Fundamental Research Corp.

Investment Analysis for Intelligent Investors

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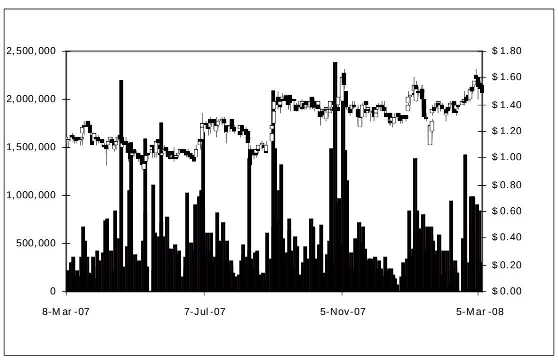
San Gold Corporation (TSX.V: SGR) – Continued Exploration Success

Sector/Industry: Mining **www.sangoldcorp.com**

Market Data (as of March 7, 2008)

Current Price	C$1.49
Fair Value	C$1.82 (↓)
Rating*	BUY
Risk*	4 (Speculative)
52 Week Range	C$0.91 – C$1.66
Shares O/S	214,144,741
Market Cap	C$319.08 mm
Current Yield	N/A
P/E (forward)	18.85
P/B	7.88
YoY Return	29.6%
YoY TSXV	-10.9%

*see back of report for rating and risk definitions



Investment Highlights

- San Gold has focused their development and exploration work on the Rice Lake Mine, using a new geologic model which has been very successful.
- The company recently announced the discovery of a new mineralized zone, the Hinge Zone, located between the Rice Lake and San Gold #1 Mines. This area opens up significant exploration potential for the company.
- They are currently operating at 500 tpd. The company plans to bring their mill to a full capacity of 1,200 tonnes/day by the beginning of 2009.
- Although our average fair value estimate on the company increased from $345.45 million to $402.84 million, our value per share estimate dropped from $1.94 to $1.82 due to a 24.3% increase in the number of shares (diluted) outstanding since our previous report.

Key Financial Data (FYE - December 31) (C$)	2005	2006	2007E	2008E
Revenues	-	768,771	5,417,504	40,295,871
Net Income	(5,386,529)	(18,445,817)	(23,436,120)	16,926,004
EPS	(0.07)	(0.18)	(0.11)	0.08
Cash + Marketable Securities	3,610,766	13,048,010	50,393,443	49,550,184
Working Capital	(513,289)	12,309,769	32,634,361	41,981,712
Total Assets	36,945,480	114,333,003	198,441,376	211,890,199
Total Debt	2,525,443	16,237,846	15,298,379	537,682

San Gold Corp. initiated production in late August 2006 on their Rice Lake Gold Mine in Rice Lake, Manitoba. Their continued exploration program has added new resources and reserves from several mineralized zones on the property. San Gold is currently transitioning from mine development to production, and plans to reach full mill capacity by 2009.

PLEASE READ THE IMPORTANT DISCLOSURES AT THE BACK OF THIS REPORT

Company Overview

San Gold Corporation has been producing gold from their Rice Lake and San Gold mines in Manitoba, Canada, since August 2006. They are currently bringing mill operations up to 800 tpd by Q2-2008, and plan to achieve 1,200 tpd by the beginning of 2009, by bringing the Cartwright Zone into production.

Production Update

In our last update, we discussed the company's transition from development mining to full-scale operations. The mill is currently operating at 500 tonnes per day as they transition from 400 tpd to 800 tpd. We expect them to achieve 800 tpd by the end of Q2-2008. Through the development of the Cartwright Zone, they plan to achieve full capacity of 1,200 tons/day by the beginning of 2009.

Exploration and Development

The company is focusing on the exploration of the Rice Lake Mine, which has proven very successful. In our previous report, we discussed the company's exploration of high-grade veins identified deep in the Rice Lake Mine. Many of these veins consistently grade between one and two ounces of gold per ton, and they have not been included in the most recent resource estimate. They have identified three large veins, known as 96, A, and C, as well as numerous smaller veins and new discoveries. They have identified mineralization to up to 500 feet below the (4730 feet) level.

