

### Harvest Gold Corp. (TSXV: HVG) – Initiating Coverage

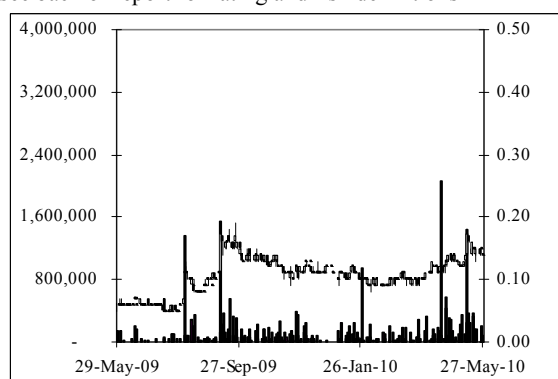
Sector/Industry: Junior Exploration

[www.harvestgoldcorp.com](http://www.harvestgoldcorp.com)

#### Market Data (as of June 1, 2010)

Current Price	CS\$0.13
Fair Value	CS\$0.30
Rating*	BUY
Risk*	5 (Highly Spec)
52 Week Range	CS\$0.05 - CS\$0.19
Shares O/S	57.64 mm
Market Cap	CS\$7.49 mm
Current Yield	N/A
P/E (forward)	N/A
P/B	1.79
YoY Return	116.7%
YoY TSXV	30.5%

\*see back of report for rating and risk definitions



#### Investment Highlights

- Harvest Gold Corp. is a TSX Venture listed junior exploration and mining company focused on identifying and expanding resources at its flagship Rosebud property in northern Nevada.
- The property was in production from 1997 to 2000 producing just under 0.4 million ounces of gold and 2.3 million ounces of silver.
- Historic resources remaining in-situ total approximately 0.24 million ounces of gold and 2.1 million ounces of silver
- We believe significant potential exists to expand on historic resources at the site of past production as well as at targets throughout the property.
- In April 2010, the company closed a \$1.30 million private placement.

#### Risks

- The company currently has no operating mines.
- Access to capital and share dilution.
- The value of the company is dependent on commodity prices.

#### Key Financial Data (FYE - Mar 31)

(C\$)	Dec-09	Mar-09
Cash	209,109	480,023
Working Capital	(32,243)	350,810
Mineral Assets	4,197,058	5,891,936
Total Assets	4,438,809	6,441,893
Net Income	(2,139,636)	(771,109)
EPS	(0.05)	(0.02)

Harvest Gold is a TSX Venture listed junior mineral exploration company. The company's flagship property, Rosebud, hosts a past producing, high grade underground mine operated by a Hecla Mining and Newmont Mining joint venture from 1997 to 2000. Remaining in place resources total approximately 0.24 million ounces of gold and 2.13 million ounces of silver.

**Company  
Overview**

Harvest Gold is a TSX Venture listed junior mineral exploration company based in North Vancouver, British Columbia. The company's flagship project is the Rosebud property located in north Pershing County, Nevada. The property encompasses the Rosebud underground mine which operated from 1997 to 2000 producing 0.397 million ounces of gold and 2.310 million ounces of silver from low-sulphidation ore. The company holds the option to acquire a 100% interest in the property and has minimal remaining obligations to complete.

Previous operators mined the high grade core of the deposit leaving lower grade ore containing approximately 0.24 million ounces of gold and 2.13 million ounces of silver in place. We believe there is excellent potential to both expand on the low grade, potentially bulk mineable mineralization, and discover additional high grade mineralization.

The company recently initiated a 10,000 foot (3,200 meter) drilling program on the property. We believe the ultimate goal of the project is to define a bulk mineable deposit with high grade pods that will positively influence the value of the deposit.

The company's team of management and directors has exceptional technical experience in the field of mineral exploration.

The company also holds gold properties in Manitoba and another gold property in Nevada; however, this report focuses solely on the Rosebud property.

**Company  
History**

The company was incorporated on June 28, 2005, in British Columbia and is a reporting issuer in British Columbia and Alberta. The company's common shares are traded on the TSX Venture Exchange under the symbol "HVG". The company's properties located in the United States are held under the wholly owned subsidiary Harvest Gold Corp. (US)

**Rosebud**

**Property Overview:** The Rosebud property, located in Northern Pershing County, Nevada, encompasses the Rosebud mine, a former gold-silver producer from 1997 to 2000. The project was operated by a 50:50 joint venture between Hecla Mining Company ("Hecla" NYSE: HL) and Newmont Mining Corporation ("Newmont" TSX: NMC, NYSE: NEM). Through three years of production, output totaled 0.397 million ounces of gold at a grade of 0.42 ounces per ton, and 2.310 million ounces of silver at a grade of 2.42 ounces per ton.

At the closure of the mine, Hecla estimated that remaining resources totaled 6.82 million tons grading 0.036 oz/ton gold and 0.31 oz/ton silver at a 0.01 oz/ton cut-off. This equates to a contained resource of 0.24 million ounces of gold and 2.13 million ounces of silver.

