



Friday, January 15, 2010

Gold Summit Corporation (TSX.V: GSM) – Emerging Junior Gold and Silver Explorer in Nevada and Ontario

Sector: Junior Gold/Mining/Precious Metals

Initial Rating: 8 out of 10

Website: [www.goldsummitcorp.com](http://www.goldsummitcorp.com)

Phone: 1-800-925-7201

**Market Data (January 15, 2010)**

Current Price: \$0.15

Fair Value:

Rating: 8 out of 10

Risk: 3 out of 10

52-Week Range: \$0.015 – \$0.30

Shares Outstanding: 12.236 million

Market Cap: \$1.835 million

Current Yield: N/A

P/E: N/A

P/B:

Year-over-Year Return: -25%

YTD TSX-V: N/A



**Investment Highlights**

- ◆ Gold Summit Corporation is a junior gold exploration and mining company listed on the TSX Venture Exchange
- ◆ headquartered in Reno Nevada; properties in Nevada, 3<sup>rd</sup> largest gold producing region worldwide; also has projects in Ontario, Canada
- ◆ current properties are capable of producing 25,000 ounces of gold annually for a 10-year period
- ◆ significant silver content would serve as an alternative revenue stream
- ◆ focuses primarily on underground targets— more environmentally friendly than open-pit mine operations
- ◆ likely production costs of \$300 – \$400 per ounce of gold make Gold Summit's properties extremely attractive to potential joint venture partners
- ◆ has lithium deposits with selling potential as a noncore asset
- ◆ an excellent long-term strategy for maximizing shareholder value

**Investment Risk**

- ◆ gold exploration and junior miners can be subject to market swings and fluctuations in the value of gold
- ◆ Gold Summit's long-term exploration strategy requires additional financing, which may be challenging to generate for a small-cap firm

**Key Financial Data (FYE – April 30)**

**ANNUAL FINANCIALS**

	Apr 30, 2008 12 Months C\$	Apr 30, 2007 12 Months C\$	Apr 30, 2006 12 Months C\$	3 Yr. Growth % Change
Total Revenue (\$000):	7	3	19	N/A
Earnings before Interest & Tax (\$000):	-1,261	-2,180	-2,379	N/A
Profit/Loss (\$000):	-1,174	-2,180	-2,379	N/A
Earnings per Share:	-0.20	-0.60	-0.80	N/A
Total Assets (\$000):	5,461	4,522	5,055	N/A
Dividends Per Share	0.00	0.00	0.00	
Return on Com. Equity:	-24.75	-46.89	N/A	

Table courtesy of [globeinvestor.com](http://globeinvestor.com)

## Company Overview

Gold Summit Corporation was founded with its primary goal being the exploration and discovery of viable deposits of gold and silver in Nevada in areas with promising geological formations. In the late 1990s and early 2000s, the majority of senior gold firms either scaled back exploration activities or abandoned exploration altogether in response to the long-term slump in gold prices dating back to 1981 after peaking in January 1980. Gold prices then rebounded to the \$725 per ounce level in late 1980, before collapsing below the \$550 per ounce level for the next 30 years. This led to erosion and, in some cases, evaporation of exploration budgets as gold producers largely abandoned early stage exploration and dismantled their exploration teams.

## Mining in Nevada

Nevada is one of the largest gold producing regions in the world. The state currently produces approximately 82% of the gold produced in the United States, with over 6 million ounces of gold produced in 2007. The majority of gold and silver mines currently operating in Nevada are typical open-pit mines, while the properties controlled by Gold Summit Corporation lend themselves to more environmentally friendly underground mining operations. Several major gold producers, including Newmont Mining, Kinross Gold, Barrick, and smaller producers such as Agnico Eagle have either production or exploration activities in the state.