A new geologic model at the Rice Lake Mine has added great exploration potential. The company has identified mineralization in the footwall and hanging wall in the Rice Lake Mine, which was considered waste rock before. This opens up new resources that could be readily accessible from current workings. Recently, the company announced the discovery of multiple mineralized zones known as the **"Hinge Zone",** 1.5 kilometers northeast of the Rice Lake Mine in the hangingwall unit. This area does not outcrop at surface, and is located in between Rice Lake and San Gold #1. This indicates very significant resource expansion potential for the company, and the company has continued to release positive results from this new zone. The drilling results from the Hinge Zone are outlined in the table below.

Source: San Gold Corporation

Hole #	From	To	Length	Gold g/tonne (oz/ton)
UPPER ZONE				
GS-07-15	56.0 m	57.5 m	1.5 m (5.0 ft)	18.5 (0.55)
GS-07-16	48.7 m	9.7 m	1.0 m (3.3 ft)	30.2 (0.90)
GS-07-17	63.0 m	65.4 m	2.4 m (7.9 ft)	11.4 (0.34)
GS-07-18	69.3 m	71.8 m	2.5 m (8.3 ft)	23.2 (0.69)
GS-07-19	74.7 m	80.0 m	5.3 m (17.4 ft)	7.1 (0.21)
and	82.2 m	85.3 m	3.1 m (10.0 ft)	4.5 (0.13)
GS-07-28	132.5 m	134.2 m	1.7 m (5.6 ft)	9.7 (0.29)
and	158.6 m	159.6 m	1.0 m (3.3 ft)	13.1 (0.39)
LOWER ZONE				
GS-07-15	248.2 m	249.2 m	1.0 m (3.3 ft)	18.5 (0.55)
GS-07-18	255.3 m	256.3 m	1.0 m (3.3 ft)	26.0 (0.77)
GS-07-28	319.9 m	321.5 m	1.6 m (5.3 ft)	9.7 (0.29)
and	324.1 m	326.4 m	2.3 m (7.6 ft)	4.7 (0.14)
and	330.4 m	332.7 m	2.3 m (7.6 ft)	20.1 (0.62)
and	346.2 m	351.1 m	4.9 m (16.1 ft)	7.4 (0.22)

Exploration and Production Goals for 2008

San Gold's goals for the next 12 months:

- The company hopes to announce an updated NI 43-101 compliant resource estimate in Q1-2008.
- The company hopes to produce 50,000 ounces of gold in 2008.
- To meet mine life upgrade goals, the company plans to achieve 800 tpd by Q2-2008.
- In order to expand mill production to full capacity, the company expects to develop the Cartwright gold deposit into a producing mine in 2008 and 2009.

Resource Estimate

Category	Tons	Grade oz/ton Au (g/t Au)	Contained Gold (in ounces)
Total Measured and Indicated	1,556,600	0.26 (8.9)	402,880
Total Inferred	4,774,500	0.25 (8.9)	1,200,010
Total Reserves	1,306,900	0.26 (8.9)	336,150

Note: Proven and Probable Reserves are that portion of the measured and indicated resource categories that are determined to be economically mineable based on a feasibility study.

In addition, we have estimated the following resource from the 96, A, and C Veins that have not been incorporated into the most recent resource estimate.

	Strike (ft)	Width (ft)	Depth (ft)	Volume (cubic feet)	Sp. Gv (cubic feet/ton)	Tonnage (tons)	Grade (oz/ton)	Resource (oz)
96 Vein	700	15	400	4,200,000	11.5	365,217	0.6	219,130
A Vein	400	10	400	1,600,000	11.5	139,130	0.3	41,739
C Vein	500	8	400	1,600,000	11.5	139,130	0.3	41,739
							Total Resource	**302,609**

Management Changes

The company has made a number of management changes and additions in conjunction with their transition to a full-scale producer. The biographies of new mine and mill management follow.

