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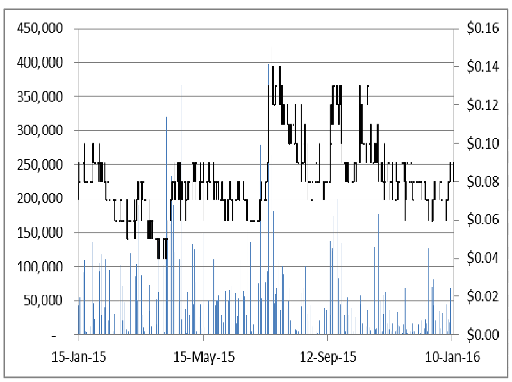
American CuMo Mining Corporation (TSXV: MLY; OTCPK: MLYCF) – Promising Results from Preliminary Ore-Sorting Tests

Sector/Industry: Junior Mining/Exploration **www.cumoco.com**

Market Data (as of January 22, 2016)

Current Price	**C$0.09**
Fair Value	**C$1.45**
Rating*	**BUY**
Risk*	**5 (Highly Spec)**
52 Week Range	C$0.04 – C$0.15
Shares O/S	98.86 mm
Market Cap	C$8.90 mm
Current Yield	N/A
P/E (forward)	N/A
P/B	0.6x
YoY Return	12.5%
YoY TSXV	-30.0%