## Current Operations: Primary Properties (core properties and key areas of focus)

Gold Summit Corporation presently has several properties at various stages of exploration and development. All properties are controlled through reasonably priced lease-option agreements with claim titleholders. A summary of each property follows:



**Monte Cristo:** The Monte Cristo area is the most advanced of Gold Summit's properties. It adjoins exploration claims held by Kinross Gold, a senior gold producer headquartered in Toronto, Canada.

Gold Summit controls a 7.5 kilometer strike length on the property with surface expressions of mineralization throughout and a 43 101 compliant resource of approximately 280,000 ounces of gold at the McLean Lode at the northern end. The region's geology is similar to the Comstock Lode, a large gold and silver deposit that yielded 8 million ounces of gold and 200 million ounces of silver. The McLean Lode sustained a small open-pit operation yielding 27,000 ounces of gold in the 1980s. Studies are being conducted to enlarge the current resource and discover further deposits. The expectation of locating additional deposits is highly rated.

**Sugarloaf Peak:** The Sugarloaf Peak property contains similar geology to the Midas deposit, a high grade gold/silver vein deposit mined by Newmont in a similar geological setting in northern Nevada. Sugarloaf Peak has a recorded production of 6,500 ounces of gold from 1915 – 1918 at a grade of 22 grams per tonne at the Tip Top Mine. With current gold prices staying well north of the \$1,000 per ounce level, additional surveys to expand the current 43 101

compliant resource of 60,000 ounces are clearly justified.

### Early Stage Properties (with developed drill targets for initial testing)

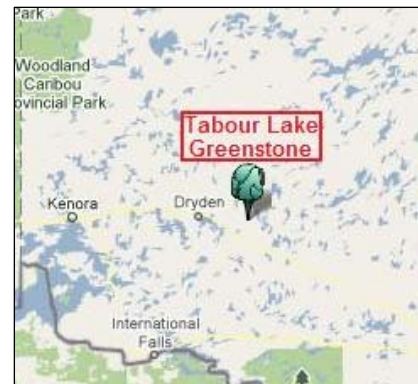
**Blue Sphinx:** The Blue Sphinx property is located about 30 km south of Rio Tinto's now closed Rawhide Mine. The Blue Sphinx property produced approximately 19,000 oz of gold from underground workings during 1908 – 1930. Underground grab samples taken in 2007 show gold values ranging from 1 – 21 grams per tonne. Drilling of two sites is planned for 2010.

**Gold Basin:** The Gold Basin property, located approximately 150 km east of Reno, is in early stage exploration. The property contains three vein systems, one of which borders on a competitor's claim, Bell Mountain, reported to contain near surface resources of 900,000 tonnes at a grade of 1.3 grams per tonne. Early assay reports show up to 12 grams of gold per tonne. The region still needs to be further explored, now planned for 2010.

**Gold Springs:** Located in Lincoln County in eastern Nevada, Gold Springs has surface samples with levels as high as 580 grams per tonne silver and 32 grams per tonne gold. The Helen Mine, located in the south-western portion on the property, mined silver grades as high as 380 grams per tonne in 1981 with an average of 301 grams per tonne. Detailed surface mapping and sampling have been completed on the site with potential drill targets identified for 2010.

**Tabour Lake, Ontario Canada:** The Tabour Lake property was optioned in mid January 2010. It is located in Melgund Township, Kenora Division, Ontario Canada, and Gold Summit has optioned 23 units. The property surrounds the old Sakoose Mine, where past production of 8,000 tons was achieved at a grade of 16 grams per ton in the early 1900's. Subsequent underground and surface exploration has traced mineralization approximately 200 metres down a west-south-west plunging shoot. A total of 20 drill intercepts have intersected widths (not true) ranging between 6.8 and 0.27 metres with grades ranging between 0.6 to 146 g/t gold, according to a compilation of previous drill results by the Ontario Geological Survey.

The Tabour Lake property also contains the Maw gold occurrence that lies 200 m southeast of the Sakoose Mine.



