

Lovitt Resources Ltd. (TSXV: LRC) – Initiating Coverage - Reviving a Historical Gold Producer in Washington State

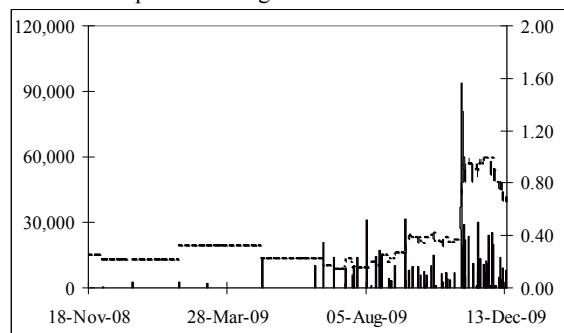
Sector/Industry: Junior Exploration/Mining

www.lovittresources.com

Market Data (as of December 15, 2009)

Current Price	C\$0.62
Fair Value	C\$3.00
Rating*	BUY
Risk*	5 (Highly Spec)
52 Week Range	C\$0.14 - C\$1.35
Shares O/S	5.19 mm
Market Cap	C\$3.22 mm
Current Yield	N/A
P/E (forward)	N/A
P/B	-4.27
YoY Return	148.0%
YoY TSXV	98.4%

*see back of report for rating and risk definitions



Investment Highlights

- Lovitt Resources Ltd. (“Lovitt”, “LRC”, “the company”) is a Vancouver, British Columbia based exploration company focused on quickly building a significant gold resource inventory at their flagship property located in Central Washington State.
- The Lovitt Project is composed of the Lovitt and Matthews properties. The Lovitt property hosts the past producing Lovitt Mine, which historically produced over 0.4 Moz of gold, and has a historic resource estimate of approximately 0.4 Moz.
- At the end of Q3-2009 (quarter ended September 2009), the company had US\$77,424 in cash. Its working capital deficit was US\$0.68 million.
- The company is currently in the process of raising additional capital through equity financings and the sale of its non-mining assets.
- We estimate LRC’s current enterprise value to resource ratio (based on LRC’s historic resource estimates) is just \$10/oz, versus an average of \$41/oz for its peers.

Risk

- The company does not currently have a NI 43-101 compliant resource estimate.
- The company’s value is dependent on gold prices and the success of drilling, project development and resource delineation.
- Access to capital and share dilution.

Key Financial Data (FYE - Dec 31)

(US\$)	2008	2009 (9 mo)
Cash	4,417	77,424
Working Capital	(609,006)	(681,737)
Mineral Assets	88,465	138,012
Total Assets	852,689	871,100
Net Income	(192,434)	(216,469)
EPS	(0.04)	(0.04)

Note: An FRC analyst has visited LRC’s property in the past 12 months; see the back of this report for additional disclosures

Lovitt Resources Ltd. is a junior exploration company focusing its exploration and development efforts in the Wenatchee Gold Belt located in Central Washington State. The company’s flagship property is the Lovitt Mine Property located just outside of Wenatchee, WA.

**Company
Overview**

Lovitt Resources is a TSX Venture-listed gold exploration company with its flagship property in central Washington State. The Lovitt Project, located just outside the Wenatchee city limits, hosts the past producing Lovitt Mine, and under-explored, but promising, Matthews Property. The company is seeking to quickly build a significant NI 43-101 compliant resource on the project and potentially begin production with toll processing of pre-blasted ore. The company also holds significant non-mining assets which it has put up for sale in order to fund further exploration of the flagship property.

**Corporate
History**

Lovitt Resources Inc. was incorporated as Grange Gold Corporation in 1979. In 1984, the Company acquired a 26.5% interest in the Lovitt Mining Company (LMC) of Wenatchee, WA. In 1982, Breakwater Resources Ltd. (TSX: BWR), a Vancouver based public company, took control of what became the Cannon Mine in the mining claims to the north and adjoining the Lovitt Mining Company mineral properties. Grange increased its shareholding to 50% in 1986, and to 100% in 2003.

In 2005, Grange Gold changed its name to Lovitt Nutriceutical Corporation (LNC) because the majority of its revenues at that time came from the health food industry. The company owned and managed apple and pear orchards, and had a minority position in an apple cider venture. In 2008, LNC changed its name to Lovitt Resources Inc., and began selling its non-mining assets to open and begin development of the Lovitt Mine. The company believes it currently has non-mining assets (real estate and equipment) with a market value of US\$1 million for sale to fund exploration and development activity into mid 2010.

Lovitt Project

Project Overview: The Lovitt project, located in Central Washington State, USA, is comprised of the Lovitt property and the Matthews property. The Lovitt property hosts the past producing Lovitt Mine, which is also commonly known as the D-Reef or L-D Mine. The Lovitt Mine produced approximately 0.4 Moz of gold from 1950 to 1967. A historic resource for the Lovitt mine projects that upwards of 0.4 Moz of gold remains in the mine. In addition, during our site visit, we observed extensive areas of blasted and crushed rock that may potentially be of ore grade. The Matthews property is located 1.5 miles (2.4 km) south of the Lovitt property. Past exploration on the property returned significant gold results in approximately 75% of the holes drilled.

Infrastructure in the area is strong and the project incorporates two patented mining claims which will ease the permitting process. Exploration on the properties will be bolstered by the substantial amount of underground infrastructure remaining from previous operations. The ease of access to the property was clear during the site visit. We accessed the property via a short driveway immediately off the paved Squilachuck Canyon Road. Access to underground workings was found approximately 100 meters from Squilachuck Canyon Road.

Ownership:**Lovitt Property**

Of the 248 claims that compose the Lovitt property, the company holds 100% interest in 114, and 70% interest in the remaining 134. The Lovitt family and associates hold the remaining 30% interest.

Matthews Property

On November 16, 2009, the company announced they entered a lease pertaining to the 155 acre (62.7 ha) Matthews Lease which lies approximately 1.5 miles (2.4 km) southeast of the Lovitt Gold Mine. The lease will be in effect for 15 years, and the company has the option to purchase the property at anytime in the first 7.5 years for US\$5 million. The lease terms call for the immediate issuance of 60,000 shares of the company, plus a payment of US\$15,000 on or before January 5, 2010. An advance minimum royalty payment of US\$20,000 is due November 1, 2011. A similar payment of \$30,000 is due on November 1, 2012, and every year thereafter for the life of the lease.

It is important to note that the two patented claims, MacBeth and Gold King, are among the 100% owned claims, and host the D reef from which the Lovitt Gold Mine produced. The ownership will likely prove beneficial should the company use them to access the Matthews property.

