had \$0.06 million in cash and cash equivalents. We estimate the company had a burn rate (cash spent on operating and investing activities) of \$0.27 million per month in the first nine months of FY2009, versus \$0.46 million per month in FY2008 (12 month period). The following table shows the company's cash position and liquidity ratios.

(C \$)	2006	2007	2008	2009 (9 mo)
Cash & Short-term Investments	598,369	850,515	64,196	60,764
Working Capital	596,734	1,391,540	(271,562)	(347,595)
Current Ratio	4.48	5.26	0.46	0.28
LT Debts/ Assets	-	-	-	-
Burn Rate/Month (incl exploration costs)	(184,630)	(90,004)	(458,261)	(274,808)
Cash from financing activities	2,016,060	2,042,154	3,895,357	2,469,842

Stock Options and Warrants: We estimate the company has 3.72 million stock options (weighted average exercise price - \$0.06; maturity period – June 2010 to December 2010), and 8.06 million warrants (weighted average exercise price - \$0.17; maturity period – October 2009 to December 2010).

Conclusion: Our discussion with management indicated that it plans to spend \$0.25 million in field exploration and updating the NI 43-101 resource estimates on both properties prior to the end of 2009. Management estimates they have to raise \$0.65 million this year to fund working capital and minimum exploration.

Valuation

OPW's valuation was significantly impacted by the 108% increase in our estimate of the number of diluted shares (calculated based on the treasury stock method), from 17.8 million

to 37.2 million, since our initiating report on the company in April 2008.

Although the company has entered into an option agreement on the Dingman property, for conservatism, we will continue to value the project as if OPW owns 100% of the property, until the option is exercised. We have discontinued valuing the Chance property pending the outcome of the legal proceedings.

Our average valuation on the Atikwa and Dingman projects dropped from \$14.55 million (\$0.82 per share), and \$9.19 million (\$0.52 per share), respectively, to \$8.86 million (\$0.24 per share), and \$6.72 million (\$0.18 per share). The valuation dropped primarily because we raised our cost estimates on both projects.

Atikwa Lake gold – copper property: The following tables show our revised DCF and real options valuation on the Atikwa project.

DCF Valuation Summary	
Mineral Resources (in tonnes)	12,662,000
Average Gold Grade (g/t)	0.74
Average Copper Grade (%)	0.33%
Contained Gold (troy oz)	301,500
Contained Copper (lb)	92,585,500
Recovery Gold	93%
Recovery Copper	90%
Production (tpd)	3,500
Production Commencement	2012
Mine Life (years)	10
Capital Costs	\$60,000,000
Operating Costs (\$/tonne)	\$18.0
Discount rate	11.63%
Net Present Value	\$2,586,111
No. of Shares	37,156,868
Fair Value per Share	\$0.07

Real Options Valuation			
Inputs relating to the underlying asset			
Estd. Value of Minerals if extracted today (\$)		\$45,580,574	
Annualized Standard Deviation of Mineral prices		26%	
Capital Investment (C\$)		\$60,000,000	
Estd. Mine Life (years)		10	
Riskfree Rate		3.20%	
Output			
Stock Price	\$45,580,574	T. Bond rate	3.20%
Strike Price	\$60,000,000	Variance	0.07
Expiration (in years)	10	Annualized div yield	0%
d1 =	0.461		
N(d1) =	0.678	Value of Option (\$)	\$15,141,253
d2 =	-0.358	No. of Shares	37,379,268
N(d2) =	0.360	Value per share	\$0.41

**Resource estimate – indicated + 50% of inferred*

The following table shows the sensitivity of our DCF valuation to changes in gold and copper prices.

Cu Price (US\$/lb) Au Price (US\$/oz)	\$1.00	\$2.03	\$3.00
\$500	(\$0.89)	(\$0.17)	\$0.51
\$600	(\$0.65)	\$0.07	\$0.75
\$700	(\$0.42)	\$0.31	\$0.99
\$800	(\$0.18)	\$0.54	\$1.22
\$900	\$0.05	\$0.78	\$1.46

The average valuation on Atikwa (based on our DCF and real options valuation) is \$0.24 per share.

Dingman gold - aggregate property: The following tables show our revised DCF and real options valuation.

DCF Valuation Summary	
Mineral Resources (in tonnes)	14,451,500
Aggregates (tonnes)	75,000,000
Average Gold Grade (g/t)	0.97
Contained Metal (troy oz)	452,500
Recovery	93%
Production (tpd)	3,500
Production Commencement	2012
Mine Life (years)	11
Capital Costs	\$60,000,000
Operating Costs (\$/tonne)	\$14.0
Discount rate	11.49%
Net Present Value	\$1,239,106
No. of Shares	37,379,268
Fair Value per Share	\$0.03

Real Options Valuation			
Inputs relating to the underlying asset			
Estd. Value of Minerals if extracted today (\$)			\$44,469,094
Annualized Standard Deviation of Mineral prices			19%
Capital Investment (C\$)			\$60,000,000
Estd. Mine Life (years)			11
Riskfree Rate			3.20%
Output			
Stock Price	\$44,469,094	T. Bond rate	3.20%
Strike Price	\$60,000,000	Variance	0.04
Expiration (in years)	11	Annualized div yield	0%
d1 =	0.417		
N(d1) =	0.662	Value of Option (\$)	\$12,205,390
d2 =	-0.222	No. of Shares	37,379,268
N(d2) =	0.412	Value per share	\$0.33

**Resource estimate – indicated + 50% of inferred*

The following table shows the sensitivity of our DCF valuation to changes in gold prices.

Gold price (US\$/oz)	Value per share
\$500	(\$0.30)
\$600	\$0.03
\$700	\$0.37
\$800	\$0.71
\$900	\$1.05

The average valuation on Dingman is \$0.18 per share.

Rating

Valuation Summary: Note that our real options models gave a much higher valuation (compared to our DCF models) on both projects. This is because, unlike a DCF model, a real options valuation model has the ability to capture the value of volatility in commodity prices, and also management's ability to pursue or abandon projects. Based on our revised valuation models, we arrived at a fair value estimate of \$0.41 per share on OPW.

Valuation Summary	
Atikwa Lake property	\$0.24
Dingman property	\$0.18
Working capital - Debt	-\$0.01
Net Fair Value	\$0.41

Therefore, based on our revised valuation models, we reiterate our BUY rating, but lower our fair value estimate from \$1.41 to \$0.41 per share.

Risks

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

- The company does not have any operating mines.
- The success of drilling, expansion, and the determination of favorable resource estimates are important long-term factors for the success of the company.
- The value of the company depends on commodity prices, including copper and gold.
- Access to capital and share dilution.

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

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.

Fundamental Research Corp. Risk Rating Scale:

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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