Mineralization includes stockwork, low grade mineralization, enveloping high grade tabular bodies. There is excellent potential to expand on the historic resources with extension of the potentially bulk mineable halo and discovery of additional high grade ore.

The property lies about five miles south of the Hycroft gold mine operated by Allied Nevada Gold Corp. (TSX: ANV). The Hycroft mine currently has proven and probable reserves of 2.44 million ounces of gold at 0.014 ounce per ton and 32.27 million ounces of silver at 0.18

ounce per ton.

The property boasts location in a mining friendly state, developed access and a large data set collected from previous operators.

**Ownership:** Through an agreement executed November 9, 2006, the company holds the option to acquire 100% interest in the property from Nevada Eagle Resources LLC. “Nevada Eagle” [currently a wholly owned subsidiary of Fronteer Development (USA) Inc. (“Fronteer” NYSE AMEX: FRG)]. Obligations remaining include the payment of US\$0.08 million in cash and 0.2 million shares. The total cost of the acquisition will be cash payments totaling US\$0.32 million and 0.6 million common shares of HVG.

The property is subject to a 3% NSR production royalty to Nevada Eagle, one half of which can be purchased for \$2.25 million.

The property is composed of 54 unpatented lode mining claims totaling 1,116 acres. A portion of the land covered by the company’s claims is held by three patented claims not owned by the company. The area covered totals approximately 49 acres and thus, the company does not hold mineral rights in that portion. The company’s mining claims total 1,067 acres. However, the patented claims are in the north west portion of the property, and **in our opinion, does not currently materially affect the value of the property as it does not cover any of the historic resources or current exploration targets identified by the company.**

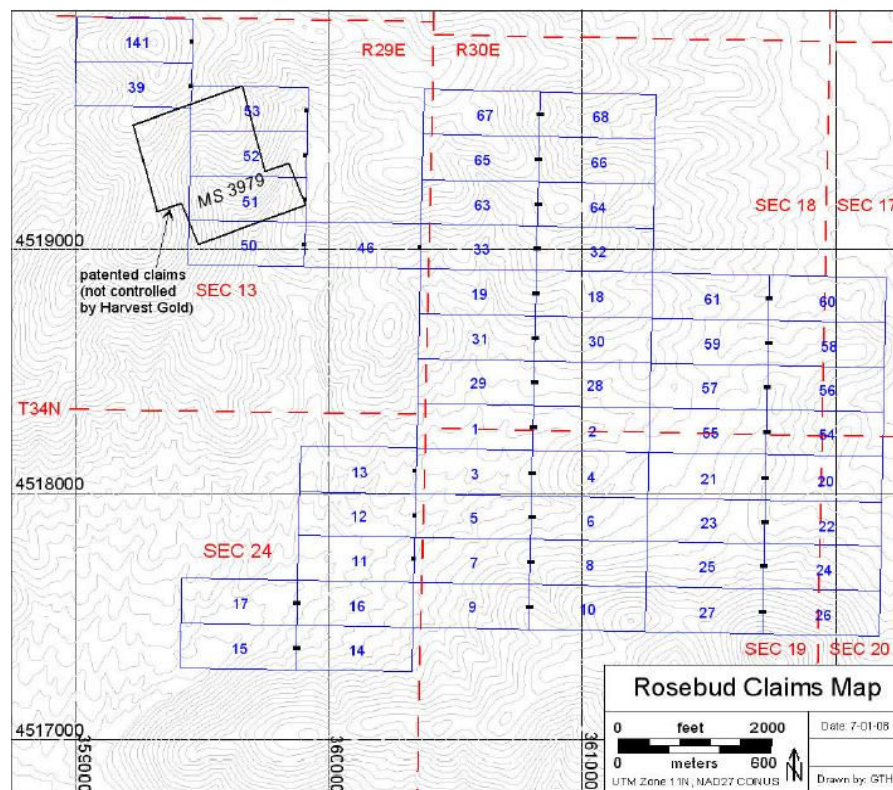


Figure 1: Harvest Gold Rosebud claims including the patented claims not held by the company (Source: Harvest Gold Corp.)

All previous disturbance associated with the Newmont/Hecla mining operation has been reclaimed by the Rosebud Mining Company. The company currently holds no environmental liabilities relating to historic production at the site.

**Location/Access/Infrastructure:** The property sits approximately 45 (air) miles north of Lovelock in northern Pershing County, Nevada in the Kamma Mountains. The property is commonly accessed from either Lovelock or Winnemucca, Nevada via state maintained roads into Rosebud Valley. During production, ore was shipped 110 miles to the Pinon Mill at the Twin Creeks Mine for processing. This further indicates the level of access which has previously been developed to the property.

