

### Harvest Gold Corp. (TSXV: HVG) – Phase 2 Drill Program at Rosebud Gold Mine Project in Progress

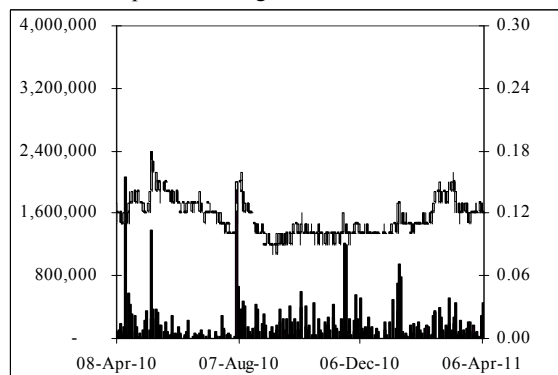
Sector/Industry: Junior Exploration/Mining

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

#### Market Data (as of April 11, 2011)

|               |                   |
|---------------|-------------------|
| Current Price | C\$0.12           |
| Fair Value    | C\$0.35 (↑)       |
| Rating*       | BUY               |
| Risk*         | 5 (Highly Spec)   |
| 52 Week Range | C\$0.08 - C\$0.18 |
| Shares O/S    | 69.81 mm          |
| Market Cap    | C\$8.38 mm        |
| Current Yield | N/A               |
| P/E (forward) | N/A               |
| P/B           | 2.9x              |
| YoY Return    | 0.0%              |
| YoY TSXV      | 42.1%             |

\*see back of report for rating and risk definitions



#### Investment Highlights

- Harvest Gold continues to focus on advancing its Rosebud gold mine project in Nevada.
- Phase 1 drilling completed at Rosebud in 2010 intersected gold and silver in every hole.
- Hole HGR-10 intersected 2.13g/t Au equivalent over 12.2 metres at shallow depth in the sparsely drilled Valley Target.
- The Phase 2 drilling program at Rosebud, consisting of approximately 4,270 metres RC drilling of up to 18 holes, is ongoing.
- Three Phase 2 holes have been completed to test the Valley Target.
- On February 3, 2011, the company closed a private placement of 10.05 million units at a price of \$0.10 per unit for gross proceeds of \$1.05 million.
- We have raised our fair value estimate from \$0.30 to \$0.35 per share.

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

| (C\$)           | 2011 (9 mo) | 2010        |
|-----------------|-------------|-------------|
| Cash            | 450,168     | 266,046     |
| Working Capital | 433,282     | (10,561)    |
| Mineral Assets  | 2,421,838   | 1,671,450   |
| Total Assets    | 2,999,935   | 1,970,133   |
| Net Income      | (423,425)   | (4,759,570) |
| EPS             | (0.01)      | (0.11)      |

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 (NYSE: HL) and Newmont Mining (NYSE: NEM) joint venture from 1997 to 2000. Remaining in place non 43-101 compliant historic resources total approximately 0.24 million ounces of gold and 2.13 million ounces of silver. A Phase 1 drill program at the project returned positive results and Phase 2 drilling is ongoing.

**Rosebud Gold  
Mine Project**

Phase 1 Drilling Results

The company has released all the results from last year's Phase 1 drilling program at the Rosebud gold mine project. The program consisted of 12 reverse circulation holes totaling 4,574m. All of the Phase 1 drill holes intersected gold and silver mineralization. Among these 12 drill holes, 10 of them were drilled within the mine footprint area and the remaining 2 at the Valley target. Figure 1 on the next page is a map showing locations of all the 2010 drill holes. The results from the first 8 holes were discussed in our previous report and the following table lists drill highlights from the remaining 4 holes.