*see back of report for rating and risk definitions



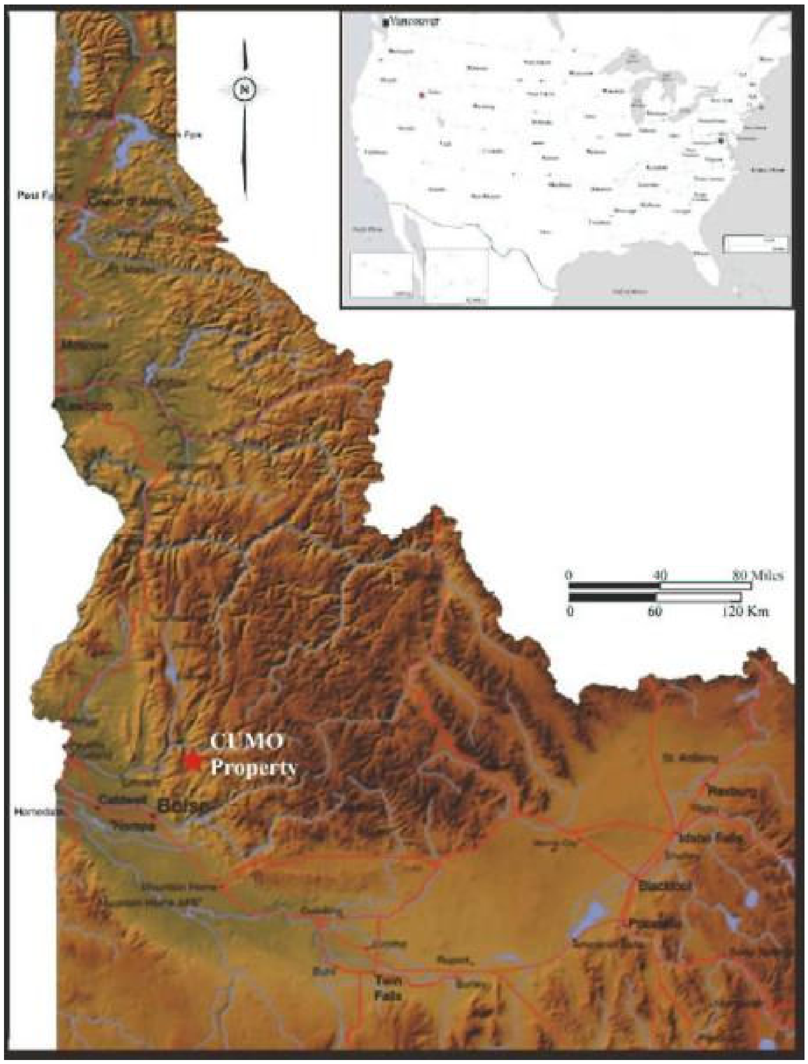
Highlights

- American CuMo Mining Corporation ("MLY", "company") is currently evaluating the viability of applying ore-sorting techniques to its CuMo project. Ore-sorting has significant potential to reduce the overall capital and operating costs of the project.
- On January 12, 2016, the company announced highly positive results from preliminary ore-sorting tests conducted at the University of British Columbia. The tests indicate that the company can mine large tonnages of approximately 150,000 to 250,000 tons per day, while requiring much smaller tonnages of approximately 50,000 to 100,000 tons per day to recover the majority of the valuable contents. Management's objective is to sort the ore and have 25% to 50% of the material recover 85% to 95% of the metals' value.
- We expect several catalysts for the company's shares in the next six months as results of the ongoing ore-sorting tests are released.
- An updated Preliminary Economic Assessment ("PEA") was filed in November 2015.
- MLY management is budgeting $100 million over the next three years to complete a Feasibility Study.
- In November 2015, the company raised $0.41 million through a non-brokered private placement by issuing 5.16 million units at a unit price of $0.08.

Key Financial Data (FYE - June 30) (C$)	2014	2015 (3M)
Cash	169,243	79,726
Working Capital	(1,262,984)	(1,528,747)
Mineral Assets	20,063,033	20,185,098
Total Assets	20,704,108	20,735,445
Net Loss	(988,463)	(150,383)
Loss per Share	(0.01)	(0.00)

Overview

American CuMo Mining's CuMo deposit is a molybdenum-copper deposit located 60 km northeast of Boise, Idaho. The project lies in the Idaho-Montana porphyry belt and is situated on trend, approximately 80 kilometers from Thompson Creek Metals Company Inc.'s ("Thompson Creek" TSX: TCM) Thompson Creek molybdenum mine, also located in Idaho. The CuMo deposit is primarily of interest for its Mo content but contains significant values of Cu and Ag. The project is considered to be one of the largest unmined Mo deposits in the world.



Source: Technical Report (November 5, 2015)

The company holds 100% ownership in the CuMo property which totals 345 unpatented claims, and covers an area of 7,100 acres (2,873 hectares).

The property has excellent access from Boise, which is serviced by both domestic and international air travel. The area is serviced by the Idaho Power Company, and the nearest rail line is the Idaho Northern & Pacific line, which runs through the town of Banks, approximately 32 kilometres to the west. Despite receiving moderate amounts of snowfall in

Ore-sorting to significantly lower operating costs

the winter, the property can be explored year round due to the established roads and infrastructure.

In the second half of 2015, MLY decided to evaluate the possibility of applying ore-sorting techniques to the CuMo project. **Ore-sorting basically involves the separation of the material that contains valuable content from the waste.** As the CuMo deposit is a stockwork vein deposit consisting of narrow veins containing molybdenum and/or copper mineralization, bounded by waste material, only 10% - 20% of the actual rocks contain valuable contents. Therefore, management saw good potential to reduce the overall capital and operating costs of the project through ore-sorting.

Although ore-sorting has been in use for decades, significant improvements in technology have recently prompted several majors such as BHP Billiton (NYSE: BHP), Goldcorp (NYSE: GG), etc. to seriously consider its long-term viability on a larger scale.

Samples were forwarded to the University of British Columbia for preliminary evaluation. Approximately 100 random rock samples were selected, of between 25 and 125 mm in size, and tested at the University of British Columbia using X-ray and electromagnetic scanners (XRF/XRT). The engineering firm, Sacre-Davey Engineering, is currently preparing a NI 43-101 complaint report highlighting the test results.

On January 12, 2016, the company announced positive results from the preliminary tests. **The tests showed that the project has strong potential for significant upgrading using ore-sorting.** The preliminary tests indicate that, through ore-sorting, the company can mine large tonnages of approximately 150,000 to 250,000 tons per day, while requiring much smaller tonnages of approximately 50,000 to 100,000 tons per day to recover the majority of the valuable contents. **The tests showed that a reduction in daily processing from 150,000 to 50,000 tons, could potentially result in slashing the initial CAPEX budget by US$800 to US$1 billion.**

The following table shows the results of the preliminary tests under various cut-off values.