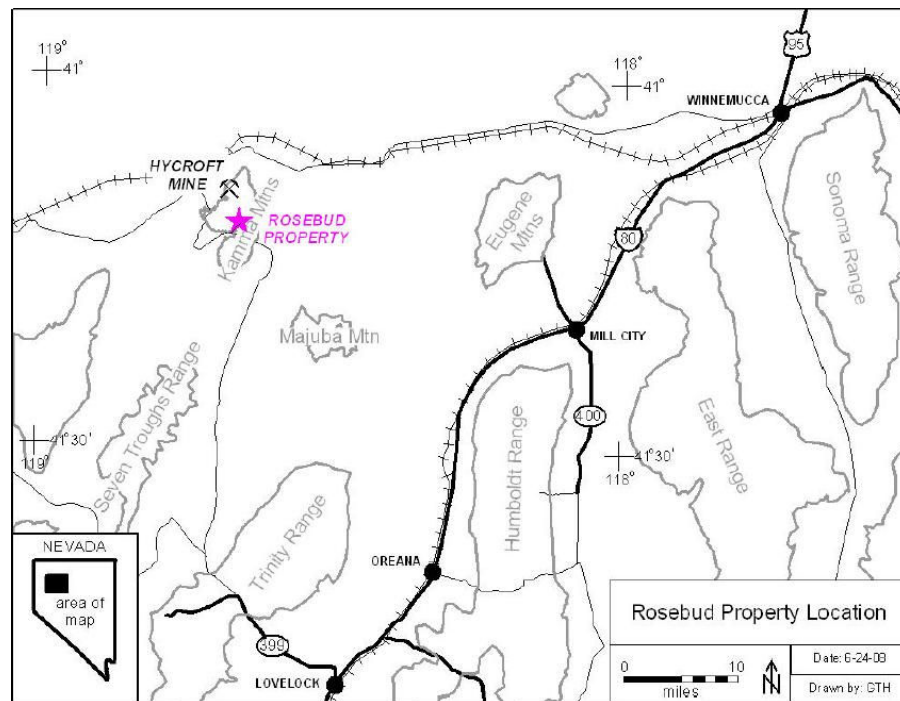


Figure 2: General location of the Rosebud property. (Source: Harvest Gold Corp)

Winnemucca and Lovelock provide supplies and accommodations to the local mining industry and Winnemucca is a local supply centre for mining operations in the area. Skilled labour is likely in both locations. During production, a power line was extended to the property and remains in place. Robert G. Cuffney, author of *Technical Report on the Rosebud Property*, September 10, 2008 (“the Rosebud Technical Report”), suggests in his report that the power lines could be easily restored to serviceable condition. The Southern Pacific railroad sits within close proximity to the property and services both Winnemucca and Lovelock.

**Historic Exploration/Production:** Gold production in the adjacent Rosebud Creek began in the late 1800’s with placer mining, and gold lodes were originally discovered in the area in 1906. Modern exploration in the project area was initiated in the 1980’s, and included the typical mapping, sampling and surveying programs.

Extensive exploration was completed by a joint venture (51:49) between LAC Minerals USA Inc. and Equinox Resources Ltd. between 1989 and 1992. Work included a total of 218 RC holes and 90 core holes. The majority of the holes were completed on a discovery named Dozer Hill which later became the Rosebud mine.

The following is a stripped down timeline leading to production:

- Pre-feasibility study completed in 1992
- LAC sold 51% interest to Equinox in 1993
- Underground development was initiated in 1993 by Equinox and continued when Hecla Mining Company merged with Equinox in 1994.
- In 1995, Hecla formed 50:50 joint venture (The Rosebud Mining Company) with Santa Fe to further develop the mine.
- 1997 - commencement of production. Ore was shipped 110 miles to the Pinon Mill at the Twin Creeks Mine for processing. When production began in 1997, the Twin Creeks Mine was originally held by Sante Fe. In May 1997, shortly after the commencement of production, Newmont Mining acquired Sante Fe through a merger.

Production statistics broken down by year:

Year	Tons	Au oz/t	Ag oz/t	Au troy oz	Ag troy oz
1997	197,951	0.4849	3.08	95,991	610,500
1998	316,825	0.4230	3.43	134,026	1,085,961
1999	274,468	0.4331	1.54	118,881	421,496
2000	163,875	0.2926	1.17	47,994	191,919
Total	953,119	0.4164 (avg.)	2.42 (avg.)	396,842	2,309,876

Figure 3 below shows many of the drill holes completed on the property by past operators. Red indicates drill intercepts of over 0.1 ounce per ton gold. Portions of the South, North and East Zones were mined while Rosebud was in operation. The remaining resources discussed in detail below under *Resource Estimate* are resources remaining around underground stopes. The chimney zone, located within the South Zone was a high grade section that supplied nearly 40% of all gold mined during production. The zone averaged over 1.0 oz/ton gold. Delineation of additional high grade chimneys is a primary objective of the company (see *Geology and Mineralization*).