*Table 1 Drill Highlights at Rosebud Gold Mine Project (Source: Company)*

|                  | <b>FROM</b><br>metres | <b>TO</b><br>metres | <b>INTERVAL</b><br>metres | <b>Au</b><br>g/t | <b>Ag</b><br>g/t | <b>AuEq</b><br>g/t |
|------------------|-----------------------|---------------------|---------------------------|------------------|------------------|--------------------|
| <b>HGR-9</b>     | 13.7                  | 16.8                | 3.0                       | 1.16             | 7.7              | 1.28               |
| <b>HGR-10</b>    | 19.8                  | 32.0                | 12.2                      | 1.81             | 20.9             | 2.13               |
| <i>including</i> | 21.3                  | 24.4                | 3.0                       | 4.26             | 15.3             | 4.49               |
| <i>and</i>       | 27.4                  | 29.0                | 1.5                       | 3.53             | 58.6             | 4.42               |
|                  | 48.8                  | 50.3                | 1.5                       | 2.77             | 12.2             | 2.96               |
|                  | 61.0                  | 77.7                | 16.8                      | 0.21             | 31.5             | 0.69               |
|                  | 129.5                 | 138.7               | 9.1                       | 0.20             | 8.3              | 0.32               |
| <b>HGR-11</b>    | 62.5                  | 117.3               | 54.9                      | 0.29             | 3.9              | 0.34               |
| <i>including</i> | 77.7                  | 80.8                | 3.0                       | 1.15             | 3.3              | 1.20               |
|                  | 350.5                 | 353.6               | 3.0                       | 1.10             | 15.8             | 1.34               |
|                  | 364.2                 | 388.6               | 24.4                      | 0.29             | 23.1             | 0.64               |
| <i>including</i> | 370.3                 | 373.4               | 3.0                       | 0.75             | 48.2             | 1.48               |
| <i>and</i>       | 385.6                 | 388.6               | 3.0                       | 0.51             | 60.2             | 1.43               |
| <b>HGR-12</b>    | 7.6                   | 22.9                | 15.2                      | 0.26             | 8.8              | 0.39               |
| <i>including</i> | 21.3                  | 22.9                | 1.5                       | 0.88             | 34.6             | 1.41               |
|                  | 36.6                  | 57.9                | 21.3                      | 0.19             | 7.2              | 0.30               |
| <i>including</i> | 36.6                  | 38.1                | 1.5                       | 0.16             | 59.7             | 1.07               |
|                  | 193.5                 | 213.4               | 19.8                      | 0.31             | 3.1              | 0.36               |
|                  | 280.4                 | 283.5               | 3.0                       | 0.36             | 12.0             | 0.54               |

Note: Gold equivalent (AuEq) values calculated using a Ag:Au ratio of 66:1, based on a gold price of US\$1160/oz and a silver price of US\$17.60/oz. No Ag or Au recovery factors have been applied due to a lack of appropriate metallurgical data. All holes are inclined except for HGR-1. True widths are not known and additional modeling and drilling will be required to determine true widths.

*Source: Company*

The new assays from HGR-9 to HGR-12 continue to show positive results at the project. The unconformity target was encountered over 24.4 metres at 0.64g/t Au equivalent in Hole HGR-11. **This hole, along with HGR-3, HGR-4, HGR-8, and nearly all historical holes that penetrated the unconformity in this area, outlined a northeast oriented mineralized zone containing anomalous gold and silver.**

Hole HGR-10 intersected 2.13g/t Au equivalent over 12.2 metres at shallow depth in the sparsely drilled Valley target. This drill intercept suggests a potential zone of near surface gold and silver mineralization approximately 500 metres from the main targets at the Mine Footprint area.

