

Number 538 May 2007  
US Gold Corp.

AMEX

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UXG

# Special Situations

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## US Gold Bets on Its Nevada Properties

To be a successful gold mining company, there are a few things that will improve your chances for success. First, practice nearology: Look for gold in a place where gold (preferably lots of it) has already been found. Second, don't mine in a warzone: Look for gold where there's existing infrastructure to support exploration and production, including good security and a stable currency. Third, have deep, deep pockets: Get a big infusion of cash and drill like there's no tomorrow.

By those rules, US Gold Corporation has already scored three home runs. First, the company's property is sandwiched between enormously productive holdings of gold giants Newmont and Barrick. Second, the property is in Nevada. And finally, the company currently has around \$50 million in cash.

Beyond that, since mining veteran Rob McEwen took over running US Gold, its share price has increased from \$0.36 to over \$6 (well over 1,500%) and the company has raised over \$75 million. The company's strong cash position and substantial land holdings make it an attractive prospect for investors

Despite US Gold's large gains since McEwen took the helm, the company still has a huge upside potential. Now trading well below its 52-week high, we believe that now is the right time to buy.



**Anthony W. Haddad**  
Managing Editor

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**US Gold Corp.**  
**www.usgold.com**



Led by legendary miner and financier Robert McEwen, who took Goldcorp from a market cap of \$50 million to nearly \$7 billion.

Strategy includes dominating large land areas in politically stable and mining friendly regions. US Gold's Tonkin property in Nevada is sandwiched between the Barrick and Newmont mines—the world's largest gold producers.

Operating in the right trend, the right place, the right time.

Consolidating its stake in the Cortez Trend with the acquisition of three adjacent companies.

<b>AMEX / TSX:</b>	UXG	<b>Shares Outstanding:</b>	98 million
<b>Recent Price:</b>	<b>\$5.58</b>	<b>Estimated Float:</b>	76 million
<b>52-Week Range:</b>	\$3.73 - 9.45	<b>Market Cap:</b>	\$546.84 million
<b>Shareholder's Equity:</b>	\$52 million	<b>Long-Term Debt:</b>	none
<b>Book Value per Share:</b>	\$1.07	<b>Total Assets:</b>	\$59 million

## RECOMMENDATION

Legendary miner and financier Robert McEwen, who took Goldcorp from a market cap of \$50 million to \$7 billion, is transforming US Gold Corp. from a junior miner to a senior producer in Nevada's Cortez Trend. McEwen's investment strategy in Nevada is to create a company that has a large land position.

As a result, US Gold recently acquired three smaller mining companies with properties surrounding its Nevada holdings, thus giving it a much bigger opportunity to become a premier mining company. The three adjacent companies include White Knight Resources Ltd., Nevada Pacific Gold Ltd., and Tone Resources Ltd.

The company's Tonkin property is located in Nevada's Cortez Trend—sandwiched between Barrick's rich Cortez Hills gold deposit and the Newmont—the world's largest gold producers.

Having a big cash position and no debt, US Gold will also have an exploration budget similar to a senior producer. To boost trading liquidity, US Gold listed its shares and warrants on the Toronto Stock Exchange and American Stock Exchange.

US Gold has achieved a number of major milestones. The company has strengthened its treasury, increased its trading liquidity by listing its common shares on senior exchanges, and commenced an aggressive \$30 million exploration program at its Tonkin property.

This year, US Gold plans to continue an extensive exploration and evaluation program at its Tonkin property and to integrate the three mining companies into its exploration program. The company's multi-year exploration program is budgeted for approximately \$30 million on the Tonkin property, of which approximately \$9.2 million was spent in 2006 and approximately \$20 million is targeted for 2007.

Drilling at Tonkin commenced in June 2006 and includes both core as well as rotary drilling. Five drill rigs are active at the property with additional drill rigs expected to be secured in 2007. At year-end 2006, 49 holes had been completed, with a total of approximately 60,253 feet. US Gold expects the drilling program to continue uninterrupted through much of 2007, and possibly into 2008.

## BUSINESS

US Gold is engaged in the exploration for gold and other precious metals. The company's Tonkin property consists of 36 miles of mostly untapped land located on the Battle Mountain-Eureka Trend in Nevada, also known as the Cortez Trend. The Tonkin site is estimated to have 1.4 million ounces of mineralized material currently defined near surface.

Today, Nevada is the world's fourth largest gold producer behind South Africa, Australia, and China. In the 2005/2006 Survey of Mining Companies carried out by The Fraser Institute, Canada's economic think tank, Nevada ranked among the top places in the world for overall mining investment attractiveness.