XRF CUTOFF	$0.0 no sorting	$80/ton	$27.1/ton	$17.5/ton	$13/ton	$11.6/ton	$9.5/ton	$7.0/ton
RECOVERED CU% EQUIV. VALUE	0.44	2.15	1.83	1.14	1.01	0.91	0.78	0.72
RECOVERED MO%	0.089	0.430	0.365	0.227	0.202	0.182	0.157	0.144
ROCK ACCEPTED	100%	5.0%	10.0%	20.0%	25.0%	30.0%	40.0%	50.0%
EQUIV. VALUE RECOVERED	100%	22.8%	38.6%	49.0%	54.6%	59.5%	68.9%	79.0%
CU RECOVERED	100%	2.0%	3.3%	17.4%	21.0%	28.5%	44.8%	53.6%
MO RECOVERED	100%	27.8%	47.2%	56.6%	62.7%	67.0%	74.7%	85.2%
CU GRADE (PPM)	822.2	326.0	270.0	717.0	691.0	781.0	921.0	881.0
MO GRADE (PPM)	849.9	4,722.0	4,011.0	2,405.0	2,133.0	1,897.0	1,588.0	1,448.0
% changes								
EQUIV. VALUE/TON	0.00%	483.96%	410.97%	255.79%	227.79%	205.40%	176.46%	161.59%
CU	0.00%	39.65%	32.84%	87.21%	84.04%	94.99%	112.02%	107.15%
MO	0.00%	555.59%	471.94%	282.97%	250.97%	223.20%	186.85%	170.37%

Source: Company

At a US$13 per ton XRF grade cut-off, 25% of the rock is accepted, representing a recovery of 54.6% of the total value (21.0% of the total copper and 62.7% of the total molybdenum). These percentages improve to 22.8% (2.0% of the total copper and 27.8% of the total molybdenum), when just 5% of the rock is accepted, at an $80 per ton cut-off.

The study used metal prices of US$10 / lb of moly oxide (US$15 moly metal), and US$3 / lb of copper. Copper recovery of 75% and moly recovery of 90% were used. Silver was not included in the study. According to the company, copper results were incomplete due to the large quantity of molybdenum in the sample set. The company intends to conduct additional tests to determine actual copper recoveries.

The company is currently conducting tests with STEINERT Elektromagnetbau GmbH, who are considered a leading player in ore-sorting technology. Subsequently, a 5 ton bulk sample test will be used for metallurgical testing. Management believes the preliminary test results can be significantly improved upon completing the remaining tests. **Their objective is to have 25% to 50% of the material recover 85% to 95% of the metals' value.**

Updated technical report

In November 2015, the company filed an updated NI43-101 compliant technical report. The following table presents the updated resource estimate at various cut-offs. The updated estimate is not significantly different from the previous estimate calculated in 2011 by Snowden Mining Industry Consultants.

FRC Fundamental Research Corp.

Medium Price $10.00 Mo oxide, $3.00 Copper, $12.50 Silver, $15 Tungsten. (Summarized on Page 1)

	CUTOFF	TONS > CUTOFF	GRADE > CUTOFF					CONTAINED METAL				
	RCV $US	MILLION	MOS2	CU	AG	W	CU EQ	MILLION	MILLION	MILLION	MILLION	MILLION
		TONS	(%)	(%)	(OZ/T)	(PPM)	%	LBS. MO	LBS MOO3	LBS CU	OZ AG	LBS W
Measured	$2.50	308.40	0.079	0.07	0.06	48.60	0.36	292.15	438.22	456.48	18.80	29.98
Indicated	$2.50	2,216.10	0.049	0.08	0.07	37.60	0.25	1,301.93	1,952.89	3,501.38	160.30	166.65
Measured + Indicated	$2.50	2,524.60	0.053	0.08	0.07	39.00	0.27	1,594.07	2,391.11	3,957.86	179.10	196.63
Inferred	$2.50	3,373.60	0.040	0.06	0.06	32.10	0.20	1,617.92	2,426.88	3,845.86	189.91	216.58