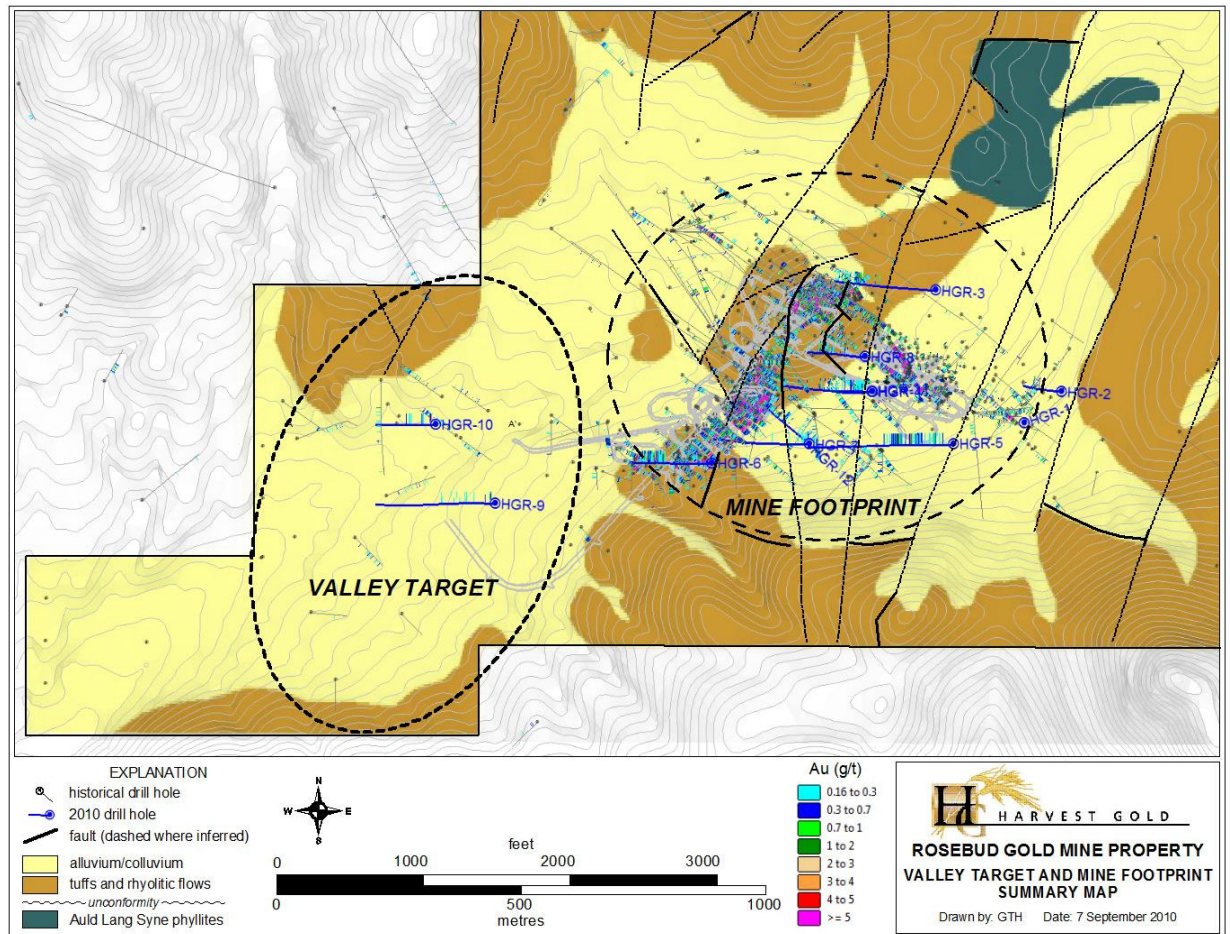


Figure 1 2010 Drill Hole Locations (Source: Company)

### Phase 2 Drill Program

Phase 2 drilling at the Rosebud project started on March 2, 2011. The drill program is designed to follow up intercepts from Phase 1 drilling as well as to test other targets adjacent to the Mine Footprint. Drilling will consist of up to 18 reverse circulation holes totaling approximately 4,270 metres.

