

### Lovitt Resources Ltd. (TSXV: LRC) – Company Acquires Additional Historic Drill and Krig Data for Lovitt Gold Mine

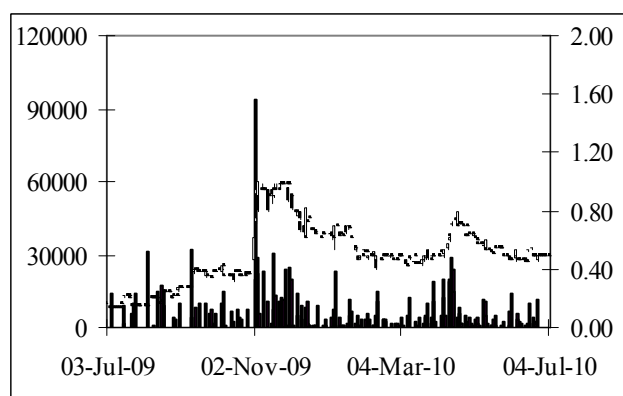
Sector/Industry: Junior Exploration/Mining

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

#### Market Data (as of July 7, 2010)

Current Price	C\$0.45
Fair Value	C\$3.00
Rating*	BUY
Risk*	5 (Highly Spec)
52 Week Range	C\$0.14 – C\$1.35
Shares O/S	6.41 mm
Market Cap	C\$2.89 mm
Current Yield	N/A
P/E (forward)	N/A
P/B	-3.20
YoY Return	221.4%
YoY TSXV	26.6%

\*see back of report for rating and risk definitions



#### Acquisition of Historic Data

The company recently acquired additional historic data relating to the Lovitt Gold Mine in Wenatchee, WA. The data includes a set of Krig diagrams generated by Asamera Minerals Inc. based on underground drilling, surface drilling and underground sampling completed by several previous operators. The Krigs were generated by Asamera during a program to define an open pit resource and utilized dimensions of 20 ft by 20 ft by 50 ft per Krig block (approximately 6 by 6 by 15 meters). The Krig diagrams (35 sections in total) indicate mineralization over a vertical distance of 500 feet (152 meters) and width of 600 feet (183 meters) including two distinct high grade blocks.

Block 1 is situated within the first 700 feet of the 1250 portal. Initial calculations by the company propose that Block 1 contains 257,180 tons of 0.205 oz/ton (7.02 g/t) gold while Block 2 contains 131,761 tons of 0.208 oz/ton (7.12 g/t) gold equating to a total of 80,193 contained ounces – a cut-off grade of 0.115 oz/ton was used. Note that these estimates (which we believe are within the historic resource estimate discussed in our previous reports) are for only a small portion of the known mineralization at the Lovitt Gold Mine and the company's land package on the whole. **We believe this newly acquired data confirms the potential of the company's properties to host significantly greater amounts of high grade gold mineralization. In addition, the diagrams show that the two high grade blocks are bordered by underground development which may benefit their development.**

*Drill Program Planned at Lovitt Gold Mine*

The company remains in the planning stage of a drill program to be performed from the company's patented claims covering the Lovitt Gold Mine. We believe the drill and Krig data discussed above will greatly increase the company's probability of success in the program. The program will focus on areas with significant historical data which will expedite the development of an NI 43-101 resource estimate.

*Financials*

At the end of March 2010, the company had US\$1,441 in cash. Working capital deficiency was US\$0.89 million. The company also had long-term debt of \$0.91 million. LRC reported a net loss of US\$0.07 million (EPS: -\$0.01) for the first three months of FY2010 (EPS: -US\$0.01). We estimate the company had a monthly burn rate (spending on operations and investing activities) of US\$0.02 million/month for the three-month period ended March 2010, in line with the average monthly burn rate in FY2009 (12 month period ended December 2009). The following table shows the company's current cash and liquidity position:

(in US\$)	2008	2009	2010 (3mo)
Cash	4,417	3,544	1,441
Working Capital	(609,006)	(788,659)	(889,176)
Current Ratio	0.01	0.02	0.01
LT Debt / Assets	0.91	1.03	1.00
Cash from Financing Activities	24,346	184,378	18,078
Monthly Burn Rate (incl. exploration)	(40,223)	(29,284)	(23,798)

Note that the company also has a house and a cold storage building listed for sale, which management estimates has a market value of US\$0.56 million.

*Subsequent Financing*

Subsequent to Q1-2010, the company received \$0.54 million from a private placement of 1.2 million units. Each unit consisted of one common share and one non-transferable share purchase warrant (exercise price: \$0.50; maturity: one year).

*Options and Warrants*

As of April 20, 2010, the company had 1.2 million stock purchase warrants (exercise price - \$0.50) and no outstanding options.

*Valuation*

Our valuation on the company increased from \$3.00 to \$3.18 per share, as we raised our long-term gold price forecast from US\$750/oz, to US\$900/oz, offset by an increase in the number of outstanding shares (as a result of the recent equity financing).

Valuation Summary	Revised	Previous
DCF	\$3.46	\$2.61
Real Options	\$3.65	\$3.14
Comparables	\$2.41	\$3.24
<b>Average</b>	<b>\$3.18</b>	<b>\$3.00</b>

Our comparables valuation dropped due to share dilution and as the average Enterprise Value (EV) to resource ratio of the company's peers dropped from \$43.1/oz, to \$40.2/oz.

The following table shows the sensitivity of our valuation (average of DCF, real options and comparables) to changes in our long-term gold price and discount rate assumptions.

		Discount Rate		
		8%	11.5%	15%
<b>Gold Price (US\$/oz)</b>	<b>\$700</b>	\$1.44	\$1.18	\$0.98
	<b>\$800</b>	\$2.62	\$2.15	\$1.77
	<b>\$900</b>	\$3.85	<b>\$3.18</b>	\$2.63
	<b>\$1,000</b>	\$5.09	\$4.22	\$3.51
	<b>\$1,100</b>	\$6.34	\$5.27	\$4.40
	<b>\$1,200</b>	\$7.59	\$6.32	\$5.29

**Conclusion and Rating:** Although our valuation on the company increased from \$3.00 to \$3.18 per share, we have **maintained our fair value estimate at \$3.00 per share and BUY rating (Risk 5: Highly Speculative)**. This is because, we believe, the company will have to pursue another equity financing later this year (due to its working capital deficit and long-term debt of \$0.91 million which is due in 2011) - an equity financing would lead to share dilution and lower our valuation on the company (assuming the financing is completed at a price lower than our current valuation of \$3.18 per share).

**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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