Ron Moran - Vice President, Technical Services

Ron will be responsible for long-term mine planning, budgeting, new projects and will coordinate contractor activities with the Mine department. Ron will also be a key member of the management team in evaluating new properties and acquisitions and will report directly to the CEO and the San Gold board of directors. His over 25 years of mine management and engineering experience includes Dumas Contracting, Placer Dome, Noranda, Denison, HBM+S and most recently Mine Manager and Chief Engineer with River Gold / Wesdome. Ron has been working with San Gold over the past year as a consultant and is a member of the Professional Engineers of Ontario.

Richard McPherson - Manager of Mining

Mr. McPherson will be responsible for all aspects of underground production and development. His vast experience of over 40 years in mining, safety and contract management includes Procon Mining, Cementation, Echo Bay and as a mines inspector with the N.W.T.

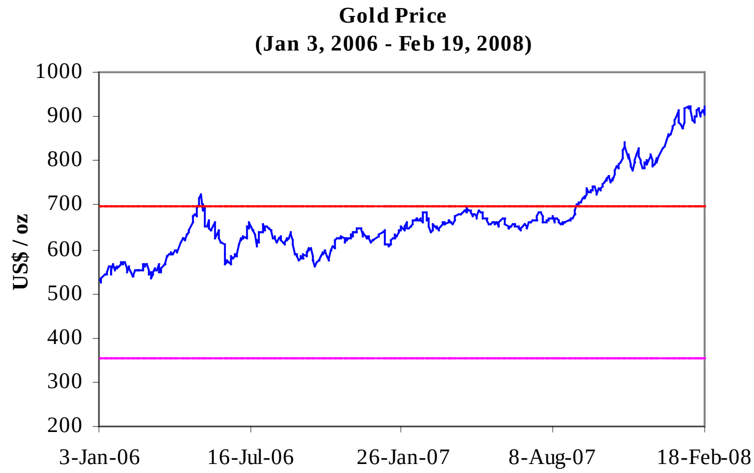
government. Richard has been with San Gold as the Mine Superintendent since August 2005.

John Hutchison - Mill Manager
John was instrumental in the re-start of the Rice Lake Mill as Mill Superintendent for San Gold since 2005 and is the former Mill Superintendent for the same mill under previous operators Harmony Gold.

Don Bridges - Mill Superintendent
Don has extensive experience in the operation and management of gold mills, most recently with River Gold / Wesdome and will report directly to the Mill manager.

Outlook for Gold

The chart below shows gold prices since January 2006. Gold prices are currently trading at their record highs, and as of March 5, 2008, were trading at US$990/oz, which reflects a YOY increase of 54%.



Source: KITCO

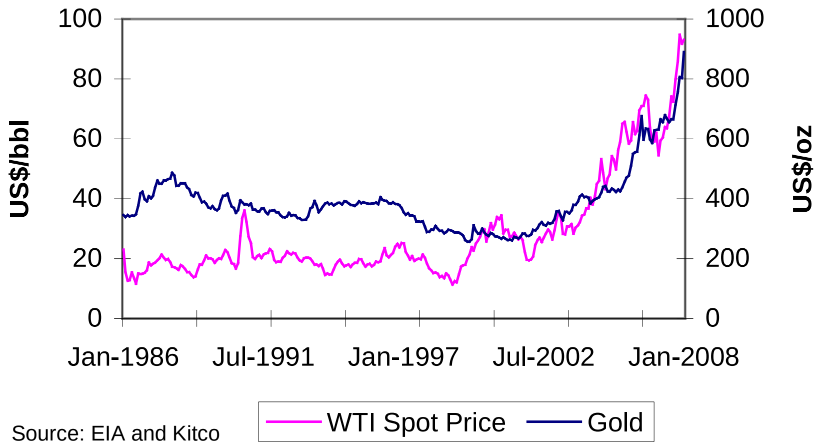
Although gold prices have risen considerably in the second half of 2007, and early 2008, and are currently trading at record highs, we have maintained our positive outlook on gold due to the following macro economic conditions:

a) The US$ is expected to continue to depreciate with respect to other global currencies, based on an expected slow down in the U.S. economy, relatively lower real interest rates in the U.S., and persisting inflationary expectations.