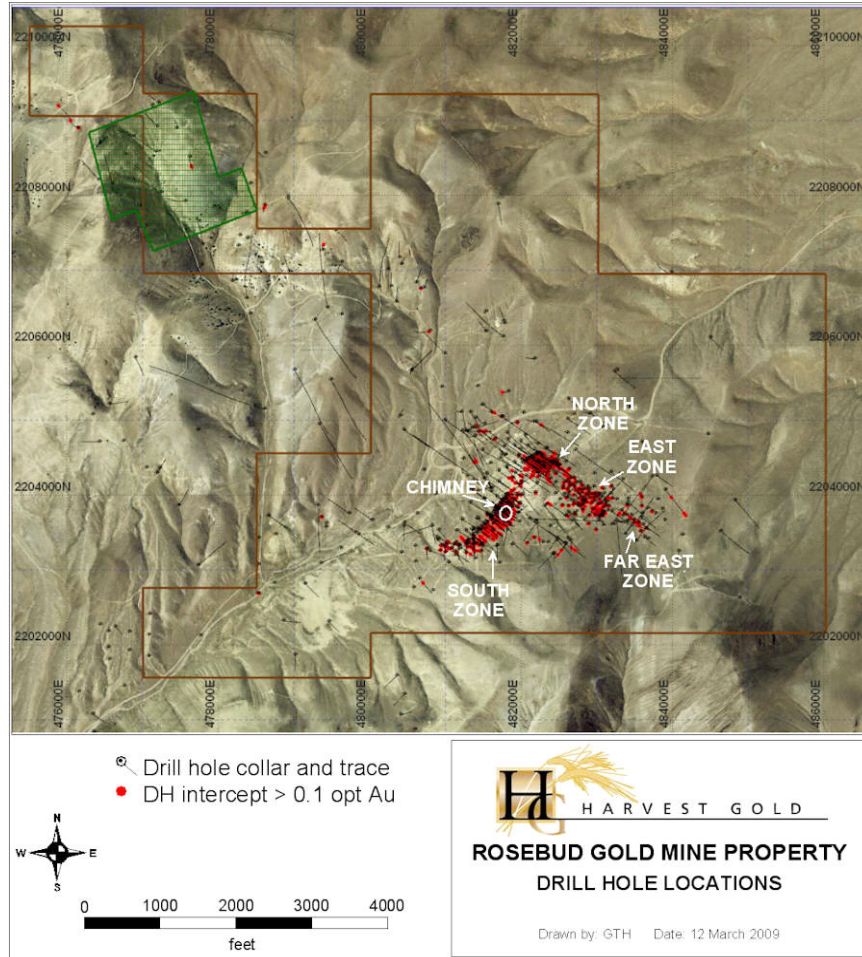


Figure 3: Mineralized zones identified and partially mined by the Rosebud Mining Company joint venture. (Source: Harvest Gold Corp.)

Several high grade drill intercepts remain in areas that remained unmined at the closure of the mine highlighting the potential to expand on high grade resources on the property:

- RL-217 – 64 meters @ 3.46 g/tonne
- RL-179 – 94.5 meters @ 1.17 g/tonne
- RS-D345 – 31 meters @ 5.07 g/tonne
- RS-425c 1.8 meters @ 28.25 g/tonne

**Harvest Exploration:** Since acquiring interest in the property in 2006, the company has focused its efforts on revising the geological model and identifying high potential drill targets. The company acquired the complete database of work by Newmont, Hecla, Santa Fe and LAC in 2008, which dramatically increased the company's ability to analyze the project. The company utilized the data to develop a new 3D model for the high grade zones, particularly the chimney. The company itself has completed new geological mapping programs and surface exploration including an Enzyme-leach soil survey.

**Geology and Mineralization:** The property lies within the northwest part of the Lovelock-

Austin mineral belt sitting in the Kamma Mountains which are part of the Basin and Range physiographic province. As is typical of the Basin and Range province, the Kamma mountains are characterized by north-south trending fault-bounded ranges separated by broad gravel-filled valleys. Volcanic rocks of the Kamma mountains overlie older metasedimentary rocks while valleys are filled with alluvium generated through the erosion of the volcanics at higher elevations. The property itself is situated within a 1.5 mile wide fault zone characterized by northeast trending faults.

The Rosebud deposit is classified as being in the low-sulfidation, adularia-sericite class. In the Rosebud Technical Report, Author Robert Cuffney describes gold mineralization as occurring in irregular stockworks of narrow quartz-calcite or clay-marcasite veinlets, and as disseminations primarily within altered volcanic host rocks.

Three ore bodies were defined and mined by previous operators: the North Ore Zone, East Ore Zone and South Ore Zone. A fourth mineralized zone called the Far East was not mined and will be a primary target of future exploration. Broad areas of low grade, potentially bulk mineable mineralization surround the four mineralized zones. High-grade ore zones such as the chimney occur as tabular bodies. Through the revised 3D geological model, the company postulates that the chimneys were developed where a zone of northeast-trending faults intersect brittle lithologic units, providing the optimal environment for precious metal precipitation.

Low sulfidation gold and silver deposits are commonly observed in northern and north-central Nevada. Some well known analogous deposits include the Sleeper, Midas, Hollister and Mule Canyon mines (Figure 4).

