

2006 BCSECCOM 458

June 1, 2006

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - Securities Act s. 3.2(1) - Designation as a Reporting Issuer - An issuer wants to be designated as a reporting issuer - The issuer was formed in connection with a takeover bid for a reporting issuer; the issuer would automatically become reporting once it takes up and pays for securities under the bid; the issuer has provided comprehensive disclosure about itself in the takeover bid circular; the issuer's parent filed a prospectus with comprehensive disclosure about itself and the issuer

Applicable British Columbia Provisions

Securities Act, R.S.B.C. 1996, c. 418, ss 1(1) and 3.2(1)

In the Matter of
the Securities Legislation of
Alberta, British Columbia, Saskatchewan, Ontario and New Brunswick
(the Jurisdictions)

and

In the Matter of
the Mutual Reliance System for Exemptive Relief Applications

and

In the Matter of
US Gold Canadian Acquisition Corporation
(the Filer)

MRRS Decision Document

Background

1. The local securities regulatory authority or regulator (the Decision Maker) in each of the Jurisdictions has received an application from the Filer for a decision under the securities legislation of the Jurisdictions (the Legislation) for a decision that the Filer be declared a reporting issuer in each of the Jurisdictions with the effective date being the date that a receipt is issued for the Prospectus (as defined below) filed by US Gold across Canada (the Requested Relief).
2. Under the Mutual Reliance Review System for Exemptive Relief Applications

2006 BCSECCOM 458

- 2.1 the Alberta Securities Commission is the principal regulator for this application, and
- 2.2 this MRRS decision document evidences the decision of each Decision Maker.

Interpretation

- 3. Defined terms contained in National Instrument 14-101 *Definitions* have the same meaning in this decision unless they are defined in this decision.

Representations

- 4. The decision is based on the following facts represented by the Filer:
 - 4.1 U.S. Gold Corporation (US Gold) is a Colorado corporation engaged in mineral exploration and development and has its head office in Lakewood, Colorado. It is currently engaged in gold exploration on a property it owns in the State of Nevada called Tonkin Springs. Its shares of common stock are registered under the 1933 Act and are quoted on the Over-the-Counter Bulletin Board in the United States.
 - 4.2 The Filer is a wholly-owned subsidiary of US Gold incorporated under the laws of Alberta solely for the purpose of making the share exchange take-over bids described below, has not carried on any business activities and has its head office in Edmonton, Alberta.
 - 4.3 In February 2006, US Gold issued 16,700,000 subscription receipts (the Subscription Receipts) by way of private placement in Canada and the United States, which will automatically be converted into shares of common stock, and warrants to purchase shares of common stock of US Gold on the satisfaction of certain conditions. Those conditions include the issuance of a receipt for a final prospectus (the Prospectus) in the applicable Canadian jurisdictions, qualifying the securities underlying the Subscription Receipts.
 - 4.4 On March 5, 2006, US Gold announced its intention to make securities exchange take-over bids (the Take-Over Bids) for all of the outstanding common shares of four companies that have gold exploration properties adjacent to or near US Gold's Tonkin Springs property. Those companies are White Knight Resources Ltd., Nevada Pacific Gold Ltd., Coral Gold Resources Ltd. and Tone Resources Ltd (collectively, the Target Issuers), all of which are based in British Columbia and listed on the TSX Venture Exchange.

2006 BCSECCOM 458

- 4.5 On May 1, 2006, US Gold and the Filer filed a take-over bid for all of the outstanding common shares of White Knight Resources Ltd (the White Knight Bid), which resulted in both US Gold and the Filer becoming reporting issuers in Nova Scotia and Newfoundland and Labrador but not in the Jurisdictions.
- 4.6 In order to provide Canadian security holders of the offeree issuers with certain tax benefits, the offeree security holders have the option to exchange their securities for either shares of common stock of US Gold or exchangeable shares (the Exchangeable Shares) of the Filer.
- 4.7 The Exchangeable Shares are structured so that they are, except for tax implications, the economic equivalent of the shares of common stock of US Gold.
- 4.8 It is or will be a condition of the Take-Over Bids that
 - 4.8.1 the shares of common stock of US Gold be accepted for listing on the American Stock Exchange;
 - 4.8.2 the shares of common stock of US Gold and the Exchangeable Shares be accepted for listing on the Toronto Stock Exchange; and
 - 4.8.3 a final receipt be issued for the prospectus relating to the Subscription Receipts in all jurisdictions in Canada, so that US Gold will become a reporting issuer prior to the take-up of shares under the Take-Over Bids all jurisdictions where that concept exists.
- 4.9 Both the prospectus of US Gold relating to the Subscription Receipts and each of the four Take-Over Bid circulars will describe the terms and conditions attaching to the Exchangeable Shares, will indicate that the Exchangeable Shares are the economic equivalent, except for tax implications, of the shares of common stock of US Gold and will contain prospectus-level disclosure regarding the Filer.
- 4.10 US Gold filed the Prospectus on May 19, 2006 in all jurisdictions in Canada.
- 4.11 By virtue of section 2.11 of Multilateral Instrument 45-102 *Resale of Securities* (NI 45-102), offeree security holders of the Target Issuers who elect to receive shares of common stock of US Gold will have free-

2006 BCSECCOM 458

trading securities because, upon the issuance of a receipt for the prospectus relating to the Subscription Receipts, U.S. Gold will be a reporting issuer in each of the Jurisdictions before shares are taken up under the Take-Over Bids.

- 4.12 In the absence of the requested relief, the Exchangeable Shares, which will not be securities of US Gold, would be subject to either an indefinite hold period or a four-month seasoning period under section 2.6 of NI 45-102 in the Jurisdictions, which would place offeree security holders who elect to receive Exchangeable Shares at a significant disadvantage from those security holders who elect to receive shares of common stock of US Gold.

Decision

5. Each of the Decision Makers is satisfied that the test contained in the Legislation that provides the Decision Maker with the jurisdiction to make the decision has been met.
6. The decision of the Decision Makers under the Legislation is that the Requested Relief is granted, with the effective date being the date that a receipt is issued for the Prospectus filed by US Gold across Canada.

Glenda A. Campbell, Q.C., Vice-Chair
Alberta Securities Commission

James A. Millard, Q.C., Member
Alberta Securities Commission