Location/Accessibility/Infrastructure:

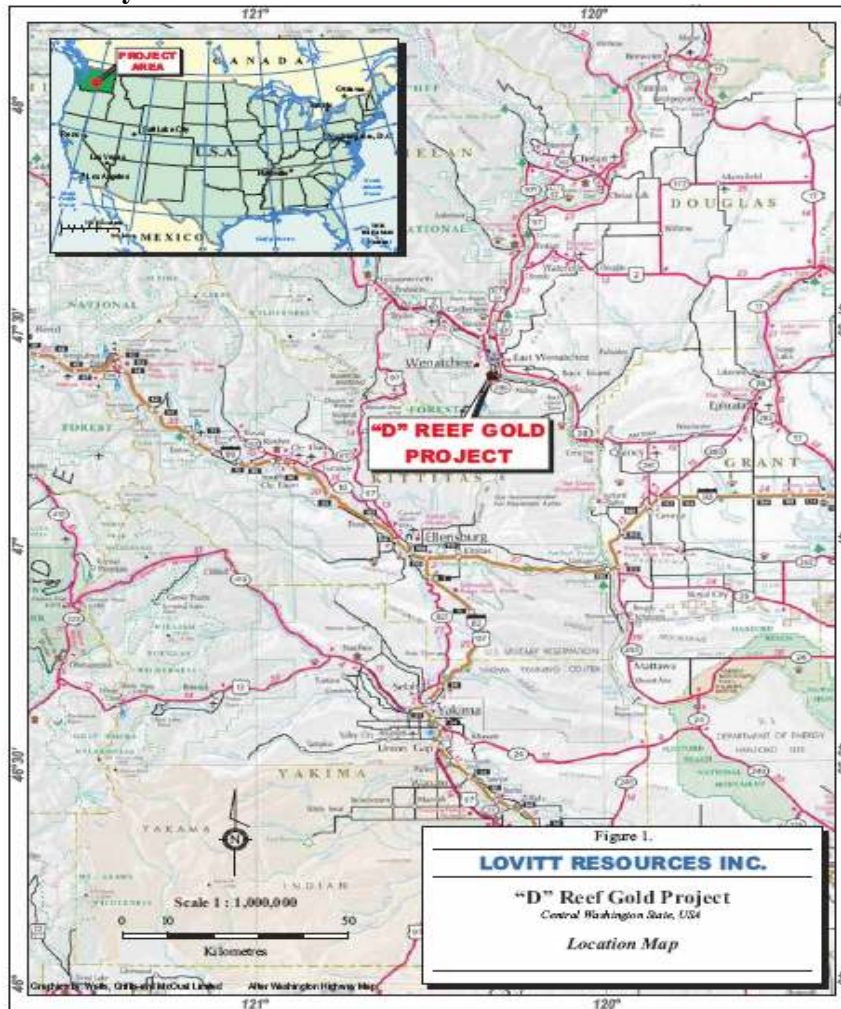


Figure 1: Lovitt Project Location (Source: Lovitt Resources Ltd.)

The properties are located on the southern city limits of the city of Wenatchee, WA, a city which hosts a metro population of approximately 40,000. During our site visit, we observed the ease of access to the property as it lies just off the Squilchuck Canyon Road. Access within the property is by dirt mining/exploration roads.

Kinross Gold Corporation's ("Kinross" TSX: K) Buckhorn Mountain mine, located approximately 100 km north of the company's Lovitt project, currently has excess processing capacity. There is a possibility the company can utilize this excess capacity to toll process ore taken from the Lovitt mine.

Historic Exploration/Production:

Lovitt

- Gold was first discovered in the area by a Pacific Railway exploration crew in 1855.
- First known mining activity took place in the 1860's by Chinese miners working up in the Squilchuck Canyon.
- Between 1885 and 1911, a total of 27,433 tonnes of gold-bearing silica grading 13 g Au/t to 37 g Au/t were produced.
- Wanatchee Mining Partnership, and later Lovitt-Day Mine companies, produced 0.41 million ounces of gold from 1949 to 1967 from the Lovitt Mine.
- Cyprus Exploration Company performed exploration in the area between 1974-1976, by completing 18 diamond drill holes.
- Teck explored the property between 1986 and 1987, and completed 19 drill holes in the vicinity and north of Block 3.

Asamera Minerals Inc. spent several millions exploring the Lovitt Mine property between 1985 and 1996. Other well-known mining companies explored the Lovitt Mine after operations were suspended, including Cyprus Anvil, United Mining, Newmont Mining Corp. (TSX: NMC) and Tenneco. The data assembled by these companies is a major asset of Lovitt Resources Inc.

Lovitt Historical Resource Estimate:

1990 HISTORICAL "D" REEF RESOURCE ESTIMATE, 1990						
Block	Tons	Gold Grade	Cutoff Gold	Contained Gold	Company	Year
	(tonnes)	oz/T (g/t)	oz/T (g/t)	oz (kg)		
1 & 2E	2,291,669 (2,078,967)	0.097 (3.33)	0.04 (1.36)	223,022 (6,914.91)	Asamera	1990
2W & 3	1,000,000 (907,184)	0.19 (6.51)	0.10 (3.43)	190,000 (5,905.76)	WGM	1988
Total	3,291,000 (2,986,151)		0.125 (4.29)	413,522 (12,820.67)		

(Burgoyne, 1996 and WGM, 1988)

Matthews

In 1987-88, Asamera Minerals Ltd first explored the property by drilling 35 core holes totaling 76,855 ft (23,425 m). Consolidated Ramrod Gold Corporation drilled 12 additional

diamond drill holes totaling 26,304 ft. (8,017 m) in 1992-1993. Over 75% of the drill holes contained significant gold intersections.

Results of Previous Exploration

Hole	From (ft)	To (ft)	Length (ft)	Gold (oz/ton)	Gold (g/t)
MAT 2	1730	1745	15	0.154	5.28
MAT 2	1845	1850	5	0.159	5.45
MAT 4	2005	2030	25	0.272	9.33
MAT 7	1590	1600	10	1.300	44.59
MAT 7	2485	2490	5	0.175	6.00
MAT 8	1790	1840	50	0.177	6.07
MAT 8	1965	1970	5	0.168	5.76
MAT 13	1775	1815	40	0.338	11.59
MAT 14	1755	1760	5	0.195	6.69
MAT 17	2015	2030	15	0.107	3.67
MAT 20	1770	1800	30	1.357	46.55
MAT 20A	1800	1815	15	0.320	10.98
MAT 25	1595	1600	5	0.139	4.77
MAT 25	1630	1635	5	0.345	11.83
MAT 93-1	1865	1905	40	0.229	7.85
MAT 93-3	1840	1845	5	0.184	6.31
MAT 93-6	1655	1685	30	0.121	4.15
MAT 94-8	2535	2540	5	0.108	3.70
MAT 94-8	1630	1650	20	0.113	3.88
MAT 94-8	1720	1730	10	0.225	7.72
MAT 94-8	1760	1765	5	0.530	18.18
MAT 94-10	1855	1880	25	0.119	4.08
MAT 94-10	1925	1995	70	0.207	7.10
MAT 94-10	2050	2060	10	0.160	5.49
MAT 94-10A	1835	1840	5	0.113	3.88
MAT 94-10A	1945	1970	25	0.486	16.67
MAT 94-11	2040	2055	15	0.116	3.98

Figure 2: Highlight drill results from past programs on Matthews (Source: Lovitt Resources Ltd.)

Lovitt Resources Exploration: The historical production at the Lovitt mine has left the company with a significant amount of underground infrastructure. Many areas of the mine are currently accessible. The company has utilized this advantage and initiated underground sampling programs.