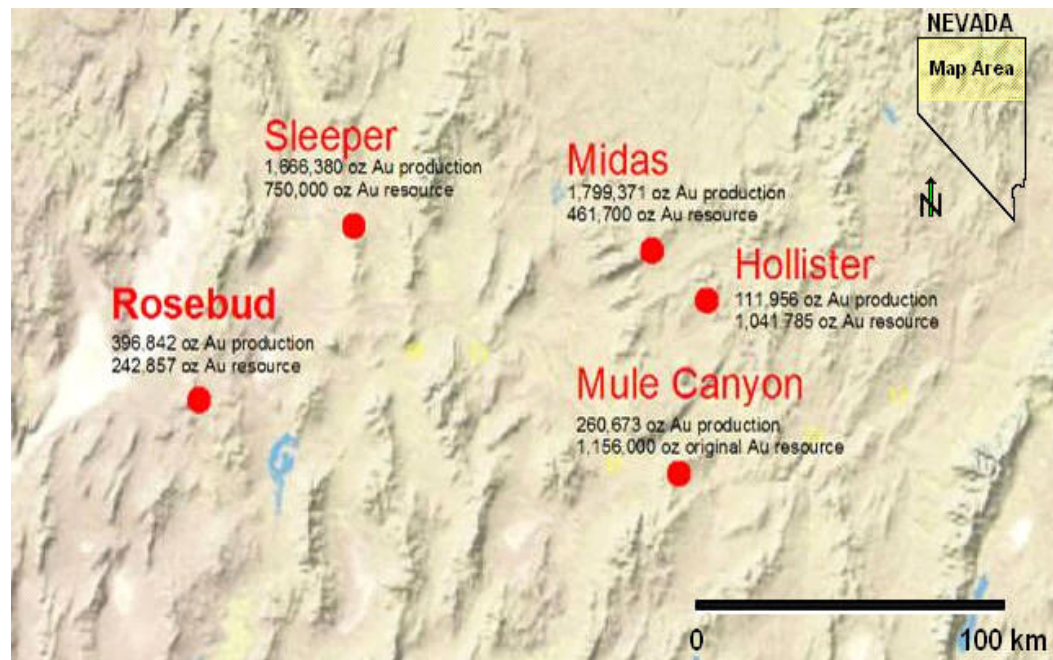


Figure 4: Significant low-sulphidation deposits in north central Nevada.  
(Source: Harvest Gold Corp.)

The following table, taken from the Rosebud Technical Report, offers a comparison of various characteristics of the Rosebud property with important low-sulfidation gold deposits in northern and west-central Nevada.

Deposit	Au oz/t	Au k oz	Age Ma	Mineralization Style	Alteration	Ore Mineralogy (primary)	Gangue Mineralogy	Host rocks
Rosebud	0.452	538	14.7	stockwork & disseminated	argillic propylitic, minor silica	electrum, silver sulfides, selenides, sulfosalts	illite, quartz, calcite, barite, adularia	Miocene-Oligocene rhyolites and volcanics
Hog Ranch	0.036	306	15.2	disseminated, veins, breccias	argillic qtz-adularia	native gold	quartz, adularia, pyrite, marcasite, realgar, stibnite	Miocene rhyolites, lacustrine sediments
Hollister	1.38	827	15.1	disseminated banded veins	argillic silicification	electrum, silver sulfides, selenides	quartz, clay, adularia	Miocene volcanics, Ordovician argillites
Hycroft	0.015	2000	3.9	disseminated, breccias	opal, late acid sulfate	native gold	chalcedony, pyrite, marcasite	Pliocene conglomerate, & volcanics
Midas	0.630	2400	15.3	banded vein	quartz-adularia, argillic	Au, electrum, silver selenides	quartz-adularia,	Miocene volcanics
Mule Cyn	0.112	1433	15.6	stockwork veins, breccia	argillic silicification	electrum, silver sulfides, selenides	quartz, clay, pyrite	Miocene volcanics
Rawhide	0.027	1625	15.7	stockwork & disseminated	potassic, argillic, propylitic	electrum, silver sulfides, selenides, sulfosalts	quartz, adularia, pyrite, illite	Miocene volcanics
Round Mt	0.019	>10000	25.9	stockwork & disseminated	potassic, argillic, propylitic	electrum, silver sulfides, selenides, sulfosalts	quartz, adularia, pyrite, illite	Oligocene volcanics Ordovician argillites
Sleeper	0.030	1680	16.1	stockwork & banded vein	silicification potassic	electrum	quartz-pyrite, adularia, calcite	Miocene volcanics

Several commonalities can be observed between mineralization at the Rosebud property and the comparable projects mentioned above. **We believe this lends credence to the properties exploration potential for defining both bulk mineable mineralization and identifying additional high grade bodies.**

The company's exploration goals include defining additional high grade bodies within the bulk mineable target that will make an open pit mine attractive. **We believe the potential to discover high grade feeder veins at depth is also present, particularly below the high grade chimney of the south zone.**

#### Exploration Targets

In revising the geological model for the property, the company largely used the data set from previous operators to generate 3D models of the deposit and structural controls. In the models, the company identified dilation zones created by local northeast trending strike-slip faults as the controlling factor in the high grade zones. As a result, near term exploration will include testing previously un-drilled areas close to the Rosebud mine where there is high potential for these dilatant zones. Surface exploration completed by the company, particularly the Enzyme-leach soil survey, has also identified property wide targets.