### **Surprise Lake, Ontario, Canada:**

Gold Summit entered into an agreement to option 5.2 square km of land in Corless Township approximately 70 km east of Red Lake in northern Ontario, where Goldcorp mines one of the world's richest grade gold deposits at 65 grams of gold per tonne. Early samples are promising, and the additional study to select drill targets is planned for 2010.

**San Francisco:** The San Francisco property is in its early stages of exploration. Preliminary work was conducted in 2008, with additional exploration activities planned for 2010 by joint venture partner New Dimension Resources (TSX-V:NDR). New Dimension has plans to conduct surface mapping and sampling to identify drill sites.

### Potential as an Acquisition Target

As a firm whose primary business is the exploration and discovery of gold and silver deposits, Gold Summit could be acquired by a senior mining firm and have their operations folded into the new organization. Firms like Kinross Gold, Agnico Eagle, and several other major players in the mining sector have a history of acquiring junior firms to strengthen their exploration and extraction teams.

### Joint Venture Potential

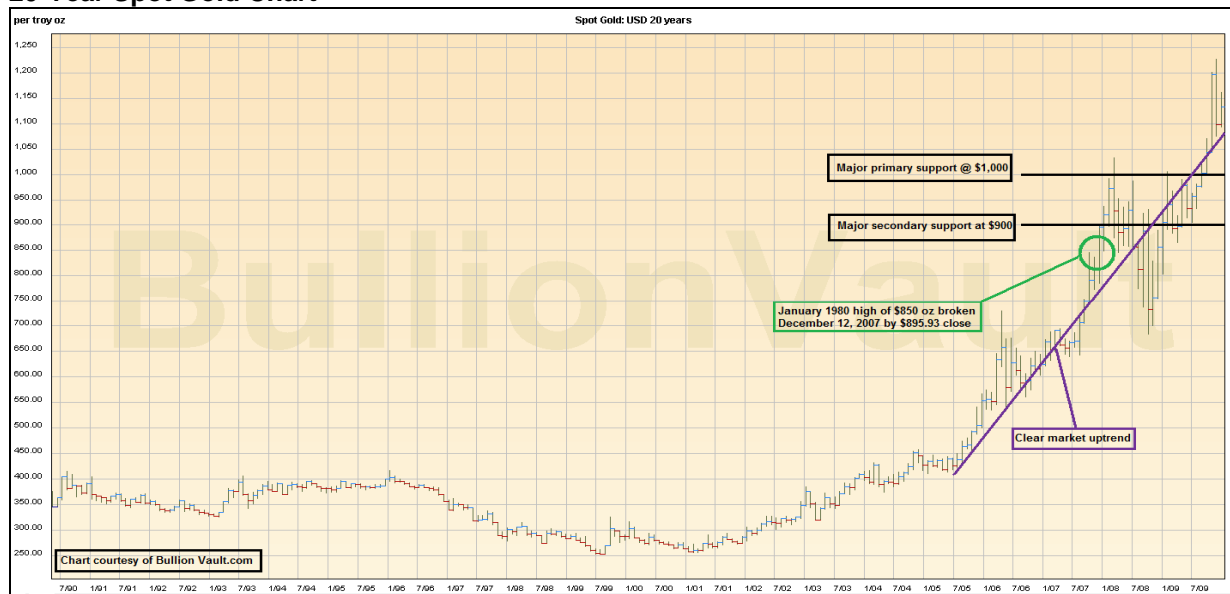
Gold Summit Corporation is also willing to enter into joint venture agreements with other companies for exploration and development and may choose to establish a mining operation if metal deposits and commodity prices justify the capital costs. The company has had joint venture agreements in the past, and all indications show it is open to further discussion with new partners.