To date, three phase 2 holes have been drilled in the valley target to try to extend mineralization identified in Hole HGR-10 which was drilled last year. Other targets such as Southern Extension, Far East, and Northeast will also be tested in this drill program.

### **Management Update**

In January 2011, the company appointed Neil Richardson and John Pattison to its Advisory Board. Their biographies, as provided by the company, follow.

Mr. Richardson has over 22 years experience in mineral exploration and mining operations of base metal and precious metal deposits throughout Canada. Mr. Richardson is the newly appointed COO of VMS Ventures. Prior to his appointment, Neil was the Manager of Exploration for Murgor Resources Inc. Prior to joining Murgor in 2006, he worked for HudBay Minerals Inc. as a Senior Exploration Geologist responsible for greenfield and

brownfield projects in the Flin Flon - Snow Lake area. He was part of a team that discovered a number of new mineralized zones throughout the belt. He also has past experience as a Senior Mine Geologist with extensive background in resource - reserve estimations and operations.

John Pattison is a professional geoscientist with a B.Sc. degree in Geological Sciences from the University of Toronto. He has a strong technical background and over 25 years experience in copper-zinc and nickel-copper-PGE sulphide exploration. He specializes in the effective application of Geographical Information Systems (GIS) technology to mineral exploration. From 1983 to 2002 John worked with Falconbridge Limited and associated companies where he was responsible for managing base metal, PGE and gold exploration projects throughout Canada and southern Africa. John presently consults to VMS Ventures and North American Nickel and is also on their Advisory Boards.

### **Financials**

At the end of December 2010, the company had \$0.45 million in cash. The working capital deficit was \$0.43 million. The company reported a net loss of \$0.42 million (EPS: -\$0.01) in the first nine months of FY2010 (ended December 2010). We estimate the company had a burn rate (spending on operations and exploration) of \$0.14 million per month in the first nine months of FY2010, versus \$0.05 million in FY2010 (12 month period). The table below shows a summary of the company's cash and liquidity position.

| (in C\$)                              | 2011 (9 mo) | 2010     |
|---------------------------------------|-------------|----------|
| Working Capital                       | 433,282     | (10,561) |
| Current Ratio                         | 4.97        | 0.96     |
| Monthly Burn Rate (incl. exploration) | (140,860)   | (46,447) |
| LT Debt / Assets                      | -           | -        |
| Cash from Financing Activities        | 1,470,364   | -        |

**Subsequent financing:** On February 3, 2011, the company closed a private placement of 10.05 million units at a price of \$0.10 per unit for gross proceeds of \$1.05 million. Each unit is comprised of one common share and one half of a share purchase warrant (exercise price - \$0.15, expiry date - February 3, 2012).

**The company currently has \$1.1 million in cash, with a CAPEX budget of \$0.78 million for 2011. We do not foresee any need for additional financing in the next six months.**

**Stock Options and Warrants:** The company currently has 5.9 million options (weighted average exercise price - \$0.12) and 19.80 million warrants (weighted average exercise price - \$0.18) outstanding.

### **Valuation and Rating**

Our revised fair value estimate on HVG is \$0.35 per share (or \$24.43 million), up from our previous estimate of \$0.22 per share (\$12.78 million). Our valuation increased primarily because its peer average EV/gold resource ratio has increased from \$40/oz to \$83/oz since our previous report on the company in August 2010. A summary of our valuation is shown below.

| <b>Valuation Summary</b>     | <b>VPS</b>    | <b>Value</b>        |
|------------------------------|---------------|---------------------|
| Rosebud property             | \$0.32        | \$22,738,593        |
| Book value of other projects | \$0.01        | \$590,347           |
| Estd. working capital        | \$0.02        | \$1,100,000         |
| <b>Net Fair Value</b>        | <b>\$0.35</b> | <b>\$24,428,940</b> |

**We reiterate our BUY rating and raise our fair value estimate from \$0.30 per share to \$0.35 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 have maintained our risk rating at 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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