	CUTOFF	TONS > CUTOFF	GRADE > CUTOFF					CONTAINED METAL				
	RCV $US	MILLION	MOS2	CU	AG	W	CU EQ	MILLION	MILLION	MILLION	MILLION	MILLION
		TONS	(%)	(%)	(OZ/T)	(PPM)	%	LBS. MO	LBS MOO3	LBS CU	OZ AG	LBS W
Measured	$7.50	282.00	0.085	0.08	0.06	50.60	0.38	287.41	431.12	428.67	16.94	28.54
Indicated	$7.50	1,708.30	0.059	0.09	0.08	41.10	0.30	1,208.41	1,812.62	3,006.55	129.05	140.42
Measured + Indicated	$7.50	1,990.40	0.063	0.09	0.07	42.40	0.31	1,495.82	2,243.73	3,435.21	145.99	168.96
Inferred	$7.50	1,996.00	0.056	0.07	0.07	35.10	0.27	1,340.14	2,010.20	2,794.35	129.82	140.12

	CUTOFF	TONS > CUTOFF	GRADE > CUTOFF					CONTAINED METAL				
	RCV $US	MILLION	MOS2	CU	AG	W	CU EQ	MILLION	MILLION	MILLION	MILLION	MILLION
		TONS	(%)	(%)	(OZ/T)	(PPM)	%	LBS. MO	LBS MOO3	LBS CU	OZ AG	LBS W
Measured	$12.50	227.90	0.097	0.08	0.06	51.80	0.42	265.00	397.50	341.79	13.29	23.61
Indicated	$12.50	1,050.60	0.076	0.09	0.07	44.20	0.36	957.35	1,436.03	1,891.14	78.14	92.88
Measured + Indicated	$12.50	1,278.60	0.079	0.09	0.07	45.50	0.37	1,222.35	1,833.53	2,232.92	91.43	116.48
Inferred	$12.50	996.40	0.078	0.06	0.06	37.60	0.34	931.81	1,397.71	1,275.37	57.54	74.93

RCV = Recovered Metal Value

The estimate is based on results from 65 diamond drill holes totaling 36,785 meters. Nine of these holes were completed since the previous estimate. **The company believes that the current estimate reflects approximately 60% of the identified mineralized system covered by the property.**

The following table summarizes the updated PEA results. Except for the commodity prices, the updated PEA maintains most of the inputs used in the previous PEA. The revised commodity prices used in the study are: US$10/lb moly oxide (US$15/lb moly metal), and US$3/lb copper. **Note that this update does not account for any upside from the potential of using ore-sorting.**

PEA	50 ktpd	100 ktpd	150 ktpd	200 ktpd
NPV @ 5% - before tax (US$, billions)	$2.0	$6.0	$9.0	$12.0
NPV @ 5% - after tax (US$, billions)	$1.8	$4.5	$7.2	$9.4
IRR (%) - before tax	13%	20%	25%	27%
IRR (%) - after tax	12%	17%	21%	23%
Simple Payback Period (years) - before tax	7.5	4.6	3.5	3.0
Simple Payback Period (years) - after tax	7.7	4.9	3.8	3.4
Total Operating Costs per lb of Mo oxide equiv.	$5.5	$4.3	$3.9	$3.8
Total Operating Costs per short ton milled	$11.2	$8.6	$7.6	$7.1
Total Initial Capital (US$, billions)	$1.6	$2.2	$2.8	$3.4

The PEA is based on a circuit consisting of open pit mining, primary gyratory crushing, coarse ore stockpiling, SAG and ball milling with pebble crushing (“SABC”), and bulk flotation. Molybdenum concentrates are expected to be processed at an off-site roaster to produce molybdenum oxide, rhenium metal and sulfuric acid.