In 2006, US Gold's experienced team of professionals completed property-wide reevaluations, updating geologic mapping, geochemical sampling, and geophysical data. The program in 2007 is to continue aggressively exploring further away from areas with historic drilling.

To consolidate the Cortez Trend, US Gold recently acquired three adjacent companies: White Knight Resources, Nevada Pacific Gold, and Tone Resources.

### *White Knight*

White Knight is an exploration company active in identifying and generating new mineral prospects. White Knight has been exploring for gold deposits in Nevada since 1993 and currently controls the second largest land holding in the Cortez Trend. Its portfolio includes 18 properties (over 68,000 acres), 15 of which are located in the Cortez Trend. Five are joint ventures subject to earn-in agreements with the remainder held 100% by White Knight (with White Knight having a net ownership position of between 46,000 and 50,000 acres).

### *Nevada Pacific*

Nevada Pacific owns an exploratory property portfolio covering approximately 890 square miles of mineral rights in Mexico, including the Magistral Gold Mine, ten properties in Nevada and one in Utah. The Nevada property portfolio covers approximately 85 square miles, including portions of two significant gold producing regions: the Battle Mountain/Eureka Trend/Cortez Trend and the Carlin Trend.

### *Tone Resources*

Tone Resources is an exploration stage company engaged in the acquisition and exploration of mineral properties primarily located on the major gold trends in the north-central region of Nevada. The company controls substantially all mineral interests in eight properties in Elko, Eureka, Lander, and Pershing counties in Nevada. All of its properties are located near infrastructure facilities of currently producing gold mines.

## The Cortez Trend

### *The Right Trend*

The first major phase of the current Cortez Trend started in 1991 when Placer Dome, now Barrick, discovered the Pipeline Deposit. Placer Dome had been testing the area to ensure there was no gold beneath the surface in order to start construction for a subsequent deposit. Later that year the Placer Dome exploration team discovered South Pipeline.

Placer Dome made its Cortez Pediment Deposit discovery in 1998, followed by its South Pipeline Extension Deposit discovery in 2000. Many thought the Cortez Trend had the potential to produce other mines, but few believed it could host Carlin type deposits. However, the world of gold mining and the prospects of the Cortez Trend dramatically changed when Placer Dome announced the discovery of Cortez Hills in 2003.

Placer Dome reported the discovery of Cortez Hills in April 2003, with an initial resource of 2.1 million ounces in measured and indicated resources, plus an additional 932,000 ounces in inferred resources. Shortly after, measured and indicated resources more than doubled to 4.5 million ounces. By October 2005, the Cortez Hills deposit was estimated to contain 5.6 million ounces of proven and probable reserves.

In the Cortez Hills deposit, geologists are seeing similarities between it and the discoveries that make up the Carlin Trend. It is noted that the Cortez Pipeline and Cortez Hills deposits share in common with Newmont and Barrick's Carlin properties such geological characteristics as intrusive proximity, deep-rooted fault, sediment host rocks, Carlin-type geochemistry, low silver to gold ratio, and micron-sized gold in Arsenian Pyrite.

### *The Right Place*

The Tonkin Springs property is located on 150 square miles in Nevada's politically safe Cortez Trend, a structure which is close to, and parallel with the Carlin Trend, both of which host some of the world's largest gold deposits. The two trends comprise the largest gold producing region in the U.S. and the third largest in the world, behind South Africa and Australia.

Today, many parts of the world are proving to be difficult for miners to operate and explore, but US Gold believes that Nevada remains one of the most unencumbered places on earth. Miners that are operating in foreign districts often have to concern themselves with difficult and tiresome bureaucracy, political instability, civilian protests, foreign exchange fluctuations, environmental issues, regulatory hurdles, and nationalization of assets.

As expenses are paid in U.S. dollars, operations in Nevada generally have less risk of currency fluctuations. This has been a major concern for the gold sector over the past four years as it has often eliminated the excess profits companies were expecting to realize from a higher price of gold.

A perfect example of the effects of currency fluctuations is South Africa, where the South African Rand has appreciated in value more than gold when priced in U.S. dollars. This has driven up operating costs faster than revenues and squeezed these miners' profit margins, despite the higher price of gold.

US Gold's Tonkin Springs property also benefits from the well-developed infrastructure and skilled personnel located within Nevada. These features are becoming much more important as new discoveries are being found in very remote locations.

