

2006 BCSECCOM 299

May 4, 2006

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - Securities Rules s. 162(3) - Exemption from the requirement to include a formal valuation of the offeree issuer in an issuer bid circular - An issuer wants relief from the requirement to obtain a formal valuation in connection with its insider bid for the outstanding common shares of a target company - The target company is an exploration company with properties that have not generated revenue or have ceased operations; it is unlikely that the valuations would provide information that is useful to the target's shareholders; the offeror does not have any material information concerning the target company or its securities that has not been publicly disclosed; the target company has an independent special committee representing the interests of shareholders; the target company has not opposed the relief being granted - The offeror has not had any board or management representation with the target company in the last 12 months; the offeror does not have access to any material information concerning the target company or its securities that has not been publicly disclosed; the offeror can rely on exemptions from the requirement to obtain a valuation and disclose prior valuations in OSC Rule 61-501 or Québec Policy Q-27

Applicable British Columbia Provisions

Securities Rules, B.C. Reg. 194/97, s. 162(3)

In the Matter of
the Securities Legislation of
British Columbia, Alberta, Manitoba, Newfoundland and Labrador, Nova Scotia,
and Saskatchewan (the Jurisdictions)

and

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

and

In the Matter of
U.S. Gold Corporation (U.S. Gold), US Gold Holdings Corporation (Holdings)
and US Gold Canadian Acquisition Corporation (Acquisition, and collectively the
Filers)

MRRS Decision Document

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Background

- ¶ 1 The local securities regulatory authority or regulator (the Decision Maker) in each of the Jurisdictions has received an application from the Filers for a decision under the securities legislation of the Jurisdictions (the Legislation) for a waiver from the requirement to obtain a formal valuation and summarize that valuation in a take-over bid circular in connection with the Filer's proposed take-over bids for Coral Gold Resources Ltd. (Coral), Nevada Pacific Gold Resources Ltd. (Nevada Pacific), Tone Resources Ltd. (Tone), and White Knight Resources Ltd. (White Knight) (the Requested Relief).

Under the Mutual Reliance Review System for Exemptive Relief Applications

- (a) the British Columbia Securities Commission is the principal regulator for this application, and
- (b) this MRRS decision document evidences the decision of each Decision Maker.

Interpretation

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

Representations

The decision is based on the following facts represented by the Filers:

1. U.S. Gold is a corporation organized under the laws of Colorado with its head office in Lakewood, Colorado;
2. U.S. Gold's shares of common stock are registered under the 1933 Act and are quoted on the Over-the-Counter Bulletin Board in the United States;
3. the Filers are not currently reporting issuers in any jurisdiction in Canada;
4. Coral, Nevada Pacific, Tone and White Knight (collectively, the targets) are each incorporated under the laws of British Columbia, are reporting issuers in British Columbia and Alberta, and listed on the TSX Venture Exchange;
5. Coral is also a reporting issuer in Ontario, and Tone is also a reporting issuer in Ontario and the Yukon;
6. all of the targets have gold exploration properties adjacent to or near U.S. Gold's Tonkin Springs property;

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7. on March 5, 2006, U.S. Gold informed each of the targets by letter that it proposed to acquire, in share exchange transactions, all of the outstanding common shares of each of the targets, and issued a press release announcing the proposal;
8. the press release set out the number of shares of common stock of U.S. Gold that the shareholders of each of the targets would receive under the proposal;
9. based on the closing prices of U.S. Gold's shares and the targets' common shares on March 3, 2006, the last trading day before U.S. Gold announced the proposal, the consideration represented a premium of approximately 25% to the market price of the targets' shares;
10. Robert R. McEwen (McEwen) of Toronto is the Chairman and Chief Executive Officer of U.S. Gold, and owns 33.3% of U.S. Gold's outstanding shares;
11. in June 2005, McEwen acquired common shares of White Knight in private transactions representing 16.1% of the outstanding common shares of White Knight, based on public filings as of March 31, 2006;
12. McEwen is not a director or officer of White Knight;
13. in December 2005, McEwen acquired the following securities through private placement transactions:
 - (a) common shares of Coral representing 19.8% of Coral's outstanding shares,
 - (b) common shares and warrants of Nevada Pacific representing 18.2% of Nevada Pacific's outstanding shares, and
 - (c) common shares and warrants of Tone representing 13.4% of Tone's outstanding common shares,based on public filings as of March 31, 2006;
14. by reason of these investments, McEwen was appointed to the boards of directors of Coral, Nevada Pacific and Tone;
15. apart from his appointment to the boards of three of the targets, McEwen has had no involvement in the management of any of the targets;

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16. McEwen does not have knowledge of any material information concerning any of the targets that has not been publicly disclosed;
17. because McEwen is an insider of each of the targets, the Filers' take-over bids are insider bids under the Legislation requiring a formal valuation;
18. all of U.S. Gold's and the targets' properties are exploration properties that have not generated revenue, other than in the case of Nevada Pacific which also has a mine that has suspended operations;
19. given the state of development of the targets' operations, it is extremely unlikely that valuations of the targets would provide any useful information to investors;
20. according to counsel for two of the targets, the financial advisors retained by the special committees of those targets have advised the respective special committees that, in the circumstances, a formal valuation would do little to assist shareholders of the target in making a reasonably informed decision as to whether to tender their shares to the proposed take-over bid;
21. U.S. Gold provided the targets with copies of its application to the Decision Makers and none of the targets' special committees opposed the application; and
22. with respect to White Knight, relief is not required in Ontario or Québec, because the Filers have an exemption on the basis that McEwen has had no board or management representation respecting White Knight and does not have knowledge of any material information concerning White Knight that has not been publicly disclosed.

Decision

- ¶ 3 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.

The decision of the Decision Makers under the Legislation is that the Requested Relief is granted.

Brent W. Aitken
Vice Chair
British Columbia Securities Commission