The following recovery rates were used:

Zone	Cu Recovery	MoS_2 Recovery	Ag Recovery	W Recovery
oxide	60	80	65	0
cuag	68	86	75	35
cumo	85	92	78	35
mo	72	95	55	35
msi	72	95	55	35

The following table shows the previous PEA estimates, which were based on US$15/lb moly oxide, US$1.50/lb copper, US$12/oz silver, US$8.50/lb tungsten, US$6500/kg rhenium, and US$135/t for sulfuric acid.

	Throughput Option (short tons)			
	50 kt/d	100 kt/d	150 kt/d	200 kt/d
NPV (US$ billion @ 5%)	4	10	16	21
IRR%	19	29	36	39
Simple Payback Period	4.9	3	2.3	2
Discounted Payback Period (years @5%)	6.1	3.6	2.7	2.3
Total Operating Costs (per lb of Molybdenum Oxide Equivalent)	**5.5**	**4.3**	**3.9**	**3.8**

MLY is planning to have feasibility completed in approximately 3 years, with production startup approximately 1.5 years after that. For the feasibility study, the company has to complete further engineering and metallurgical work, drilling and environmental baseline studies. **MLY management is budgeting $100 million over the**

next three years for an EIS (Environmental Impact Statement), and to complete the Feasibility Study.

Diamond Drilling			
Delineation, infill, metallurgy	48,097 meters (157,800 feet)	100	$15,780,000
Road construction	2 km	$50,000/km	$100,000
Sample Preparation and Analysis	8,800	60	$528,000
Metallurgical Testing	Sample collection etc		$125,000
	Batch round of testing		$1,000,000
	Variability		$1,200,000
Land Acquisition and staking costs			$8,000,000
Environmental Studies	Environmental Assessment		$712,500
	baseline studies startup		$12,500,000
	plan of operations		$800,000
	Environmental Impact Statement		$23,500,000
	Permitting		$3,000,000
Engineering studies scoping	mill site, tailings site analysis		$550,000
	Intergoverment Task Force creation		$500,000
	Plan of operations		$1,200,000
	feasibility		$5,500,000
Yearly Charges			
Mob-Demobilize			$427,000
Road Maintenance\pad construction			$325,000
Supervision and Project Management	supervision	$7,500/mth	$225,000
	corporate Manager	$15,000/mth	$360,000
	Project Manager	$8,000/mth	$240,000
	Assistant Geologist(2)	$5,000/mth	$364,000
	Technicians (12)	$15/hr	$1,174,000
Vehicles	5 vehicles	$1000/mth	$150,000
Accommodation and food	30 men		$760,000
Travel		$1000/mth	$42,000
Project office and Warehouse			$1,225,000
Land Filing Fees	BLM: $140/claim/year; County: $8.50		$342,500
Consultants	(Mining ,Metallurgical and Marketing)		$575,000
Resource Modeling			$1,650,000
Public Relations and Project	Public relations and legal etc		$2,550,000
Presentation	Liaison county and state officials		$1,250,000
yearly Subtotal			**$86,655,000**
Contingency			$13,345,000
Total			**$100,000,000**

Update on permits

In 2011, the company was granted an environmental permit from the U.S. Forest Service ("USFS") permitting them to conduct drilling on the CuMo project. This was challenged in Idaho court by three local environmental groups. The court ruled in favour of the USFS, allowing the permit to remain active. However, the USFS was asked to revise the Environmental Assessment ("EA") to include a more comprehensive discussion of the potential impact on the ground water hydrology caused by drilling.

In August 2013, the USFS released a revised / supplemental EA, which supported their initial decision in 2011, that exploration work at CuMo will have no significant impact on the environment. The revised report discusses the procedures CuMo's exploration program can adopt to mitigate groundwater quality impact.

In October 2015, the company announced that the USFS issued the final Supplemental Decision Notice (DN), and Finding of No Significant Impact (FONSI), regarding the CuMo Exploration Project, allowing the company to proceed with exploration and development work.