### *The Right Time*

US Gold believes that the economic landscape that it finds itself in feels very similar to the 1970's. If you look back to this period, many of the same factors are playing themselves out today and it is during these times of uncertainty that the company believes gold will outperform.

Today, oil prices are near record highs. Many people say the economy is doing very well despite the record prices consumers are paying. What many of these people tend to forget is that it takes time for higher oil prices to filter into one's daily lives. In addition, many major oil consumers have hedged their oil supplies, meaning they are paying below market prices. However, many of these contracts are running out and soon they will be paying what everyone else is paying. When this occurs, these companies will pass on the price increase to the consumer.

Higher oil prices are not the only thing the U.S. finds itself contending with. In the 1970's America was fighting a war in Vietnam. Today the battle is in Iraq. The government is spending large sums of money overseas that it can ill afford.

Since 2001, the U.S. dollar has largely been in a downward spiral. The purchasing power of the average American has been reduced dramatically. The same situation happened in the 1970's. Unfortunately, many individuals fail to see the consequences of a falling dollar because the reality tends to only set in once they travel outside the U.S. What they notice is that everything is a lot more expensive than it was five years ago. Thus, US Gold believes that the current economic stage is right for investing in gold.

Gold is money and there are certain periods within the long term economic cycle where gold has been the ultimate currency to own. Since 2002, gold is up 112% (as of May 10, 2007).

There are other economic indicators besides the US dollar that investors should be looking at. If one looks at the Dow Jones Industrial Average over the past 109 years, one will notice the index has broken its upward movement twice. The first occurred from 1929 to 1939 and the second occurred from 1966 to 1980. In both of these periods gold and gold shares outperformed. Starting in 1999, US Gold believes the DJIA has entered a third such period. The company believes that it's not a coincidence that just like the first two periods discussed above, gold and gold shares are outperforming the broad markets again.

There is more to the DJIA's performance than investors might first realize. If you invested in the DJIA, you may think your investment has broken even during the past six years because the index is essentially where it started from but this maybe a misconception since his investment is in U.S. dollars and the dollar has fallen over this time. Therefore, a theoretical basket of goods one could have bought with one's investment in the DJIA won't buy the same basket today, even though the index is relatively even.

Today, the U.S. is experiencing rising inflation. With higher inflation, higher interest rates are usually not far behind. This is what occurred in the 1970s. US Gold believes that it will likely happen again. Many believe that interest rates are the government's primary method for controlling inflation and, the higher inflation goes, the higher interest rates are usually set. This can have consequences for average citizens, especially those that took out adjustable rate mortgages when rates were at forty-year lows. Looking back, the early 1980s witnessed what high interest rates could do to the individual homebuyer when many lost their houses because interest rate payments became too overbearing.

## HISTORY

The company was organized under the laws of the State of Colorado on July 24, 1979 under the name Silver State Mining Corporation. On June 21, 1988, it changed its name to US Gold Corporation.

US Gold's common stock is listed on the American Stock Exchange and the Toronto Stock Exchange, each under the symbol UXG.

The company owns 100% of its property and operates its business through several subsidiary companies, each of which is owned directly or indirectly by US Gold.

## MANAGEMENT

**Robert McEwen** is chairman and CEO. McEwen has been associated with the resource industry for 29 years. His career began in the investment industry, and then in 1990 he stepped into the mining sector. McEwen is the founder of Goldcorp Inc., where he helped take the company from a market capitalization of \$50 million to over \$7 billion and he is US Gold's largest shareholder, owning over 33% of the outstanding shares on an undiluted basis.

**Ann S. Carpenter** has been president, COO and director since October 24, 2005. From 2003 to 2005, Carpenter was an independent consultant in the mining industry, focusing on resource assessment, evaluations, and project development for properties in the U.S., Mexico and South America. From November 1997 to 2003, she was the vice-president exploration and business development for NCGI, a private mining company. Since 1996, she has also worked with the Women's Mining Coalition, a nonprofit entity, as a lobbyist for the mining industry.

**William F. Pass** is vice president and chief financial officer. Pass joined the company in June 1988 and was appointed corporate secretary on September 1, 1991 and vice president administration on January 1, 1994. On February 1, 1996, he was appointed to his current positions. Pass devotes a majority of his time to the business and affairs of the company.

## FINANCES

For the fiscal year ended December 31, 2006, US Gold posted a net loss of approximately \$73 million, up from \$3 million at year-end 2005. In the comparable periods, the company had cash and cash equivalents totaling about \$51 million, up from \$677,518.