### 2010 Gold Market Forecast

The case for higher gold prices in 2010 is strong, especially as we look towards the last half of the year. The forecast for strength isn't based on the typical supply vs. demand curve, but on factors impacting the world's largest economy—the USA. Currency watchers know the Treasury Department has been engineering an orderly decline of the dollar relative to other currencies for several years. As US trade imbalances and government debt escalate, the dollar is far more likely to decline than appreciate. Short-term rallies in the USD are inevitable, but the long-term trend is clearly for a weaker dollar. Since gold prices tend to move inverse to the dollar, a falling dollar typically equals stronger gold prices.

A factor adding support to increased gold prices is the fear of inflation. With the Federal Reserve giving strong signals they will not raise rates in the first half of 2010, the last half of the year is a wide-open question mark. Core inflation is likely to move towards the 2% norm and may extend as high as 2.5%. What will really drive gold is the fear of widespread inflation, a variable most government calculations have not taken into account.

### 20-Year Spot Gold Chart



### **Gold Market – Technical Highlights**

Gold has been in a strong uptrend since bottoming near the \$900 per ounce level in July 2009. The trend appeared to be in jeopardy after the US dollar rebounded from a heavily oversold state, pulling gold prices down (a more sustainable trend) from early December highs. Primary major support comes into this market from \$1000 – \$1032 per ounce, with secondary major support coming into play in the \$900 area. The relative strength or weakness in the US dollar will play a major role in gold prices, growing in significance as the US economy starts firing more cylinders. From a technical perspective, the longer gold stays above the \$1080 per ounce level, the more prospects brighten for Gold Summit Corp.

### **Gold Market – Fundamental Highlights**

Gold is on the move, having risen significantly since its lows in 1999 of nearly \$250 per ounce. Demand from the jewelry industry has fallen due to the rapid rise in gold; traditional gold purchasing regions have seen reduced demand for gold gifts. This trend is likely to reverse as regions adjust to the new reality of higher gold prices. Interestingly, investment demand for gold has remained strong and is growing in both North America and Western Europe. As higher interest rates, capacities, and inflation creep back into the recovering economy, investors, looking for higher levels, have been snapping up this precious metal. The significant lag between vein discoveries and actual production hitting the market are likely to be supportive of gold prices in the foreseeable future.

## Management Profiles

### Executive Officers

**Dr. John B. Gammon**, chairman and director

Dr. Gammon has held senior exploration management positions with Falconridge Nickel Mines in Scandinavia, Southeast Asia, and the Americas. He recently retired his post as assistant deputy minister of mines and minerals for the Government of Ontario.

**Dr. Anthony P. Taylor**, chief executive officer and director

Dr. Taylor brings over 40 years of international minerals' exploration experience to the group, with hands-on experience and management in the discovery of nickel, platinum, copper-zinc, and gold deposits. He has managed projects in Australia, South Africa, and United States with Cominco, Selection Trust, BP Minerals, Kennecott, and Gencor. Dr. Taylor is currently a director of Hecla Mining Company.

**Ralph W. Kettell**, president and director

Mr. Kettell is the founder of Concentric Energy Corp., a privately held uranium company with the Anderson uranium property in Arizona as its principal asset. He is also a founding member of three exploration companies with precious and base metal interests in USA and Canada, including AuEx Inc., a TSX-listed company with gold resources in Nevada. Mr. Kettell was formerly marketing director of 321gold.com, a leading precious metals website. He holds BS and MS degrees in electrical engineering from Lehigh University and is a registered professional engineer.

**Ruth A. Carraher**, vice president of project development

Ms. Carraher has 28 years of experience exploring for gold, silver, and base metals in United States, Mexico, Bolivia, Argentina, and China. She has worked for Hanna Mining Co., Freeport Exploration, Amselco, Coeur Exploration, and Barrick Gold Corp. She is one of the founders of Women's Mining Coalition, a grass-roots group lobbying on behalf of the US mining industry.

**Larry Kornze**, director

Mr. Kornze recently retired from Barrick Gold as general manager of exploration for Mexico, Central America, and International Evaluations. Previously, he served as manager of US Exploration and Barrick Gold Exploration Inc. He is also noted for his work in explorations of the Goldstrike Mine area with discoveries in Betze, Meikle, Deepstar, Screamer, and Rodeo.