An interesting aspect to note is that due to the stoppage of production on short notice (in 1967), due to low gold prices, a great deal of pre-crushed and mucked ore remains in the mine ready to be processed. **In fact, during our site visit, we observed multiple areas of potentially ore grade material piled below stopping drop chutes.**



*Figure 3: Potentially ore grade material ready to be mucked.
(Source: Lovitt Resources Ltd.)*

Currently, one of the primary areas of interest is the I-49 stope, which Watts, Griffis and McOuat Consulting Geologists and Engineers, the author of Lovitt's NI 43-101 technical report, estimates **contains upwards of 50,000 tonnes of blasted rock**. The pile of blasted rock was accessed and sampled in September 2009, **returning average grades of 7.09 g/ton Au and 15.9 g/ton Ag**. The company is looking to access the 1150 level, which cuts directly below the I-49, and drill test the blasted material.



*Figure 4: Standing on the broken rock in the I-49 stope.
(Source: Lovitt Resources Ltd.)*

Geology and Mineralization:

The Wenatchee area is located in the northwest margin of the Columbia basin, situated on the eastern side of the Cascade mountains.

Like many epithermal gold deposits, the project's mineralization is characterized by district scale extension. In this case, the primary structure being the Chiwaukum graben, a strike-slip basin defined to the east by the Entiat Fault zone, and to the west by the Leavenworth Fault Zone. The extensional environment facilitated the emplacement of magma at lower levels, and hydrothermal fluids at higher levels, leading to heavy silicification of the local metasediments and meta-volcanics.

The Lovitt and Matthews properties lie within a 2 km section of the linear Wenatchee Gold Belt (WGB), a southeast striking belt known to host multiple zones of high-grade gold-silver deposits. These zones, commonly referred to as “reefs” in technical literature, appear to repeat several times over the 2 km section. Two of these reefs, the D-reef (Lovitt Mine) and the B-reef (Cannon Mine), have been historically produced from.

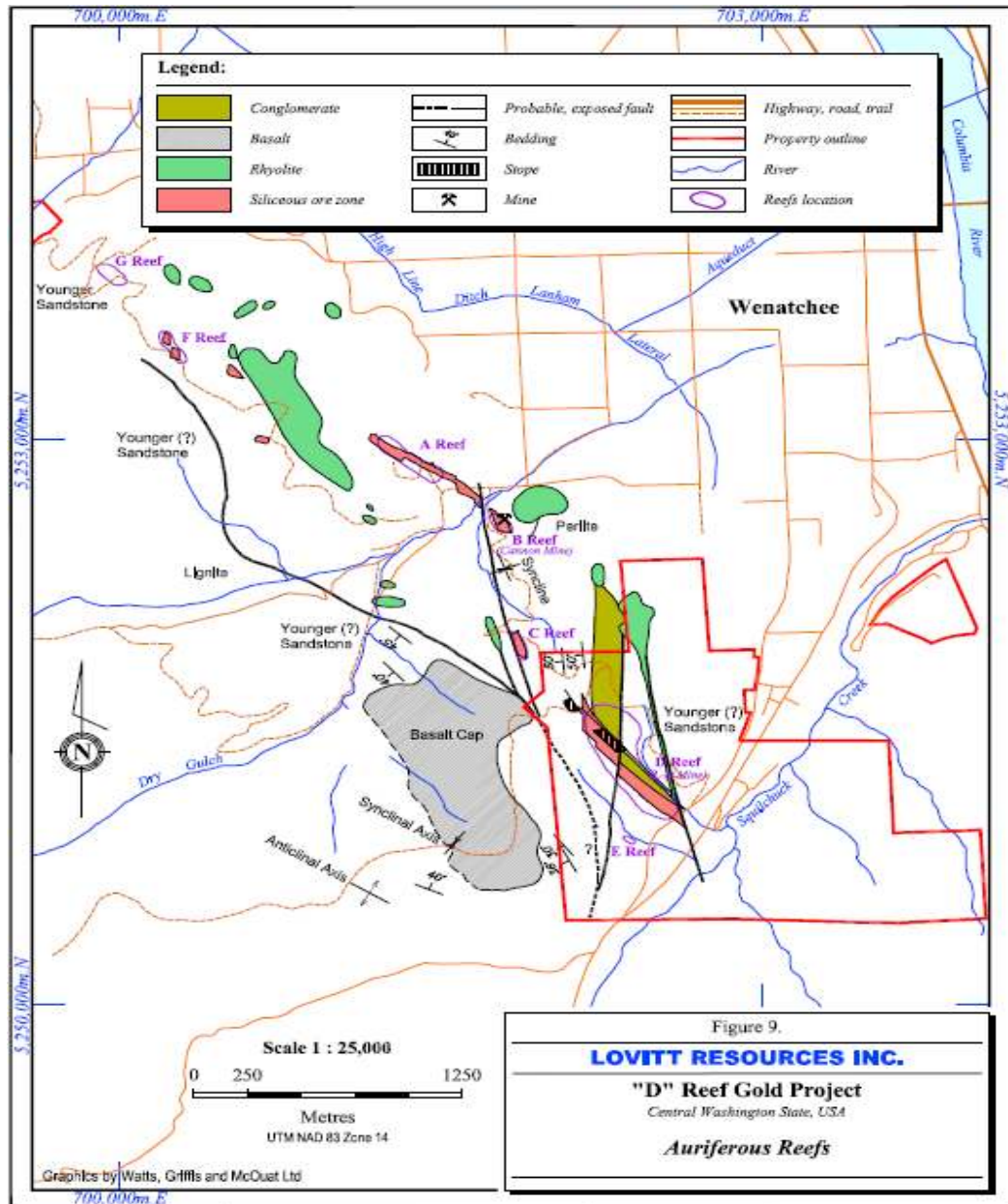


Figure 5: Mineralized Reefs proximal to the company’s project (Source: Lovitt Resources Ltd.)

The Matthews property is situated at the southeast end of the WGB approximately 1.5 miles (2.4 km) to the southeast of the past producing Lovitt Mine. The Cannon mine, which historically produced 1.2 million ounces of gold at an average of 0.29 oz/ton, lies in a Northwest direction from the Lovitt Mine.