The project currently has all necessary permits to continue with advanced exploration. **Management's proposed 2016 work program will include drilling, engineering and environmental baseline studies.**

On January 20, 2016, the company announced that it has been notified that anti-development environmental groups filed a lawsuit against the USFS regarding the recent granting of permits on the CuMo project. **We are not in a position to speculate on the outcome of this lawsuit, but management of MLY considers the lawsuit to be "frivolous and redundant".** Management indicated that the allegations were addressed within the previous lawsuit, wherein the court had ruled in favor of USFS's decision. According to MLY, the lawsuit has not been served on the USFS, and if the suit is not served within 90 days of the filing date, it will be dismissed. Management indicated in their press release that they believe the lawsuit is "timed strategically to disrupt coverage of the company's major positive news announcement about the boost in economic outlook for the Project due to Ore-Sorting technology".

Financials

At the end of Q1-2015 (September 30, 2015), the company had $0.08 million in cash and a working capital deficit of $1.53 million. The negative working capital is because the company had $1.12 million in payables. The table below shows a summary of the company's cash and liquidity position at the end of Q1-2015.

(in C$)	2014	2015 (3M)
Working Capital	(1,262,984)	(1,528,747)
Current Ratio	0.1	0.1
Debt / Assets	18.5%	18.1%
Burn Rate (per month)	(78,706)	(90,816)
Cash from financing activities	1,083,018	43,725

Subsequent to the quarter-end, in November 2015, the company raised $0.41 million through a non brokered private placement by issuing 5.16 million units at a unit price of $0.08. Each unit consists of a common share and a warrant (exercise price - $0.15 per share; maturity – 5 years). MLY's CEO, Shaun Dykes, and his spouse, subscribed for a total of 0.93 million units under the Placement.

The company currently has approximately $3 million @ 6.5% p.a. in convertible notes (due to a related party), maturing in October 2017. The conversion price is $0.28 per share.

In addition, the company has outstanding loans totaling $0.85 million, including the following:

- US$0.25 million @ 8.5% p.a., and maturing in October 2015, from La Familia II LLC (an unrelated party). This loan is related to the silver stream units (discussed below) and is currently being negotiated to be extended until 2025.
- The second loan is related to the sale of two Idaho CuMo units totaling US$0.50 million. Each unit consists of a promissory note @ 8.5% p.a. and matures 7 years from the date of issuance. The units also include the option to enter into a Silver Purchase Agreement Right with the company, which allows the holder to purchase up to 375,000 ounces of silver from the company at US$5/oz, plus an upfront payment of US$0.25 million. The

exercise price of the option is US$0.25 million per unit. However, investors do not have to make the upfront payment, as it will be offset against the principal due on the promissory notes.

Stock options and warrants – The company has 7.15 million stock options (weighted average exercise price of $0.17) and 15.72 million warrants outstanding (weighted average exercise price of $0.12) outstanding. None of the options/warrants are currently in the money.

Valuation and Rating

The following table shows our Net Asset Value ("NAV") estimate based on the application of the ore-sorting technology. Our models assume a 200,000 tpd mining operation for a 40 year mine life. The table below shows a summary of our cash flow forecasts over the mine life, and the first five years of expected cash flows.