The International Monetary Fund (IMF) expects U.S. GDP to grow at 1.5% in 2008, versus 2.2% in 2007, and the Federal Reserve predicts unemployment rates to increase YOY from 4.6% to 5.2% in 2008. Even though the U.S. Fed cut interest rates from 5.25% to 3.00% in their last five meetings, we expect to see further rate cuts in the first half of 2008, to tackle the ongoing credit crunch problems and the softening U.S. housing industry. Further rate cuts imply that real interest rates in the U.S. could possibly go negative, which is very unfavorable for the US$. The rate cuts in turn, we believe, will add to inflationary pressures and simultaneously depreciate the value of the U.S.$. The Fed recently raised their forecasts for inflation in 2008 from 1.8 – 2.1% to 2.1 – 2.4%.

b) High Oil Prices: We have also noticed a positive correlation between gold and oil prices in times of high oil prices. High oil prices create inflationary expectations among investors and lead them to drift towards gold. The chart below shows oil and gold prices since 1986. We noticed that the positive correlation between monthly log changes in oil and gold prices increased during January 2006 – January 2008, when oil prices were high, from the historic correlation (1986 – 2006) of 0.18 to 0.53, which is a significant jump.

Oil Vs Gold Prices



Source: EIA and Kitco

Oil is currently trading close to US$100/bbl, and prices are expected to stay above $80/bbl through at least 2010, which we believe will also have a positive effect on the demand for gold.

c) Investment demand continue to stay strong: Currently, the total ETG (exchange traded gold) assets held by the NEW York Stock Exchange (NYSE) and the London Stock Exchange (LSE) are up 29% YOY. We believe, continued strength in investment demand reflects the fact that gold continues to hold its status as a 'capital preservation asset'.

Therefore, based on a depreciating U.S dollar, high oil prices and strong investment demand, we continue to be bullish on gold prices. The average consensus forecasts for gold prices are US$870/oz in 2008, and US$880/oz in 2009.

Financials

Revenues: In the first nine months of FY2007 (ended September 2007), the company reported revenues of $3.26 million, from sales of 4,488 oz of gold (average gold price of $727.3/oz). Based on the company's production rate in the first nine months of 2007, and our forecasts for Q4-2007, we have lowered our estimate of production to 7,564 oz of gold in 2007, compared with 25,000 oz in our previous report. Also based on our new estimates of the company's mill processing rate (tpd), operating days and other parameters, we forecast the company will recover 44,968 oz of gold in 2008, compared with 49,702 oz in our previous report.

Based on sales of 7,564 oz of gold in FY2007, we expect the company to report $5.50 million in revenues (previous estimate was $17.82 million from 25,000oz). Revenues are expected to significantly increase to $40.30 million in FY2008, as annual production increases to an estimated 44,968 oz of gold (previous estimate was $38.31 million from 49,702 oz of gold).

Exploration expenditures in Q3-2007 reduced significantly as the company's activities were focused on development. SGR capitalized $1.63 million of expenditures in Q3 - 2007 ($7.35 million YTD) related to the Rice Lake and SG #1 mineral properties. The company also expensed $2.95 million on exploration for the 9-month period ended September 30, 2007, compared to $21.18 million for the same period in 2006.

EPS Forecasts: In the first nine months of FY2007, the company had a net loss of $23.06 million (EPS: -$0.15). Our EPS forecasts are a net loss of $23.44 million, and -$0.11 EPS for FY2007 (previous forecast was net loss of $10.28 million, and -$0.06 EPS), and net income of $16.93 million, and $0.08 EPS for FY2008 (previous forecast was net income of $12.37 million, and $0.07 EPS), respectively. Lower revenue forecasts and higher than expected costs led us to lower our eps forecasts for FY2007.

Cash Position and Liquidity: As at September 30, 2007, the company had $11.79 million in cash and marketable securities. We estimate the company had a burn rate (cash spent on operating and investing activities) of $2.75 million per month for the 9-month period ended September 30, 2007, compared to $2.71 million per month in FY2006 (12 month period). The table below shows a summary of the company's cash and liquidity position.