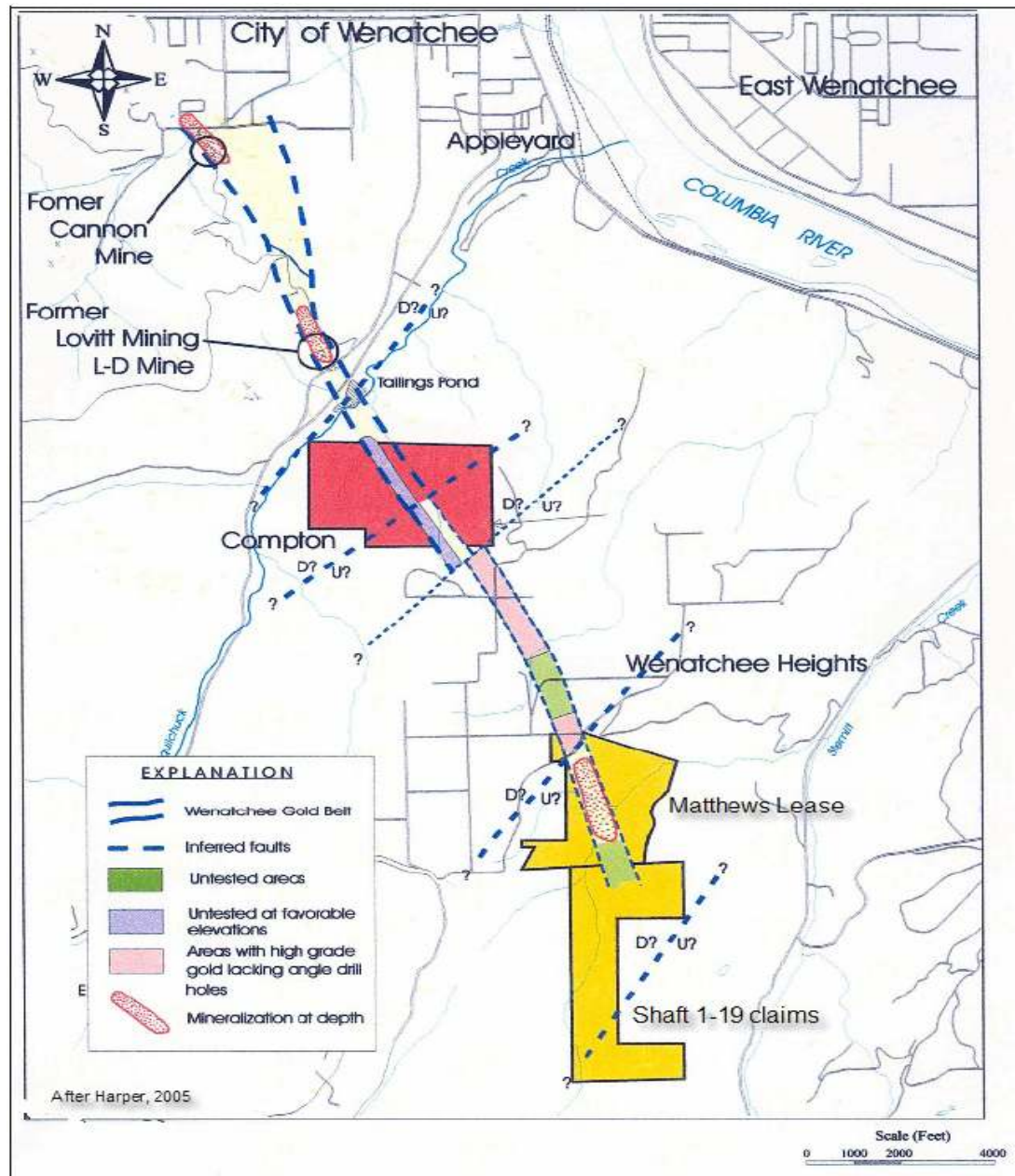


Figure 6: The Wenatchee Gold Belt (Source: Lovitt Resources Ltd.)

At both the Cannon and Lovitt mines, past production came from a series of lenses of high grade mineralization within much larger envelopes of alteration. Occasionally, larger high grade pockets were discovered such as Nellie’s room at the Lovitt mine. Historic records state that Nellie’s room measured 15x15x20 feet and contained ore grading several ounces.

Gold mineralization at Cannon, Lovitt and Matthews (evidenced by drill core), is all strongly associated with an extensive zone of silicification hosting silicified zones of sediment-hosted and felsic intrusive-hosted gold mineralization. The mineralization is considered classic low-sulphide adularia type epithermal gold-silver deposits.

Geological Potential

In addition to the previously blasted ore currently sitting in drop chutes and stopes, the Lovitt mine still holds exploration potential at depth as it has only seen very minimal exploration drilling at depth.

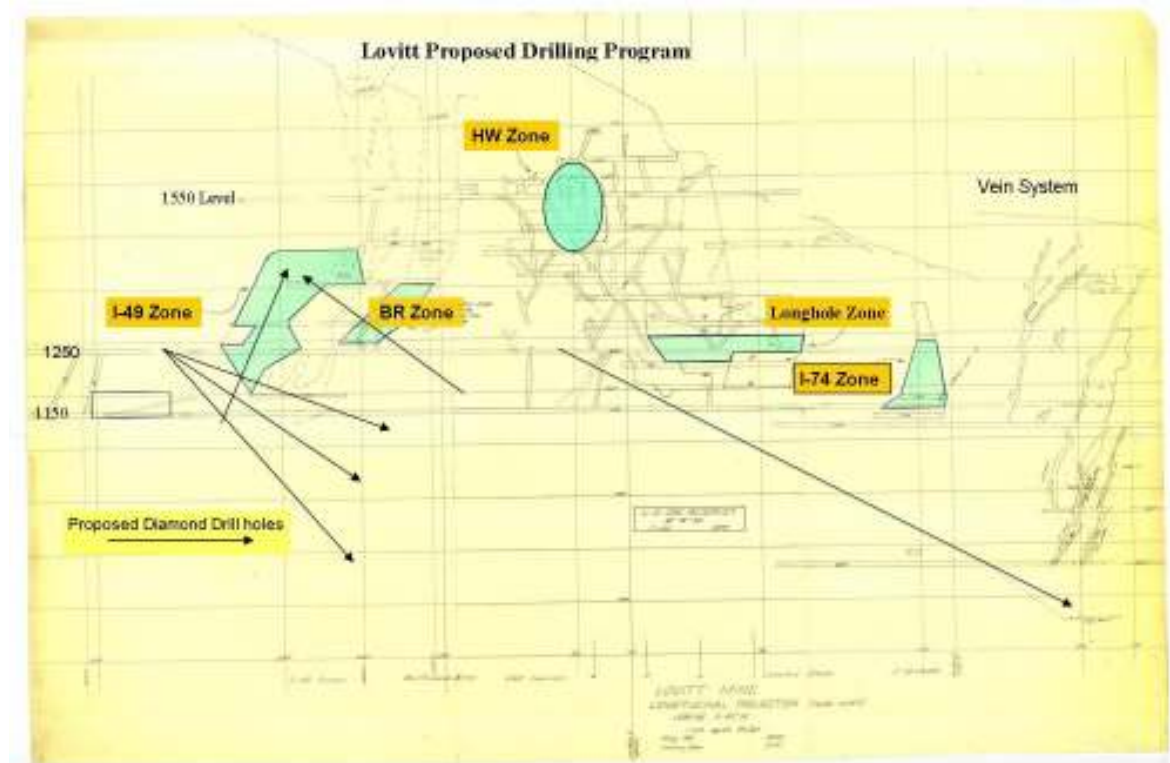


Figure 7: Digitized longitudinal cross section of the Lovitt mine showing areas of interest and proposed drill holes that will test the deposit at depth. (Source: Lovitt Resources Ltd.)