#### Enzyme-leach soil survey

Data from the Enzyme-leach soil survey appears to be strongly correlated to resources identified and mined by previous operators. Figure 5 below superimposes the 0.05 oz/ton gold grade envelope identified by the Rosebud joint venture over the company's recently completed Enzyme-leach soil survey.

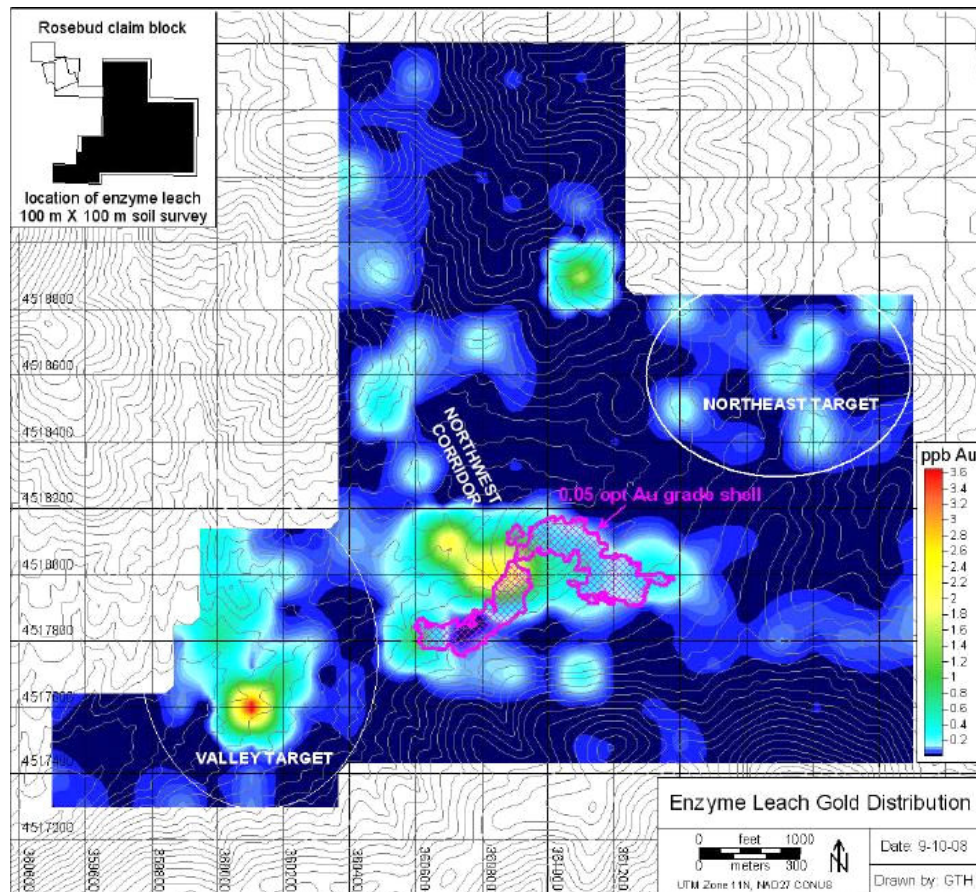


Figure 5: Enzyme leach survey results showing correlation between elevated gold at surface and the 0.05 opt gold grade shell defined by previous operators and the Valley and Northeast targets. (Source: Harvest Gold Corp.)

The correlation between the previously identified mineralization and the geochemical signature is easily seen in Figure 5. In addition the leach survey identified two additional targets to be explored by the company: the Valley Target to the southwest and the Northeast Target. Both targets received only minimal attention from previous operators and we believe they warrant further exploration. The Valley Target in particular holds potential to define low grade bulk mineable mineralization as well as high grade tabular bodies.

**Resource Estimate:** The use of underground mining methods and long distance haul of ore prescribed a high cut-off grade of 0.15 oz/ton gold during operation. As a result the low-grade envelope remains in place. At the closure of the mine, Hecla estimated that remaining resources totaled 6.82 million tons grading 0.036 oz/ton gold and 0.31 oz/ton silver at a 0.01 oz/ton cut-off. This equates to a contained resource of 0.24 million ounces of gold and 2.13 million ounces of silver. **This estimate has not been independently verified according to CIM standards; however due to our confidence in the past operators of the Rosebud Mining Company joint venture and the potential to identify additional mineralization on the property, we will utilize a significant portion of this historic estimate in our valuation.**