(in C$)	2005	2006	Q3-2007	2007 (9mo)
Current Ratio	0.90	2.96	1.06	1.06
Working Capital	(513,289)	12,309,769	1,149,722	1,149,722
Debt/ Assets	6.8%	14.2%	9.1%	9.1%
Total Debt	2,525,443	16,237,846	14,773,770	14,773,770
Burn Rate (per month)	451,376	2,712,878	2,700,183	2,751,758

At the end of Q3-2007, the company had debt of $14.77 million (9.1% of assets) in term loans and convertible debentures. In February 27, 2008, the company announced that the $10 million 2-year senior secured convertible redeemable debentures have been either redeemed by the company or converted into common shares at a price of $0.80 per common share. We estimate about 12.46 million common shares were issued pursuant to the conversion. The company also issued about 0.49 million common shares in payment of approximately $0.55 million of the interest owing on the debentures, with the remainder of the interest satisfied by cash payments to the holders of the debentures. We expect debt levels to drop to $0.54 million (0.32% of assets) by the end of FY2008, as the company repays its terms loans and convertible debentures that are due in 2008.

Recent Financings: In December 2007, the company closed a private placement by issuing 1,283,746 flow-through shares at a price of $1.69 per share for aggregate gross proceeds of $2,169,530.70.

In November 2007, the company completed the issuance of 28,625,000 units at a price of $1.40 per unit for aggregate gross proceeds of $40,075,000. Each unit consists of one common share and one half common share purchase warrant. Each warrant entitles the holder to purchase one common share at a price of $2.00 for a period of 18 months from the date of issuance.

Conclusion: At the end of September 2007, the company had $11.79 million in cash and marketable securities. In addition, the company raised about $42 million in the two recent financings. Based on our discussions with management, we expect the company to spend about $20 million ($8 million on exploration and $12 million on development) in the next 12 months. We believe the company is in a good cash position. We expect the cash on hand and the cash flows from operations will be able to fund exploration and development work in the future, thereby minimizing share dilution.

Valuation

We have continued to value SGR based on four valuation techniques that we have used in our previous reports. The following noteworthy changes were made in our revised valuation models.

1. Raised our short-term commodity price forecasts – In our revised model, we have used an average gold price forecast of US$870/oz in 2008 (previous estimate – US$748/oz), and US$880/oz in 2009 (previous estimate – US$805/oz).
2. Higher C$/US$ forecast – We have increased our exchange rate forecast for 2009 to C$1.07/US$, up from C$1.05 /US$.
3. Revised risk-free interest rate and annualized dividend yield – We have revised our risk-free interest rate and annualized dividend yield (for the real options model) to 3.78% and 7.7%, respectively (previous estimates were 4.2% and 6.0%).
4. Increased capital costs – We have raised our capital cost estimates from $10 million to $13.5 million.
5. Removed Lake Shore Gold (TSX: LSG) from our comparable valuation model – Since LSG has not yet achieved commercial production, we have removed LSG from our comparables valuation model.

Our average revised valuation on the company increased (primarily due to increases in short-term gold price forecasts) from $345.45 million to $402.84 million. However, due to a 24.3% increase in our estimate of the number of diluted shares (from 178.24 million to 221.60 million) since our previous report, our value per share estimate dropped from $1.94 per share to $1.82 per share.

Valuation Summary				
	Previous		**Revised**	
	Fair Value	**VPS**	**Fair Value**	**VPS**
DCF	$273,577,038	$1.53	$326,302,324	$1.47
Real Options	$341,785,875	$1.92	$437,318,300	$1.97
Comparables	$254,878,819	$1.43	$329,442,279	$1.49
Cash Flow Multiple	$511,540,008	$2.87	$518,280,932	$2.34
Average	**$345,445,435**	**$1.94**	**$402,835,959**	**$1.82**

The sensitivity of our DCF valuation to changes in our long-term gold price forecasts is shown below.