Of the two properties, we believe, the Matthews property perhaps holds the most upside exploration potential. The area explored on the Matthews property to date has dimensions of approximately 1,500 x 700 feet (approximately 450 x 230 meters) over a vertical distance of 700 feet. Approximately 75% of the drill holes on this section contained significant gold intersections. Also of importance is the high grade intersected by many of the historic drill holes – for example, MAT 4 intersected 25 feet of 0.272 oz/ton (7.62 m @ 9.33 g/t) gold, and MAT 20 intersected 30 feet of 1.357 oz/ton (9.1 m @ 46.55 g/t).

The similarities between zones of gold production at the Cannon and Lovitt mines to the mineralization encountered through surface drilling at the Matthews property supplements the property’s potential to host a mineable deposit. **A summary of the factors which highlight the potential for the Matthews property follows below:**

- **Two mineable deposits** already exploited in the WGB (Cannon and Lovitt)
 - These two deposits had average production/resources of around 1 Moz (Cannon produced 1.2 Moz, Lovitt produced 0.42 Moz, has a 0.4 Moz historical resource estimate and remains open at depth)

- Literature from experienced geologists indicates **further gold potential at depth.**
 - Mineralization at Matthews essentially remains open in all directions.
- **75% of drill holes completed over an approximately 450 meter by 230 meter area returned significant gold intercepts**
- **Several gold intercepts have been high grade over substantial widths**
- Historic drill spacing of up to 150 meters, most of which were vertical, means that **additional high grade lenses similar to those mined at Cannon and Lovitt are likely to have been missed.**

Figure 8 below shows a plan view of drill holes completed on the Matthews property. Note the irregular pattern that still managed to hit significant mineralization in 75% of the drill holes. Also of note are the significant areas that still remain untested.

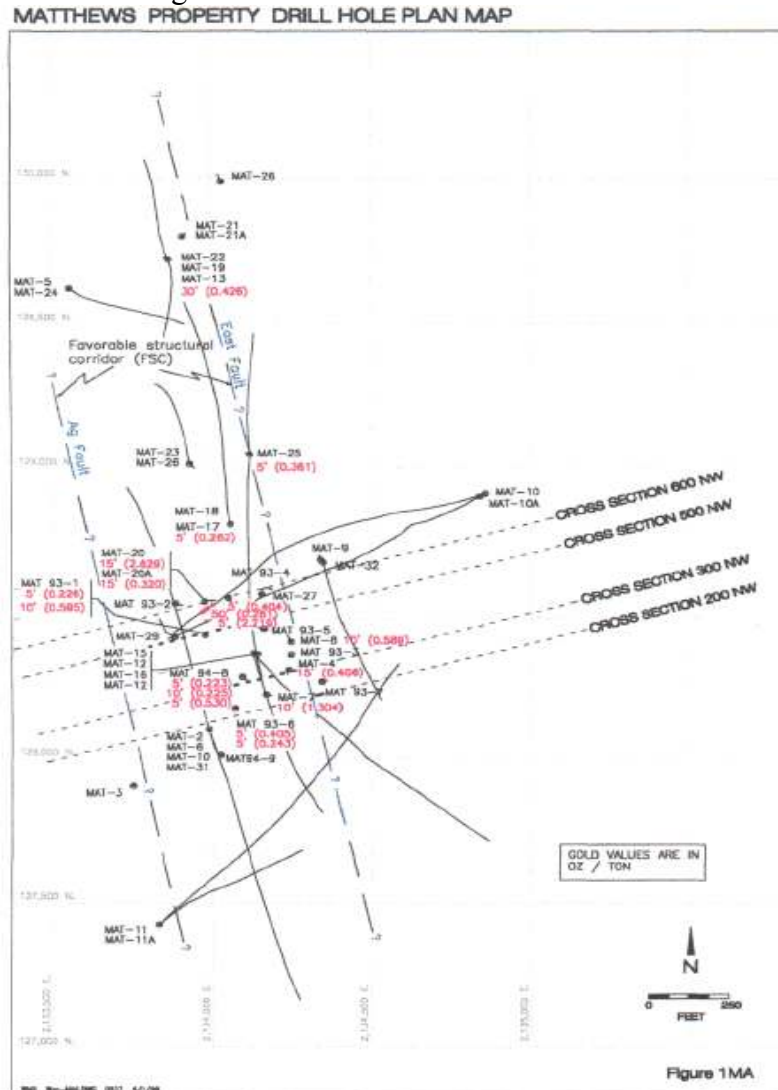


Figure 8: Drill hole location on the Matthews property (Source: Lovitt Resources Ltd.)

Figure 9 is an interpreted cross section of mineralization at the Matthews property on Section 200 NW (from Figure 8). Note the insert of the Cannon Mine mineralization which

represents 47% of that ore body. **To put in perspective, compare the Cannon Mine’s dimensions – 800 feet long by 400 feet wide by 200 feet in height (244 meters x 122 meters x 61 meters) – to those of the Matthews’ dimensions indicated by past drilling.** We believe the mineralization at the Matthews could be argued to potentially contain similar amounts, if not more gold ounces than the Cannon Mine. Further exploration is certainly required; however, these two images certainly show the potential of the Matthews property.