### BALANCE SHEET DATA (as of December 31, 2006 )

<b>Total Assets:</b>	<b>\$59 million</b>
<b>Long-Term Debt:</b>	<b>None</b>
<b>Shares Outstanding:</b>	<b>163 million</b>
<b>Shareholders' Equity:</b>	<b>\$52 million</b>
<b>Book Value Per Share:</b>	<b>\$1.07</b>

## COMPETITION

US Gold competes with many companies in the mining business, including large, established mining companies with substantial capabilities, personnel and financial resources. Because of these factors, the company may at times be in a competitive disadvantage in acquiring additional mineral properties in the U.S., where there is a limited supply of desirable mineral lands available for claim-staking, leasing and acquiring.

Many large competitors not only explore for and mine precious metals, but also conduct refining and marketing operations on a worldwide basis. As a result, the company may be unable not only to acquire desired properties, but also to recruit or retain qualified employees, or obtain equipment and personnel to assist in its exploration activities.

## RISKS

Previous operators at the Tonkin property were focused on producing gold from shallow deposits in an effort to achieve immediate revenue. US Gold's drilling program, which commenced in 2006 and continues in 2007, targets mineralization at greater depths and at different locations on its property. The company's estimates of mineralization in shallow zones are not necessarily indicative of mineralization at greater depths. In addition, estimates of mineralization are based on limited samples and may be imprecise.

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# EQUITIES Special Situations Recommendations Still Open on 1/1/07 and Subsequent Recommendations

COMPANY	DATE RECOMMENDED	RECOMMENDED PRICE	RECENT PRICE	PCT. CHG.	B-H-S	COMPANY	DATE RECOMMENDED	RECOMMENDED PRICE	RECENT PRICE	PCT. CHG.	B-H-S
NASDAQ:REFR						AMEX:KAL					
Research Frontiers	7/01	25.98	11.15	-57	Buy	Callisto	5-06	1.41	0.75	-47	Buy
NYSE:PPD						NASDAQ:SIRI					
Pre-Paid Legal Services <sup>1</sup>	6/02	16.20	63.45	+292	Buy	SIRIUS Satellite Radio, Inc.	6-06	4.48	2.84	-37	Buy
RENN.PK						OPCI.OB					
Renaissance Capital <sup>2</sup>	8-12/02	1.41	9.00	+538	Sold	OPC Lasers	8-06	2.40	1.40	-42	Buy
AMEX:IOC						NASDAQ:GORX					
InterOil Corporation	7-12/03	20.49	28.25	+38	Buy	GeoPharma	10-06	4.05	4.11	+1	Buy
EACC.OB						AMEX:DIL					
eAutoclaims, Inc.	5-05	0.12	0.12	0	Buy	Dyadic International, Inc.	10-06	4.23	5.30	+25	Buy
RPTN.OB						UGTH.OB & GTH.V					
Raptor Networks Technology	7-8/05	0.51	1.62	+218	Buy	U.S. Geothermal, Inc.	12-06	1.09	2.22	+104	Buy
MSEL.OB						AFLR.OB					
Merisel, Inc.	9/05	7.59	6.10	-20	Buy	Auction Floor, Inc	01-07	0.30	0.05	-83	Buy
RXHN.OB						MAKU.OB					
Rexahn Pharmaceuticals, Inc.	1-06	1.75	2.00	+14	Buy	Makeup.com Ltd.	02-07	0.65	0.49	-25	Buy
AVMD.PK						MACM.OB					
Advanced Medical	2-06	2.00	0.42	-79	Buy	MacroChem, Corp.	03-07	0.59	0.90	+53	Buy
AMEX:UTK						ACTC.OB					
UTEK <sup>6</sup>	3-06	13.75	15.13	+10	Buy	Advanced Cell Tech., Inc.	04-07	0.76	0.69	-9	Buy
BIPH.OB						AMEX:UXG					
Biophan	4-06	1.53	0.28	-82	Buy	US Gold Corp.	05-07	5.58	5.58	0	BUY

1 Purchase price adjusted downward for a dividend of \$0.50 in January 2005 and \$0.30 in May 2005 and \$1.20 so far in 2006.

2 Purchase price adjusted for dividends of \$0.10 in 2003, \$0.40 in 2003 and capital gains of \$0.85 in 2004 and dividends of \$0.40. In January 2005 purchase price

adjusted downward for a special dividend of \$2.77 and \$0.40 regular. Purchase price adjusted downward \$0.93 in January 2006 for a special dividend. And \$0.40 regular.

Prices are as of CLOSE 5/10/07

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