**Metallurgy:** The ore from the Rosebud mine is low sulphide (less than 4% total sulphide) and was considered free-milling sulphide ore. Recoveries from processing at the Pinon Mill were around 90%-94% for gold and 60% for silver. The ore was shown to be amenable to cyanide extraction. While the same process may not be utilized at Rosebud in the future, should an economic deposit be defined and mined (for example, should heap leaching prove more viable), **we would anticipate that the ore characteristics would still result in optimal recoveries.**

**Current Status:** The company recently announced (May 20, 2010) the commencement of a drill program at Rosebud that will be comprised of nine to 11 reverse circulation holes totaling approximately 10,500 feet (3,200 meters). This is the first drill program to be completed by the company on the property and will test for: high grade targets within the bulk tonnage low grade halo; extensions of the bulk tonnage halo; and, high grade feeder veins within the basement rocks below known high grade chimneys.

**Development Timeline:** The results of the ongoing drill program will largely determine how the company proceeds with the project. A successful drill program (regarding the goals mentioned above under *Current Status*) would likely lead to a larger more aggressive program that would potentially bring the historic resource to NI 43-101 standards while also testing property wide targets.

One thing to note is that the management is a team of explorers and so we expect the ultimate goal for the project would be to define a sizeable deposit and then look to bring in a partner with mining experience or sell the project outright.

## ***Management***

### **Rick Mark, BA(Ed), M.Ed (Admin) – CEO and Chairman, Director**

Mr. Mark has over 22 years experience in the public market place. His leadership positions in various organizations over the last 35 years provides the company with experience in developing short and long term corporate goals, securing financings, building cost-effective property development plans, creating effective communication platforms and managing regulatory functions.

### **Greg Hill, M.Sc., CPG – President, Harvest Gold Corp. (US)**

Greg has worked 19 years in the exploration business for major and junior mining companies, primarily in Nevada. This experience includes exploration and development at major mines in the Carlin and Battle Mountain - Eureka gold belts, where he was directly involved with the expansion of gold resources and discovery of two new deposits, one of which was subsequently mined. For the past twelve years, he has conducted generative exploration in the western US and has consulted for exploration companies with projects located in North and South America, Australia, Africa, and Europe. Greg is President of Harvest Gold Corporation (US) and a past President and Director of the Geological Society of Nevada.

### **John A. Roozendaal, B.Sc. Geology – President, Director**

Mr. Roozendaal has been involved with the mineral exploration industry for over 17 years focusing on precious, base and specialty metal exploration projects in North America. Mr.

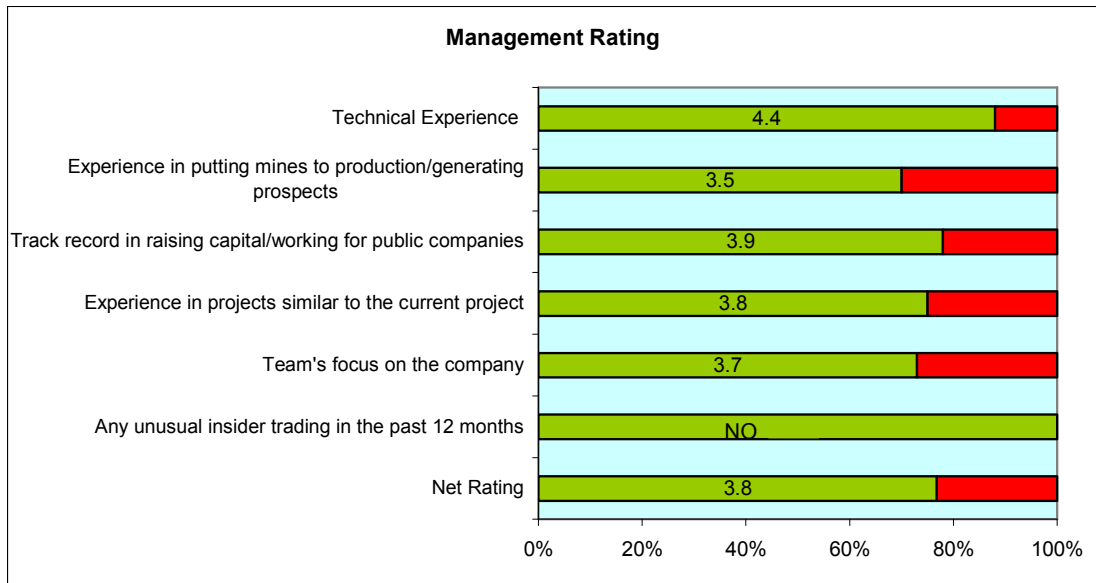
Roozendaal remains in the planning and execution of the Companies field activities in addition to the day to day affairs of the Company. Mr. Roozendaal has experience with various aspects of corporate governance through his involvement with private, public and governmental boards of directors.

**Robert Cuffney, B.Sc., M.Sc. – Director**

Mr. Cuffney is an exploration geologist with more than 30 years of diverse experience in exploration and development of precious metals, base metals, coal and uranium deposits in North America and Asia. He brings an in-depth knowledge of epithermal gold deposits of Nevada, based on more than 20 years working in the region for a variety of major and junior companies including Newmont Mining, Exxon Minerals, and White Knight Resources.