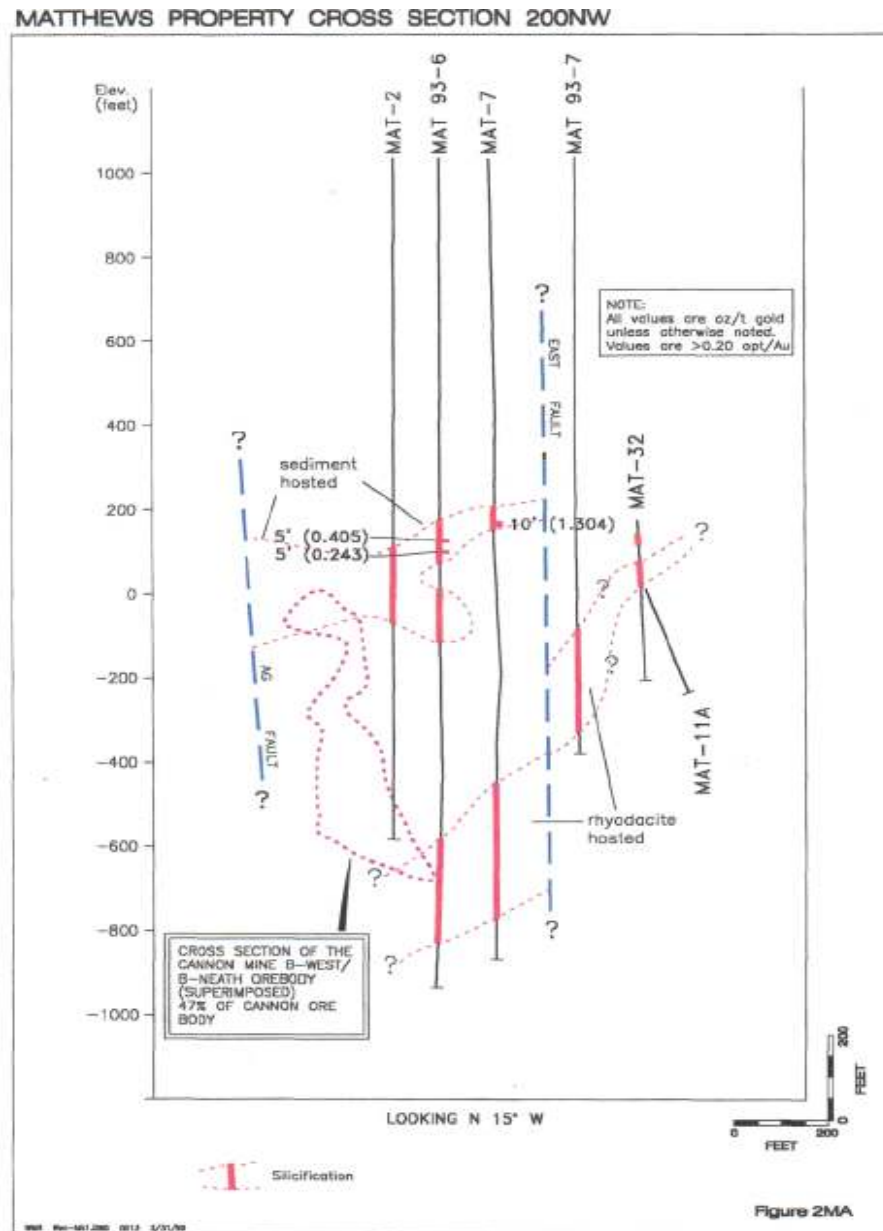


Figure 9: Interpreted cross section of mineralization on the Matthews Property. Note the insert of the interpreted cross section of the Cannon Mine. (Source: Lovitt Resources Ltd.)

Metallurgy: The company intends on using gravity tables to produce a concentrate. We anticipate that recovery will be a minimum of 80%.

Resource estimate: Neither the Lovitt nor the Matthews property has an NI 43-101 resource estimate. A historic estimate for the Lovitt mine (presented above) states approximately 0.41 Moz of gold remain in four blocks of the Lovitt mine.

Current Status: The company is currently in the planning stage of a deep drilling program on the Lovitt property. With its recent acquisition, the company has stated the drilling program will be revised to include the Matthews property.

In order to further explore the I-49 stope, and confirm the grade of blasted rock within, the company is planning on clearing the 1150 level of the mine and drill testing the pile from below. Additionally, the 1150 level could be utilized to haul out the ore from the I-49 stope should it prove to be of economic grade. Access in the 1150 level will also benefit the company's deep drilling program.

The company will have to raise additional capital (through equity financings/sale of non-mining assets) in order to complete the proposed exploration programs.

Analysis: One of the more intriguing aspects regarding Lovitt is the near term potential for extraction and processing of pre-blasted, and in some cases, pre-mucked ore, in the Lovitt Mine. As noted above, Kinross' Buckhorn facilities, located within shipping distance, have excess capacity available. Should the prepared ore at the Lovitt Mine prove to be of sufficient grade, and an agreement can be reached with Kinross, we believe the company should be able to begin toll processing its own material within the next 12 months to start earning cash flows.

The recent acquisition of the Matthews property is also a great asset to the company. This property has known significant gold mineralization in an area where two deposits have already been mined within two kilometers. The property also holds significant exploration potential. Should the company find sufficient funding, **we believe that the Matthews property, and Lovitt property, provide the company with an opportunity to delineate a resource nearing 1 Moz inside of two years.**

The 100% ownership of the two patented claims is what ties the potential of the company's assets together as their status will significantly expedite the permitting process in terms of property exploration. The company is of the opinion that they can access the Matthews claims from the patented claims. This will negate any surface disturbances outside of the patented claims reducing the permitting process. A similar idea had been proposed by Asamera in the 1980's but was not carried out. Asamera believed that an exploration drift could be completed from the Cannon Mine all the way to the Matthews block, and that sufficient gold would be encountered along the way (because of the repetitive nature of gold mineralization throughout) to pay for the drift. The required drift would have to be 1.5 km to reach the Matthews property from the company's patented claims.

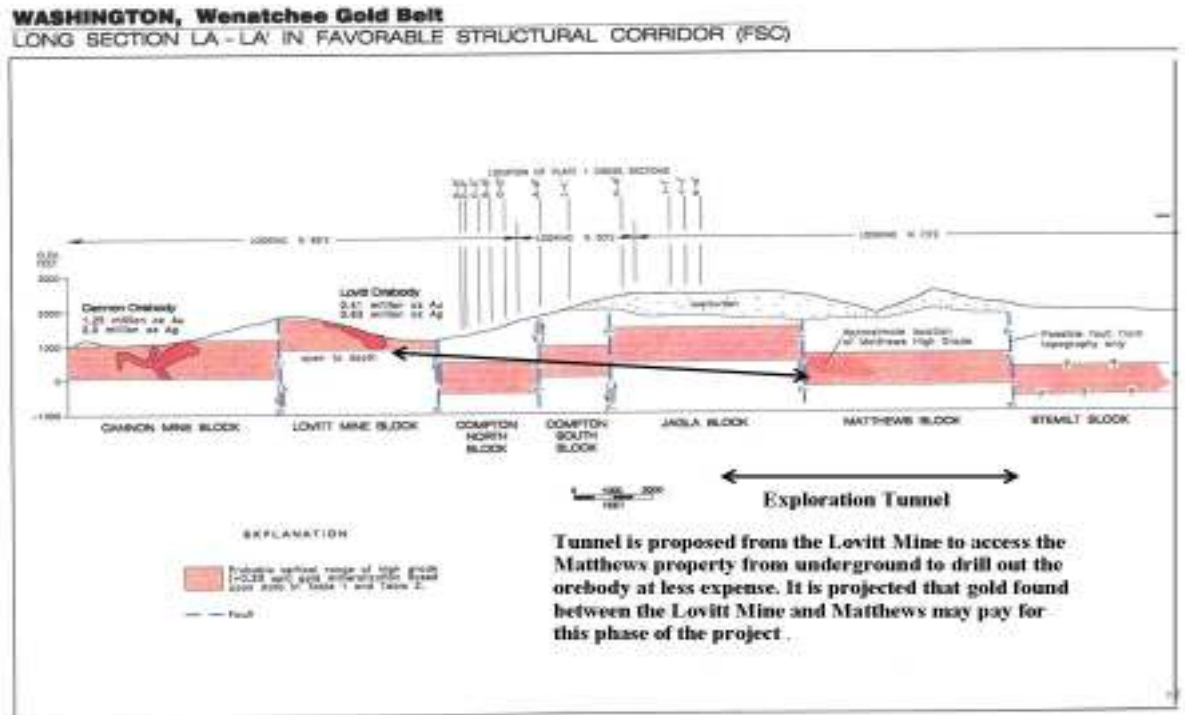


Figure 10: Exploration tunnel proposed to extend from the Lovitt patented claims to the Matthews property. (Source: Lovitt Resources Ltd.)

Washington State - Mining Industry

According to the 2008/2009 Fraser Institute Survey of Mining Companies, Washington State is one of the least appealing jurisdictions for exploration/mining companies (see table below).