		Assumptions		2021	2022	2023	2024	2025
Tonnage	2,880,200,000	200,000	tpd	72,000,000	72,000,000	72,000,000	72,000,000	72,000,000
Contained Mo (lbs)	1,969,920,000	0.057%	MoS2 grade	49,248,000	49,248,000	49,248,000	49,248,000	49,248,000
Contained Cu (lbs)	4,838,400,000	0.084%	Cu grade	120,960,000	120,960,000	120,960,000	120,960,000	120,960,000
Contained Ag (oz)	230,400,003	2.50	Ag grade	5,760,000	5,760,000	5,760,000	5,760,000	5,760,000
Tonnage after Sorting	720,000,000	25%	sorting recovery	18,000,000	18,000,000	18,000,000	18,000,000	18,000,000
Contained Mo (lbs)	1,575,936,001	80%	equiv. content recovery	39,398,400	39,398,400	39,398,400	39,398,400	39,398,400
Contained Cu (lbs)	2,419,200,001	50%	equiv. content recovery	60,480,000	60,480,000	60,480,000	60,480,000	60,480,000
Contained Ag (oz)	115,200,001	50%	equiv. content recovery	2,880,000	2,880,000	2,880,000	2,880,000	2,880,000
Recovered Mo (lbs)	1,418,342,400			35,458,560	35,458,560	35,458,560	35,458,560	35,458,560
Recovered Cu (lb)	1,814,400,000			45,360,000	45,360,000	45,360,000	45,360,000	45,360,000
Recovered Ag (oz)	74,880,000			1,872,000	1,872,000	1,872,000	1,872,000	1,872,000
Price (Mo)	$15.00			$15.00	$15.00	$15.00	$15.00	$15.00
Price (Cu)	$2.50			$2.50	$2.50	$2.50	$2.50	$2.50
Price (Ag)	$22.00			$22.00	$22.00	$22.00	$22.00	$22.00
Revenues (Mo)	$23,402,649,600			585,066,240	585,066,240	585,066,240	585,066,240	585,066,240
Revenues (Cu)	$4,989,600,000			124,740,000	124,740,000	124,740,000	124,740,000	124,740,000
Revenues (Ag)	$1,812,096,000			45,302,400	45,302,400	45,302,400	45,302,400	45,302,400
Total Revenues	**$30,204,345,600**			**755,108,640**	**755,108,640**	**755,108,640**	**755,108,640**	**755,108,640**
NSR	-$154,021,728			-3,775,543	-3,775,543	-3,775,543	-3,775,543	-3,775,543
Op Costs	-$9,208,800,000			-230,220,000	-230,220,000	-230,220,000	-230,220,000	-230,220,000
Sust. / Deferred Costs	-$1,841,760,000			-46,044,000	-46,044,000	-46,044,000	-46,044,000	-46,044,000
Capital Costs	-$2,090,000,000							
Depreciation	-$2,090,000,000			-209,000,000	-209,000,000	-209,000,000	-209,000,000	-209,000,000
Tax	-$5,750,339,716			-90,463,493	-90,463,493	-90,463,493	-90,463,493	-90,463,493
CF	$11,159,424,156			384,605,604	384,605,604	384,605,604	384,605,604	384,605,604
Discount Rate	11.6%			198,760,490	178,052,934	159,502,763	142,885,213	127,998,936
Net Present Value	$501,794,744							
Working Capital - Debt	-$1,139,247							
Net Asset Value	**$500,655,497**							
No. of Shares	98,856,196							
NAV per share	$5.06							

Our long-term commodity forecasts are: US$10/lb of Mo oxide (US$15/lb Mo metal), US$2.50/lb of Cu, and US$22/oz of Ag, with a C$/US exchange rate of 1.1x. We used a discount rate of 11.6%. Note that all of our remaining assumptions are solely based on the recently released initial test results, and are therefore preliminary and highly speculative. We have assumed that 25% of the mined ore will recover 80% of Mo, and 50% each of Cu and Ag.

The following table shows the sensitivity of our NAV estimate to the discount rate.

Discount Rate	NAV / Share
5.0%	$30.05
8.0%	$14.11
10.0%	$8.27
11.6%	$5.06
14.5%	$1.45
16.0%	$0.23

We maintain our BUY rating on MLY's shares. Although our base-case model indicates a valuation of $5.06 per share, we have decided to take a very conservative approach and assign a new fair value estimate of $1.45 per share (at a 14.5% discount rate), up from $0.70 (assigned in March 2014).

Risks

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

- Our valuation is highly sensitive to commodity prices.
- The success of environmental studies and permitting are important long term success factors for the company.
- At this time, the company does not own a producing mineral property.
- Environmental conservation groups have already caused delays in exploration of the CuMo property. The project may be subject to further delays as a result of environmental concerns from the public.
- Viability of the application of ore-sorting on the project has yet to be proven.
- The ability to raise capital and share dilution.
- Development of a project the size of CuMo requires extensive capital investment.
- The company is currently in a negative working capital position.

We maintain our risk rating 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.

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