Gold Price	Value/Share (C$)
$350	$0.83
$400	$0.96
$450	$1.09
$500	$1.21
$550	$1.34
$600	**$1.47**
$650	$1.60
$700	$1.73
$750	$1.86
$800	$1.99
$850	$2.12
$900	$2.25
$950	$2.38

Conclusions & Rating

As shown in the table, our DCF valuation will range between $0.83 per share and $2.38 per share, if gold prices range between US$350/oz to US$950/oz.

San Gold is planning to ramp up production in 2008 to 800 tpd, and bring the Cartwright Zone into production at the end of the year. The company is continuing with aggressive exploration to increase their resource base, and we expect to see an updated NI 43-101 compliant resource estimate in 2008. The exploration success has been great in 2007, including the discovery of deep veins in Rice Lake and a new geologic model that has identified gold mineralization in what was previously interpreted as barren waste rock. We believe Rice Lake is a very important emerging gold camp and that continued exploration success can be expected, as the region is still underexplored.

We believe the company's fundamentals have remained strong, even though our fair value per share estimate dropped. Based on our revised valuation models and review of the company's progress since our previous report, we reiterate our BUY rating on the company, but lower our fair value estimate from $1.94 per share to $1.82 per share. Our fair value estimate reflects an upside potential of 22% from current price levels.

Risks

We rate the shares a **RISK of 4 (Speculative)**. The following risks, though not exhaustive, will cause our estimates to differ from actual results:

- Like other producing companies, the value of the company depends heavily on gold prices.
- The success of further development, exploration, and expansion is a significant factor in San Gold's success.

Consolidated Statement of Operations & Deficit
(in C$)

	2005	2006	2007E	2008E
Revenues	**-**	**768,771**	**5,417,504**	**40,295,871**
Operating Costs	1,230,038	8,502,278	15,591,131	9,938,333
Gross Margin	**(1,230,038)**	**(7,733,507)**	**(10,173,628)**	**30,357,538**
Direct Exploration Expenses	1,483,376	7,496,599	3,527,374	6,000,000
General & Administrative Expenses	2,011,189	5,829,586	4,195,103	4,969,167
Royalty Expenses	-	578,176	4,244,328	3,045,012
Interest and Bank Charges	174,756	962,861	1,576,811	529,498
Deferred Financing Costs	102,806	294,567	877,604	-
Accretion - Convertible Debentures	45,400	305,218	524,609	262,305
Accretion - Asset Retirement Obligation	58,350	113,973	124,832	124,832
Depletion of Mineral Properties	-	445,647	674,820	598,192
Amortization - Property, Plant & Equipment	26,810	64,602	1,634,389	598,192
Share based Compensation	1,125,839	2,780,299	1,779,635	1,779,635
Net Income before other revenue	**(6,258,564)**	**(26,605,035)**	**(29,333,133)**	**12,450,706**
Indemnification Fee		64,907	58,423	
Mineral Exploration Assistance Program	79,493	195,040	-	-
Project Management Fee	92,036		-	-
Interest Income	19,506	5,091,471	5,838,590	7,270,346
Future Income Tax Recovery	681,000	2,807,800		
Income Tax				2,795,048
Net Income	**(5,386,529)**	**(18,445,817)**	**(23,436,120)**	**16,926,004**
Earning (Loss) per common share	**(0.07)**	**(0.18)**	**(0.11)**	**0.08**