Category	World Rank (out of 71 jurisdictions)
Policy Potential	51
Mineral Potential	66
Environmental Regulations	71
Regulatory Duplication and Inconsistencies	57
Taxation Regime	54
Uncertainty Concerning Aboriginal Land Claims	46
Uncertainty Concerning which Areas will be Protected as Wilderness Areas/Parks	70
Infrastructure	61
Political Stability	44
Labor Regulations	41
Supply of Labor/Skills	32

The Fraser Institute Survey indicates that environmental regulations in Washington State are one of the strong deterrents to investment. Fierce resistance by environmental groups has been affecting the state's mining industry for several years. The Buckhorn Mine, owned by Kinross Gold (TSX: K), permitted in 2008, was the first new gold mine permitted in Washington State in more than 15 years. Kinross Gold faced resistance, mainly by environmental groups. The process to gaining permits included establishing agreements with the Okanogan Highlands Alliance, Washington Environmental Council, and the Center for Law and Policy. In another example, the Crown Jewel Mine project was abandoned by Newmont Mining (NYSE: NEM) in 2001, which would have been the first major open pit mine in Washington State. Our research indicated that the decision to abandon the project was primarily due to high capital costs, as it was estimated that over US\$80 million in prospecting, permitting and legal fees was necessary for the project.

Although Washington State is not ideal for exploration/mining companies, with regards to Lovitt, we believe some of the risks associated with Washington State will be mitigated by several factors. First, the company's property already hosts a mine which holds a substantial historic resource. The status of two claims as patented mining claims allows the owner to mine and remove minerals without a mining permit. These claims cover the Lovitt mine and include the area containing the historic resource. The company will still be required to progress through the environmental permitting stage, but we expect the presence of an existing mine will aid in this process. Additionally, the ore does not require the use of cyanide to recover gold, and an underground mine significantly decreases surface disturbance.

***Management /
Directors***

The company currently has a management team that is backed by Mr. Lorne Brown and is currently in the process of expanding to include a dedicated Chief Financial Officer and Chief Executive Officer.

C. Lorne Brown - Director

Mr. Brown has been involved with the company since 1981 when he took the company public as a broker with a major Canadian brokerage firm. He became President of the company in 2002, and has been working since then towards building the company to a level that will allow him to present the company to his numerous financial contacts in North America and Europe. He is formally trained in mathematics and economics, with 30 years experience in venture capital.

Daniel C. Arnold - Director

Mr. Arnold retired as a senior US Government official in September 1979 with more than thirty five years of distinguished military and civilian service. He later served as a pro-bono advisor to various US government entities including the White House for a period of nine years while serving as a consultant to various US and foreign companies. During his service he worked closely with chiefs of state, senior foreign officials of ministerial and general officer rank and senior business officials. He is currently the chairman of one, president of two, and a member of the board of directors of a number of US and foreign corporations. His achievements have been honored with decorations from the US and foreign governments and numerous commendations and letters of appreciation from US and foreign dignitaries.

He is a widely published author on political and military policy issues.

James Proudfoot - Director

Mr. Proudfoot is an experienced and accomplished professional engineer in the mineral exploration and mining sectors. He has held executive and senior positions with many leading mining companies in North America including Falconbridge, Noranda, J.S. Redpath and Dynatec during his extensive career. He is a graduate geologist and mining engineer as well as a formally trained accountant, and currently consults to the mining industry in these areas.

Dominic (“Nick”) Lapenna - Director

Mr. Lapenna has been involved in sales and marketing for thirty years, and is currently a consultant to a major appliance marketing company, interfacing with major retail accounts across North America. Prior to his current assignment he was in charge of the sales and marketing team that launched a major household appliance in NA, with sales growing from thousands to hundreds of millions. Nick is a graduate of the Harvard University PMD Program.

A. Douglas Macaulay - Director

Mr. Macaulay graduated from the University of Western Ontario with a degree in business administration, and after a period of time in government service, he joined his family business and is currently President and CEO. He has had a continuing interest in venture capital, and has been an investor and Director in several public and private ventures over the past twenty-five years.

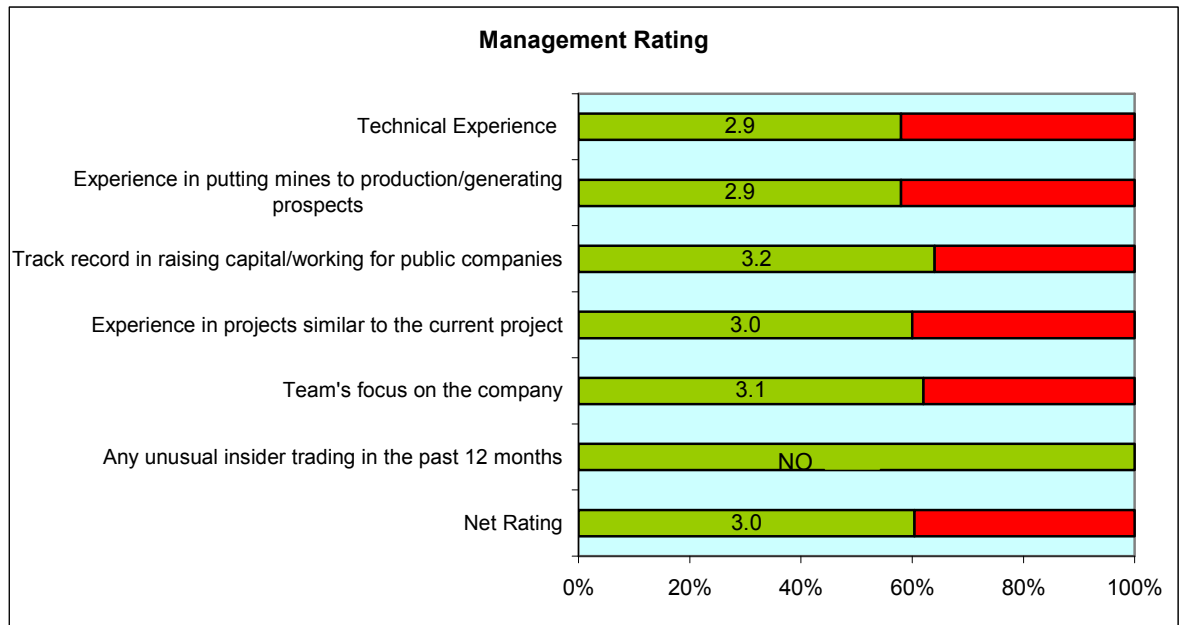
David Straw – Director

Mr. Straw is a geologist with over 50 years experience in all phases of mineral exploration, project development, joint ventures, mine development and production, valuation and finance across most commodities including gold, silver, tin, tungsten, base metals, iron ore, mineral sands, uranium and coal. He has wide experience with companies, including senior management and administration, and dealing with government departments at all levels. His global experience includes projects in Canada, Australia, USA, Mexico, Africa, Europe and South-East Asia. He has held a broad range of technical, managerial and advisory positions, including key positions as Chief Geologist Johns Manville Co. Ltd., Vice President Exploration, Vice President Mineral Development and Director of Inco Australia and Inco Indonesia, and he was Operations Manager and General Manager Corporate Development for Mount Isa Mines (MIM) Limited.