**Martin Quick**, director

Mr. Quick has worked as mining engineer for over 40 years, his experience covering both underground and open-pit mining on many continents. Until recently, he was operation's V.P. for Cameco in Canada. Currently, he is president/CEO for Khan Resources, a TSX-V listed uranium development company.

**James P. Boyle**, director

Mr. Boyle is the founding partner of Boyle & Co. LLP, where he practices exclusively in securities law. GSM will surely benefit from Mr. Boyle's extensive experience as counsel for issuers and investment dealers. As well, Mr. Boyle is both a former director and member of the Securities Committee of the Prospectors and Developers Association of Canada.

**Jeremy S. Budd**, assistant secretary

Mr. Budd has practiced law with Boyle & Co. LLP since 2007 and represents issuers (including GSM) and underwriters in a wide variety of capital market transactions and general corporate matters. Mr. Budd is a member of the Israel-Canada Chamber of Commerce and Industry. He holds a B.A. from the University of Western Ontario and obtained his LL.B. and M.B.A. from Osgoode Hall Law School and the Schulich School of Business at York University.

## Investment Viability Summary

### **We are giving Gold Summit Corporation a rating of 8 out of 10.**

The road of gold and silver exploration can be a challenging one, but Gold Summit Corporation has managed to lay claim to some very promising resource-laden properties. The proximity of these properties to proven reserves and the fact several properties are adjacent or close to major gold producers (such as Kinross Gold and Rio Tinto properties) make Gold Summit an excellent candidate for a major joint venture agreement or outright acquisition by a senior gold producing firm. Also bolstering the case for investment in junior exploration firms with promising properties is the current situation with a disturbingly large portion of senior gold producers. With a major gold price slump starting in February 1981, gold prices didn't breach the \$700 level until June 2006 and were not able to gain real upward momentum until late 2007. This resulted in the gutting of exploration budgets, putting the burden of finding new deposits of gold and other precious metals firmly in the laps of junior firms such as Gold Summit.

### Other Positive Factors

- ◆ the firm currently has properties with production potential of 25,000 ounces of gold per year, boosting the overall value of GSM significantly (on valuation based solely on production)
- ◆ GSM's silver assets can be used as a profit center or alternative revenue stream — while not currently enjoying the same move as gold, silver is a more useful metal in industrial, commercial, and medical applications. Silver is likely to see major price moves in the future, and Gold Summit has accessible silver resources.
- ◆ the majority of the properties controlled by Gold Summit lend themselves more favorably to underground mining, which carries a much smaller underground footprint than traditional open-pit mining
- ◆ low production costs of Gold Summit's properties will make the firm even more attractive as gold prices appreciate; even if gold prices decline, production costs would allow a potential acquiring firm or joint venture partner to access available gold in a very cost-effective manner
- ◆ Gold Summit has properties in prime locations with proven potential and favorable geology
- ◆ the management team at Gold Summit Corp. is a well-rounded, highly seasoned team of professionals who understand the inner workings of the gold and silver exploration business

### Rating System Details

We use a 10-point rating system for our recommendations:

- ◆ 1 – 3 = Sell signal, very high risk, highly speculative. The firm has few viable products or services, and prospects for a near term turn around are limited. The company should be considered as a highly speculative investment. Expected returns are -10% or more.
- ◆ 4 – 6 = Hold current positions, do not acquire additional shares. Firm is a speculative play. The company has some growth prospects, but growth strategy needs to be implemented. Consider paring current holdings depending on your risk tolerance. Expected returns are -5% to +5%.
- ◆ 7 – 9 = Buying opportunity. Consider adding to current holdings. The firm is well positioned to take advantage of the current business climate. Expected returns are 7% - 14%.
- ◆ 10 = Strong buy. The firm is in a very strong position relative to industry peers and seems poised for major growth. Risk in this company seems low given available information. Expected returns are 15% or higher.