**Management Rating**

We believe that one of the most important aspects of a junior mining company is its management. Therefore we have developed a management rating system as a quantitative way to rate management based on a number of factors, including technical experience, the ability to raise financing, and the management’s time commitment to the company. We also analyzed trading records to identify for evidence of unusual trading by management. **Our net rating for Harvest Gold (see below) is 3.8 out of 5.0, which we have rated "Above Average". The company has extensive technical experience.**



**Strength of Board**

We believe that the Board of Directors of a company should include independent or unrelated directors who are free of any relationships or business that could materially interfere with the director’s ability to act in the best interest of the company. An unrelated/independent director can be a shareholder.

In this section, we present our strength of board rating for Harvest Gold Corp., which uses information available from the company’s annual “Management Information Circular” to ensure that the company has an independent Board of Directors, Audit Committee and Compensation Committee.

Harvest Gold's Board of Directors is made up of six individuals: Richard Mark, John Roozendaal, George Gale, Robert Cuffney, Evan Sleeman, Jay Butterworth. None of the directors have filed for personal bankruptcy. All of the six directors hold shares in the company. Robert Cuffney and Jay Butterworth are independent directors. The other four directors are related/non-independent directors of the company and receive compensation. The Compensation Committee is composed of all the directors of the company, and the Audit Committee is composed of Rick Mark, Jay Butterworth, and Evan Sleeman.

### **Financials**

At the end of December 2009, the company had \$0.21 million in cash. The working capital deficit was \$0.03 million. The company reported a net loss of \$2.14 million (EPS: -\$0.05) in the first nine months of FY2010 (ended December 2009). We estimate the company had a burn rate (spending on operations and exploration) of \$0.03 million per month in the first nine months of FY2010, versus \$0.10 million in FY2009 (12 month period). The table below shows a summary of the company's cash and liquidity position.

(in C\$)	Dec-09	Mar-09
Working Capital	(32,243)	350,810
Current Ratio	0.87	3.32
Monthly Burn Rate (incl. exploration)	(33,309)	(95,122)
LT Debt / Assets	-	-
Cash from Financing Activities	-	-

**Subsequent financing:** On April 22, 2010, the company closed a private placement of 13 million units at a price of \$0.10 per unit for gross proceeds of \$1.3 million. Each unit is comprised of one common share and one share purchase warrant. The warrants have a two-year contractual life and an exercise price of \$0.20 per share.

**Stock Options and Warrants:** At the end of December 2009, the company had 4.43 million stock options (weighted average exercise price - \$0.12) and nil warrants outstanding. All the outstanding options are currently in the money. The company can raise up to \$0.53 million if all these options are exercised.

**The company is now in a sound cash position, and we do not foresee any need for another financing in the next six months.**

### **Valuation and Rating**

As the historic resource estimate at the Rosebud property is too small to make a production decision, we have not applied Discounted Cash Flow (DCF) or real options models to evaluate the project. We valued the project based on the average Enterprise Value (EV) to gold equivalent resource of its peers. As shown in the following table, the average EV/resource ratio is \$41/oz; which gave a value of \$0.19 per share on Rosebud's historic resources.

	<b>Company</b>	<b>EV / Resources (Au. Eq.)</b>
1	Sona Resources Corporation	\$63.0
2	Golden Band Resources Inc.	\$62.5
3	Silverado Gold Mines Ltd.	\$35.6
4	Sutter Gold Mining Inc	\$23.3
5	NioGold Mining Corporation	\$22.4
	<b>Average EV / Resources (\$/oz)</b>	<b>\$41.3</b>
	<b>Fair Value of Rosebud (\$)</b>	<b>\$0.19</b>

\* Resources include all measured and indicated, and half of inferred and historical resources

We typically discount historic resources by 50% or more, for conservatism, in our valuation models. However, we accounted for 100% of Rosebud's historic resources in our model because of our confidence in the estimate and the likelihood of identifying additional mineralization on the property.

Adding working capital and the book value of the company's other projects to our fair value estimate on the Rosebud property, we arrived at a fair value of \$0.27 per share on the company.

<b>Valuation Summary</b>	<b>Value</b>	<b>VPS</b>
Rosebud property	\$11,278,376	\$0.19
Book value of other projects	\$3,392,696	\$0.06
Estd. working capital	\$956,214	\$0.02
<b>Net Fair Value</b>	<b>\$15,627,286</b>	<b>\$0.27</b>

**We initiate coverage on HVG with a BUY rating and a fair value of \$0.30 per share.**

### **Risks**

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

- The company currently has no operating mines.
- The value of the company depends heavily on commodity prices (gold and silver).
- Access to capital and share dilution.
- The success of drilling, project development and resource identification and expansion are important long term success factors for these early projects.

**We rate the company's shares a RISK of 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.**Disclaimers and Disclosure**

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