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 Lovitt (see below) is 3.0 out of 5.0, which we have rated average. It should be noted however that the technical competence of the management team is strengthened by director Jim Proudfoot whom is acting in a consulting capacity.**

Additionally, the company is currently searching for additional members to add to the management team.



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 Lovitt Resources Inc., 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.

As of May 2009, Lovitt Resources Inc.'s Board was made up of 5 individuals: Lorne Brown, Daniel Arnold, Dominic Lapenna, Douglas A. Macaulay and James Proudfoot. None of the directors have filed for personal bankruptcy. All of the directors hold shares in the company. The related/non-independent directors are Lorne Brown as he is an executive officer of the company and receives compensation, and Dominic Lapenna whom has assumed the Chief Financial Officer duties. The Audit Committee is made up of Lorne Brown, Daniel Arnold and Douglas A. Macaulay. The company does not have a Compensation Committee.

Outlook on Gold

We have maintained our positive near-term outlook on gold prices, and believe prices will stay strong primarily because we expect investment demand to continue to stay strong. Our short-term forecasts are US\$975/oz for 2010, and US\$850/oz for 2011. We expect prices to converge to our long-term (2012+) forecast of US\$750/oz, as the US economy recovers and investor confidence improves. Both these factors will result in a drop in the investment demand for gold as investors move their capital from ‘capital preservation’ assets to investments with higher expected returns.

Financials

The company reported a net loss of US\$0.22 million (EPS: -US\$0.04) during the first nine months of FY2009. We estimate that the company had a burn rate (cash spent on operating and investing activities) of US\$0.01 million per month during the first nine months of FY2009, compared to \$US0.04 million per month during FY2008 (12 month period).

At the end of Q3-2009 (quarter ended September 2009), the company had US\$77,424 in cash. Its working capital deficit was US\$0.68 million. The company has long-term debt of US\$0.86 million (total debt is US\$1.29 million; of which US\$0.42 million is categorized as current liabilities). The table below summarizes the company's liquidity position.

(in US\$)	2008	2009 (9 mo)
Working Capital	(609,006)	(681,737)
Current Ratio	0.01	0.11
LT Debt / Assets	0.91	0.99
Cash from Financing Activities	24,346	154,917
Monthly Burn Rate (incl. exploration)	(40,223)	(9,101)

A significant portion of the company's debt is due in 2010. About US\$0.86 million of the company's total debt accounts for loans from corporations controlled by directors of the company. Based on our discussions with management, the company is negotiating with its directors to convert their positions to equity. If it is unsuccessful, the company will have to raise about US\$1.50 million through equity financings and through sale of its non-mining assets.

Options and Warrants Outstanding: The company currently has no outstanding options or warrants.

Valuation

Although we believe the Matthews property, and the Lovitt property, provide the company with an opportunity to delineate a resource close to 1 Moz, we have valued the company purely based on its historic resource estimate of 0.41 million oz. We have, however, considered the entire historic resource estimate (typically, we use only 50% of historic resources for junior mining projects) in our valuation models, considering the company's upside potential. **The average fair value estimate, based on our Discounted Cash Flow (DCF), real options, and comparables valuation models, is \$2.96 per share.**

Valuation Summary	
DCF	\$2.62
Real Options	\$3.15
Comparables	\$3.10
Average	\$2.96

A summary of our valuation models is shown below:

DCF Valuation Summary	
Mineral Resources (in tonnes)	2,986,151
Wt. Avg. Gold Grade (gpt)	4.31
Recovery	80%
Recovered Gold (in troy oz)	330,818
Throughput (tpy)	500,000
Mine Life (years)	6
Capital Costs	\$25,000,000
Operating Costs (\$/tonne)	\$65
Discount rate	11.5%
Net Present Value	\$14,519,615
Working Capital + Assets Held for Sale - LT Debt	(\$912,170)
No. of Shares	5,192,051
Fair Value per Share (C\$/share)	\$2.62

Assumptions:

- *The company's primary objective at this time is to quickly build a significant NI 43-101 compliant resource, and potentially begin production with toll processing of pre-blasted ore. However, as we are evaluating the company solely based on the historic resource estimates, our valuation models were based on the assumption that the company will process its ore on-site - the scenario which, we believe, has the most favorable economics. Although the company is not planning to setup its own facility on-site at this time, we believe, this is the best way to evaluate the true value of the historic resource estimate.*
- *Capital and operating costs were estimated based on the preliminary information available on the project at this time, comparable projects, and discussions with management.*
- *The value of the assets held for sale was estimated as US\$0.68 million; which is the average of book value and management's estimate of the market value.*

Real Options Valuation			
Inputs relating to the underlying asset			
Estd. Value of Minerals if extracted today (C\$)		\$36,943,151	
Annualized Standard Deviation of Mineral prices		19%	
Capital Investment (C\$)		\$25,000,000	
Estd. Mine Life (years)		6	
Riskfree Rate		3.5%	
Output			
Stock Price	\$36,943,151	T. Bond rate	3.50%
Strike Price	\$25,000,000	Variance	0.04
Expiration (in years)	6	Annualized div yield	0%
d1 =	1.523	Value of Option (\$)	\$17,259,432
N(d1) =	0.936	Working Capital + Assets Held for Sale - LT Debt	(\$912,170)
d2 =	1.058	No of shares (Dil.)	5,192,051
N(d2) =	0.855	Value per share	\$3.15

	Company	SYM	EV / Resources
1	US Gold Corporation	AMEX: UXG	\$82.6
2	NioGold Mining Corporation	TSXV: NOX	\$64.0
3	J-Pacific Gold Inc.	TSXV: JPN	\$53.7
4	Silverado Gold Mines Ltd.	OTCBB: SLGLF	\$45.9
5	Golden Band Resources Inc.	TSXV: GBN	\$38.3
6	Garson Gold Corp.	TSXV: GG	\$34.0
7	Harvest Gold Corp.	TSXV: HVG	\$30.2
8	Sutter Gold Mining Inc	TSXV: SGM	\$24.1
9	Midway Gold Corp.	TSXV: MDW	\$23.4
10	Rye Patch Gold Corp.	TSXV: RPM	\$14.7
	Average EV / Resources		\$41.1
	Fair Value of LRC		\$3.10

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

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

		Discount Rate		
		8%	11.5%	15%
Gold Price (US\$/oz)	\$450	-\$5.25	-\$4.98	-\$4.75
	\$600	-\$1.04	-\$1.18	-\$1.29
	\$750	\$3.17	\$2.62	\$2.16
	\$900	\$7.38	\$6.42	\$5.62
	\$1,050	\$11.59	\$10.22	\$9.08

Rating

Based on our review of the company, and our valuation models, we initiate coverage on LRC with a BUY rating, and fair value estimate of \$3.00 per share.

Risks

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

- The value of the company is dependent on gold prices.
- The company has not defined any NI 43-101 compliant resource estimates and does not currently have any operating mines.
- The success of drilling, project development and resource expansion are important long-term success factors for these early projects.
- Access to capital and share dilution.

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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