### Disclosure and Disclaimer

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## Financials

### Balance Sheet for GSM – Fiscal Year-End 04/30

All amounts in millions except per share amounts.

	Q2 2009 9-Oct	Q1 2009 9-Jul	2009 9-Apr	2008 8-Apr	2007 7-Apr	2006 6-Apr
<b>Assets</b>						
Cash and Equivalents	0.19	0.15	0.03	0.42	0.11	0.37
Accounts Receivable	0	0	0.05	0.14	0.07	0.06
Loans Receivable	0.1	0.02	0	0	0	0
Other Receivable	0	0	0	0	0	0.04
Receivables	0.1	0.02	0.05	0.14	0.07	0.1
Other Current Assets	0	0	0	0	0	0.5
<b>Total Current Assets</b>	<b>0.29</b>	<b>0.17</b>	<b>0.08</b>	<b>0.55</b>	<b>0.18</b>	<b>0.97</b>
Gross Fixed Assets (Plant, Prop. & Equip.)	5.09	5.01	4.93	4.94	4.37	4.1
Accumulated Depreciation & Depletion	0	0	0.03	0.03	0.02	0.02
Net Fixed Assets	5.09	5.01	4.9	4.91	4.35	4.08
<b>Total Non Current Assets</b>	<b>5.09</b>	<b>5.01</b>	<b>4.9</b>	<b>4.91</b>	<b>4.35</b>	<b>4.08</b>
<b>Total Assets</b>	<b>5.38</b>	<b>5.18</b>	<b>4.98</b>	<b>5.46</b>	<b>4.52</b>	<b>5.06</b>
<b>Liabilities</b>						
Accounts Payable	0.03	0.09	0.13	0.4	0.1	0.17
<b>Total Current Liabilities</b>	<b>0.03</b>	<b>0.09</b>	<b>0.13</b>	<b>0.4</b>	<b>0.1</b>	<b>0.17</b>
<b>Total Non-Current Liabilities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Liabilities</b>	<b>0.03</b>	<b>0.09</b>	<b>0.13</b>	<b>0.4</b>	<b>0.1</b>	<b>0.17</b>
<b>Shareholders' Equity</b>						
Common Shareholders' Equity	5.35	5.09	4.85	5.06	4.42	4.88
Additional Paid In Capital	15.11	14.38	14.33	13.92	11.66	10.41
Retained Earnings	-10.57	-10.45	-10.18	-9.87	-8.7	-6.52
Other Equity Adjustments	0.81	1.16	0.7	1.01	1.45	0.98
<b>Total Equity</b>	<b>5.35</b>	<b>5.09</b>	<b>4.85</b>	<b>5.06</b>	<b>4.42</b>	<b>4.88</b>
Total Capitalization	5.35	5.09	4.85	5.06	4.42	4.88
<b>Total Liabilities &amp; Shareholders' Equity</b>	<b>5.38</b>	<b>5.18</b>	<b>4.98</b>	<b>5.46</b>	<b>4.52</b>	<b>5.06</b>
<b>Additional Data</b>						
Cash Flow	-1.29	-1.01	-0.31	-1.17	-2.17	-2.36
Working Capital	0.26	0.08	-0.06	0.15	0.07	0.8
Free Cash Flow	-0.52	-0.29	-1.09	-1.28	-1.77	-3.71
Invested Capital	5.35	5.09	4.85	5.06	4.42	4.88
<b>Share Data</b>						
Shares Outstanding Common Class Only	12.19	10.28	5.67	5.65	4.2	3.48
Total Common Shares Outstanding	12.19	10.28	5.67	5.65	4.2	3.48
Basic Weighted Shares Outstanding	10.47	8.82	5.66	4.97	3.78	2.98
Diluted Weighted Shares Outstanding	10.47	8.82	5.66	4.97	3.78	2.98