Consolidated Balance Sheet (in C$)	**2005**	**2006**	**2007E**	**2008E**
Current Assets				
Cash	3,544,872	12,210,678	41,239,228	40,395,969
Marketable Securities	65,894	837,332	9,154,215	9,154,215
Accounts Receivable	747,557	1,862,244	1,955,356	2,053,124
Supply Inventory		788,961	828,409	869,830
Gold in Process		2,719,891	2,855,886	2,998,680
Prepaid Expenses	137,181	180,525	189,551	199,029
Total Current Assets	**4,495,504**	**18,599,631**	**56,222,645**	**55,670,846**
Property, Plant & Equipment	21,715,304	6,878,139	10,144,049	15,045,857
Mineral Properties		28,245,175	35,496,192	43,398,000
Collateral Deposits	450,000	450,000	450,000	450,000
Deferred Financing Costs	110,023	877,604	-	-
Mining Claims and Options	174,649	332,649	459,649	459,649
Promissory Notes	10,000,000	58,949,805	95,668,842	96,865,847
Total Assets	**36,945,480**	**114,333,003**	**198,441,376**	**211,890,199**
Current Liabilities				
Accounts Payable & Accrued Liabilities	2,281,332	4,893,516	5,138,192	5,395,101
Current portion of LT debt	106,416	172,950	363,867	362,621
Deferred Revenues		644,383	644,383	644,383
Convertible Debentures	2,071,822		14,396,830	-
Current portion of royalty obligations		579,013	3,045,012	7,287,029
Deferred Interest	549,223			
Total Current Liabilities	**5,008,793**	**6,289,862**	**23,588,284**	**13,689,134**
Asset retirement obligation	1,108,333	1,222,306	1,347,138	1,471,970
Convertible Debentures		15,811,741	-	-
LT Debt	347,205	253,155	537,682	175,061
Royalty Obligation	10,000,000	58,868,163	92,623,830	89,578,818
Total Liabilities	**16,464,331**	**82,445,227**	**118,096,934**	**104,914,983**
Shareholders' Equity				
Share capital	32,839,089	65,466,412	135,579,564	143,504,699
Contributed Surplus	5,115,520	5,428,333	7,207,968	8,987,602
Deficit	(17,473,460)	(39,006,969)	(62,443,089)	(45,517,085)
	20,481,149	**31,887,776**	**80,344,442**	**106,975,216**
Total S.E & Liabilities	**36,945,480**	**114,333,003**	**198,441,376**	**211,890,199**

Consolidate Statement of Cash Flows (in C$)	**2005**	**2006**	**2007E**	**2008E**
Operating Activities	(5,386,529)	(18,445,817)	(23,436,120)	16,926,004
Loss for the period				
Items not affecting cash				
Accretion - convertible debentures	45,400	305,218	524,609	262,305
Accretion - asset retirement obligation	58,350	113,973	124,832	124,832
Amortization - deferred financing costs	102,806	294,567	877,604	-
Amortization - property, plant and equipment	26,810	64,602	1,634,389	598,192
Depletion	-	445,647	674,820	598,192
Share based compensation	1,125,839	2,780,299	1,779,635	1,779,635
Adjustment from accounting policy adoption				
Future Income Tax Recovery	(681,000)	(2,807,800)	-	-
Net change in non-cash working capital	(230,366)	(1,418,466)	(32,905)	(34,551)
	(4,938,690)	**(18,667,777)**	**(17,853,136)**	**20,254,609**
Investing Activities				
Purchase of Property, Plant and Equipment	(393,304)	(3,120,333)	(4,900,299)	(5,500,000)
Purchase of Marketable Securities		(771,438)	(8,316,883)	
Investments in Mineral Properties	-	(10,716,426)	(7,925,837)	(8,500,000)
Investment in Promissory Note		(48,869,000)		
Purchase of Mining Claims and Options	(30,000)	(50,000)	(127,000)	-
Amalgamation Costs	(54,512)			
	(477,816)	**(63,527,197)**	**(21,270,019)**	**(14,000,000)**
Financing Activities				
Proceeds from shares issued and subscribed	4,889,865	26,899,815	70,951,042	
Proceeds from capital lease				
Proceeds from royalty obligation	-	48,869,000	(497,371)	-
Proceeds from debentures	2,111,000	16,734,000	(1,939,520)	(6,734,000)
Convertible debt issue costs	(262,040)	(1,172,171)		
Share issue costs	(203,382)	(442,348)	(837,890)	
LT debt	390,047	(27,516)	475,444	(363,867)
Collateral Deposit	(450,000)			
	6,475,490	**90,860,780**	**68,151,705**	**(7,097,867)**
Change in Cash	**1,058,984**	**8,665,806**	**29,028,550**	**(843,258)**
Cash, beginning of the period	55,176	3,544,872	12,210,678	41,239,228
Cash, end of the period	**1,114,160**	**12,210,678**	**41,239,228**	**40,395,969**

Fundamental Research Corp. Equity Rating Scale:

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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